SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

**FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTIONS 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For Fiscal Year Ended July 31, 2002

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period From______ to_______

Commission File 000-23262

CMGI, Inc.

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**04-2921333** **(I.R.S. Employer Identification No.)**
100 Brickstone Square **Andover, Massachusetts** **(Address of principal executive offices)**	**01810** **(zip code)**

(978) 684-3600
Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

(Title of Class)
Common Stock, $0.01 par value

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

The approximate aggregate market value of Common Stock held by non-affiliates of the Registrant was $200,264,692 as of October 18, 2002.

On October 18, 2002, the Registrant had outstanding 392,675,868 shares of Common Stock, $0.01 par value.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement (the "Definitive Proxy Statement") to be filed with the Securities and Exchange Commission relative to the Company's 2002 Annual Meeting of Stockholders are incorporated by reference into Part III of this Report.

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ANNUAL REPORT ON FORM 10-K
FISCAL YEAR ENDED JULY 31, 2002

CMGI, INC.

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes," "anticipates," "plans," "expects" and similar expressions are intended to identify forward-looking statements. The important factors discussed under the caption "Factors That May Affect Future Results" in Item 7 of this report, among others, could cause actual results to differ materially from those indicated by forward-looking statements made herein and presented elsewhere by management. Such forward-looking statements represent management's current expectations and are inherently uncertain. Investors are warned that actual results may differ from management's expectations. CMGI does not undertake any obligation to update forward-looking statements.

PART I

ITEM 1.—BUSINESS

General

CMGI, Inc. (together with its consolidated subsidiaries, "CMGI" or the "Company") is an operating and development company comprised of established and emerging companies, including both CMGI operating businesses and investments. CMGI companies span a range of vertical market segments including eBusiness and Fulfillment, and Enterprise Software and Services. The Company previously operated under the name CMG Information Services, Inc. and was incorporated in Delaware in 1986. CMGI's address is 100 Brickstone Square, Andover, Massachusetts 01810.

CMGI's business strategy over the years has led to the development, acquisition and operation of majority-owned subsidiaries focused on Internet technologies and supply chain management services, as well as the strategic investment in other Internet companies that have demonstrated synergies with CMGI's core businesses. The Company's strategy also envisions and promotes opportunities for synergistic business relationships among its subsidiaries, investments and affiliates. The Company expects to continue to develop and refine its product and service offerings, and to continue to pursue the development or acquisition of, or the investment in, additional companies and technologies. A description of the Company's development through merger and acquisition activities is set forth in note 8 of the Notes to Consolidated Financial Statements included in Item 8 below and is incorporated herein by reference.

The Company's subsidiaries have been classified in two operating segments, eBusiness and Fulfillment and Enterprise Software and Services, and include:

eBusiness and Fulfillment

SalesLink Corporation ("SalesLink") provides supply chain management, product and literature fulfillment services and third party eFulfillment solutions for its clients' marketing, manufacturing and distribution programs.

SL Supply Chain Services International Corp. ("SL Supply Chain") provides a comprehensive suite of global supply chain management services.

uBid, Inc. ("uBid") is an online marketplace consisting of business-to-business, business-to-consumer, and consumer-to-consumer auctions.

Enterprise Software and Services

AltaVista Company ("AltaVista") is a global provider of search services and software.

ProvisionSoft, Inc. ("ProvisionSoft") is a provider of proactive infrastructure resource management software.

Tallan, Inc. ("Tallan") is a professional services firm delivering software development, enterprise system integration, creative design and strategic technology direction for Global 2000 and brand name online firms.

Yesmail, Inc. ("Yesmail") is a provider of comprehensive permission-based email marketing technologies and customer relationship software.

In addition, CMGI's venture capital affiliate, @Ventures, is comprised of venture capital funds that focus on investing in companies involved in various aspects of the Internet and Internet technology.

Acquisition of iLogistix Assets

On July 11, 2002, following approval by the United States Bankruptcy Court and the administrator in The Netherlands, CMGI, through its wholly owned subsidiary SL Supply Chain, acquired substantially all of the worldwide assets and operations of Software Logistics Corporation, a California corporation doing business as iLogistix. The Company's SalesLink subsidiary currently manages SL Supply Chain, including its operations centers in the United States, The Netherlands, Singapore, Taiwan, and Malaysia, to provide a comprehensive suite of traditional and e-commerce supply chain management services, including procurement, inventory management, assembly, fulfillment and distribution services to such blue chip customers as Hewlett-Packard and Microsoft.

Disposition of Engage, Inc.

On September 9, 2002, CMGI divested all of its equity and debt ownership interests in Engage, Inc. ("Engage"). Under the terms of the Transaction Agreement, CMGI transferred to Engage approximately 148.4 million shares of common stock of Engage held by CMGI, representing approximately 76% of the issued and outstanding shares of Engage, and cancelled approximately $60 million of debt, including all convertible debt, owed to CMGI by Engage. In consideration of the equity transfer and debt cancellation, Engage, among other things, (i) paid to CMGI $2.5 million in cash, (ii) agreed to pay to CMGI up to an additional $6.0 million, comprised of a senior secured promissory note due in September 2006 and earnout payments commencing in fiscal year 2004, and (iii) issued to CMGI a warrant for the purchase of up to 9.9% of the issued and outstanding shares of Engage Common Stock, at an exercise price of $.048 per share.

Disposition of NaviSite, Inc.

On September 11, 2002, CMGI sold all of its equity and debt ownership interests in NaviSite, Inc. ("NaviSite") to ClearBlue Technologies, Inc. ("ClearBlue"). Under the terms of the Note and Stock Purchase Agreement, CMGI sold to ClearBlue (i) approximately 71.0 million shares of common stock of NaviSite held by CMGI, (ii) warrants to purchase approximately 5.0 million shares of common stock of NaviSite, and (iii) the 12% Convertible Note issued to CMGI by NaviSite, representing $10.0 million aggregate principal amount plus all accrued interest thereon. In consideration thereof, CMGI received, among other things, 131,579 shares of common stock of ClearBlue. As a result of the transaction, the Company expects to record a net gain of between $4.0 million and $7.0 million in the first quarter of fiscal year 2003. The gain will be classified as a net gain on disposal of discontinued operations in its consolidated statement of operations for the first quarter of fiscal 2003. Additionally, the historical operations of NaviSite have been reflected as loss from discontinued operations in the accompanying consolidated financial statements, and NaviSite's net current assets and net long term assets (liabilities) have been reported as net current assets and net non-current assets (liabilities) of discontinued operations at July 31, 2002 and 2001, respectively. Certain prior period amounts in the consolidated financial statements have been reclassified in accordance with generally accepted accounting principles to reflect the operations of NaviSite as discontinued operations.

Disposition of Equilibrium Technologies, Inc.

On October 17, 2002, CMGI sold all of its equity ownership interests in Equilibrium Technologies, Inc. ("Equilibrium") to a group (the "Buyer") led by the current management of Equilibrium. Under the terms of the Transaction Agreement, CMGI sold to the Buyer 100% of the issued and outstanding shares of Equilibrium. In consideration thereof, CMGI received, among other things, (i) a senior secured promissory note due in October 2005 in the principal amount of $1.5 million made by the Buyer, (ii) a warrant for the purchase of 19.9% of the issued and outstanding shares of Equilibrium Common Stock, at an exercise price of $.01 per share, and (iii) a royalty-free, perpetual worldwide license to Equilibrium's MediaRich software.

Products and Services

Products and services of the Company's majority-owned subsidiaries include the following:

eBusiness and Fulfillment Segment

SalesLink

SalesLink provides supply chain management, product and literature fulfillment services and third-party eFulfillment solutions for its clients' marketing, manufacturing and distribution programs.

SalesLink provides supply chain management programs for contract manufacturers and OEM clients in the high technology industry. These programs are a form of outsourced manufacturing support services, in which clients retain SalesLink to plan, buy and build-to-order sub-assemblies for computer equipment and consumer electronic products. These outsourced manufacturing services primarily assist companies in the areas of accessory kits, software, literature and promotional products and involve active global supply chain management and coordination of CD-ROM, DVD and diskette replication, product packaging and assembly, print management, electronic order processing and software distribution direct fulfillment and inventory management. SalesLink also offers sophisticated advanced planning services to help its clients optimize product forecasts and minimize inventory investments. SalesLink provides its supply chain management services and solutions directly and through its management of SL Supply Chain.

On behalf of its product and literature fulfillment clients, SalesLink receives orders for promotional collateral and products and fulfills them by assembling and shipping the items requested. Product and literature fulfillment services begin with the receipt of orders by electronic transmission directly into SalesLink's computers. Orders are then generated and presented to the production floor where fulfillment packages are assembled and shipped to the end-user or to a broker or distributor. SalesLink also provides product and literature inventory control and warehousing, offering its customer support and management reports detailing orders, shipments, billings, back orders and returns.

SalesLink provides advanced end-to-end third-party eFulfillment and logistics services for merchandise through its automated distribution center in Memphis, Tennessee. SalesLink provides order management solutions with real-time verification of data, payment processing, fraud detection, order routing and auditing and status reporting. SL IQLink™, SalesLink's premier Web tool for organizing and distributing marketing literature, acts as a central repository for product information to ensure immediate order processing. This powerful online resource center connects to SL FlagShip™, SalesLink's comprehensive order fulfillment and management tool that provides customized reporting and analyses, SKU tracking, monitoring capabilities to code, and summary and index information essential to planning future inventory requirements.

SL Supply Chain

SL Supply Chain is a leading provider of global supply chain management solutions, supporting its customer base with supply chain design and consulting, as well as outsourced operations solutions including supply base and inventory management, manufacturing, configuration, distribution and fulfillment, e-commerce, order management and customer service. SL Supply Chain provides intelligent value chain solutions that allow its clients to outsource business processes from raw material procurement and order entry to final delivery. These solutions include supply chain design, sourcing, production, assembly, packaging and customer interface management. Additionally, SL Supply Chain can deploy technology-based solutions to manage the flow and use of information throughout the supply chain including systems architecture and implementation, front-end web design, web hosting, payment processing and real time order processing and inventory management. These comprehensive solutions leverage a scalable technology platform, proven process expertise and a global network of operations centers to manage all aspects of the supply chain process.

uBid

uBid is a leading online auction and e-commerce marketplace that offers consumers and businesses several ways to buy and sell. uBid Direct™ Internet auctions feature a rotating selection of more than 12,000 brand name products, including Hewlett-Packard, Toshiba, Sony and Micron. uBid Direct products are offered and sold by uBid in 16 different product categories, providing consumers and small to mid-sized businesses with the opportunity to purchase a wide range of brand name merchandise, often at greatly reduced prices, through live-action bidding and in non-auction formats. Product categories include computer peripherals and accessories, consumer electronics, jewelry and gifts, travel and collectibles. All products are sold as non-returnable unless they are found to be damaged, defective or not as advertised. uBid purchases and maintains inventory for a majority of its uBid Direct auction businesses.

Users can also buy or sell products through uBid's Consumer Exchange™, a peer-to-peer auction marketplace in which Consumer Exchange sellers list their items for sale directly on the uBid site, and assume responsibility for all aspects of their auction listings, including product descriptions, identification of quantities, establishment of starting and maximum bid prices, payment and shipping. uBid is not involved in processing Consumer Exchange transactions.

uBid's business is subject to seasonal fluctuations. Its sales volumes and inventory balances are typically higher during the holiday season between Thanksgiving and Christmas and at the end of its major suppliers' fiscal reporting periods. Typically, uBid experiences reduced sales levels during periods of decreased Internet usage.

Enterprise Software and Services Segment

AltaVista

AltaVista is a leading global provider of search services for Internet users and enterprise software for businesses. Through innovations to its proven search technology, AltaVista helps people find what they need as quickly and accurately as possible. AltaVista is organized along two business lines, Internet Search Services and Enterprise Search Software.

AltaVista's Internet Search Services business provides relevant, integrated search results from a range of sources including Web pages, multimedia files and up-to-the minute news sources. Popular features include Babel Fish, a free language translation service and AltaVista Prisma, an assisted search tool. AltaVista provides search capabilities in 26 languages.

AltaVista's Enterprise Search Software business offers scalable search software that is used by leading companies, including DaimlerChrysler, Proctor & Gamble and Siemens. AltaVista enterprise search technology converts unstructured data across the enterprise into valuable, relevant and accessible information for Internet, intranet or extranet users. With global language support, AltaVista's search software is customizable to meet the specific needs of business, government and education customers.

ProvisionSoft

ProvisionSoft develops and markets infrastructure resource management software that enables a customer to manage more efficiently the storage and server resources within the customer's data center environment. ProvisionSoft's first product, DynamicIT™, features the ability to automatically, intelligently and predictively manage these storage and server resources, thereby eliminating labor-intensive tasks typically associated with management of resources within the data center. Simplifying overall resource administration, the DynamicIT software is designed to also significantly reduce downtime events such as those caused by unplanned manual intervention to unforeseen problems. ProvisionSoft also offers to its customers consulting and educational services relating to its DynamicIT software. ProvisionSoft believes that most of the customers for its DynamicIT software product will be mid- to large-size enterprises operating their own data centers. ProvisionSoft has not generated revenue through July 31, 2002.

Tallan

Tallan is a professional services firm delivering software development, enterprise infrastructure, creative design and strategic technology direction for Global 2000 and brand name online firms.

Tallan focuses on software development, creative and infrastructure services to plan, design, build and implement comprehensive solutions for client business and technology needs. Tallan's Software Development and Infrastructure groups work together with the client to design and build the required systems, platforms and networks to enable and support the client's business model and plan. Tallan's Creative Services group works to bring the client brand and user experience into the online arena through the right mix of creativity, design, marketing and technology expertise, while enabling seamless integration with the work done by the Development and Infrastructure groups.

Yesmail

Yesmail is a provider of comprehensive email marketing solutions that enable its clients to acquire new customers through permission email campaigns and leverage the effectiveness of email as a communication channel. Yesmail's suite of products is built to enable its clients to build relationships online. Clients can drive an initial customer interaction by delivering special offers through the Yesmail Network™, and once consumers have given permission to start this online dialogue, Yesmail enables ongoing communications to continue in a highly personalized and relevant way. Yesmail's clients include ETrade, American Express, Hewlett-Packard, Countrywide Home Loans and Nine West.

Yesmail provides a range of services enabling its clients to utilize email to drive brand awareness, lead generation and commerce. This is done by leveraging technology and expertise to deliver targeted marketing messages to consumers who have given their permission to receive such offers via email. The Yesmail Network is a free service offered to consumers which enables its members to receive special offers from marketers based on their self-reported interests and has over 30 million current members.

Yesmail also licenses its technology and provides a range of services enabling its clients to communicate with their customers and subscribers via email. Specifically, Yesmail's Customer Relationship Management (CRM) solution enables the efficient delivery of highly personalized email communications to a targeted audience. The YesConnect Platform™ enables such personalized communications with features that allow marketers to segment their customer base, deliver specific content based on member profiles, manage large customer databases, track customer response and provide comprehensive reporting to measure effectiveness.

Venture Capital

The Company maintains interests in several venture capital funds: CMG@Ventures I, LLC ("CMG@Ventures I"); CMG@Ventures II, LLC ("CMG@Ventures II"); CMG@Ventures III, LLC ("CMG@Ventures III"); CMG@Ventures Expansion, LLC ("CMG@Ventures Expansion"); and CMGI@Ventures IV, LLC ("CMGI@Ventures IV"). CMGI's venture funds ("CMGI @Ventures") invest in emerging Internet service and technology companies, introducing innovative and promising technology companies into the CMGI network to complement and create competitive advantage throughout the extended family of companies. The Company anticipates and promotes synergies between these strategic positions and CMGI's core businesses, including speeding technological innovation and access to markets.

The Company owns 100% of the capital and is entitled to approximately 77.5% of the cumulative net profits of CMG@Ventures I. The Company owns 100% of the capital and is entitled to approximately 80% of the cumulative net profits of CMG@Ventures II.

CMGI formed the @Ventures III venture capital funds ("@Ventures III Fund") in August 1998. The @Ventures III Fund secured capital commitments from outside investors and CMGI, to be invested in emerging

Internet and technology companies. The @Ventures III Fund consists of four entities, which co-invest in each investment made by the @Ventures III Fund. Approximately 78% of each investment made by the @Ventures III Fund is made by two entities, @Ventures III, L.P. and @Ventures Foreign Fund III, L.P. CMGI does not have a direct ownership interest in either of these entities, but CMGI is entitled to approximately 2% of the cumulative net capital gains realized by both entities (after return of certain priority amounts to the investors in such entities) as a result of its ownership of an approximately 10% interest in the general partner of each of such entities, @Ventures Partners, III, LLC ("@Ventures Partners III"). CMG@Ventures III co-invests approximately 20% of the total amount invested in each @Ventures III Fund portfolio company investment. CMGI owns 100% of the capital and is entitled to approximately 80% of the cumulative net capital gains realized by CMG@Ventures III. @Ventures Partners III is entitled to the remaining 20% of the net capital gains realized by CMG@Ventures III. The remaining 2% invested in each @Ventures III Fund investment is provided by a fourth entity, @Ventures Investors, LLC, in which CMGI has no interest. During fiscal year 2000, CMGI formed additional venture capital fund entities to provide follow-on financing to @Ventures III Fund portfolio companies. These expansion funds have a structure that is substantially identical to the @Ventures III Fund, and CMGI's interests in such funds are comparable to its interests in the @Ventures III Fund.

CMGI owns 100% of the capital and is entitled to a percentage (ranging from approximately 80% to approximately 92.5%) of the net profits realized by CMGI@Ventures IV on each of its investments.

An aggregate of approximately $8.2 million was invested by CMGI's venture capital affiliates during the fiscal year ended July 31, 2002.

Sales and Marketing

Each CMGI operating company maintains its own separate sales and marketing staff, enabling the sales personnel to develop strong customer relationships and expertise in their respective areas. Each company has established its own direct sales force experienced in each subsidiary's business to address the new and evolving requirements of its business arena. CMGI and its operating companies believe that an experienced sales staff is critical to initiating and maintaining customer relationships.

The Company's subsidiaries attend numerous trade shows in the Internet and high technology markets, while further supplementing marketing efforts with space advertising and product and services listings in appropriate directories. In addition, user group meetings are sponsored for customers, where new products and services are highlighted. CMGI also markets through public relations, its Web site and CMGI-sponsored events. In addition, in certain instances, CMGI and its subsidiaries have complemented these activities by retaining advertising and public relations agencies.

Competition

The market for Internet-related products and services is rapidly evolving, highly competitive and characterized by few significant barriers to entry. Although the Company believes that the diverse segments of the Internet market will provide opportunities for more than one provider of products and services similar to those of the Company, it is possible that a single provider may dominate one or more market segments. The Company believes the principal competitive factors in the markets for Internet-related products and services include name recognition, performance, cost, ease of use, variety of value-added services, functionality and features, and quality of support. Competitors include a wide variety of companies and organizations, including Internet software, content, service and technology companies, telecommunication companies, equipment/technology suppliers and traditional retailers.

The market for supply chain management services and solutions is very competitive. The Company expects the intensity of competition to continue to increase. A failure to maintain and enhance the Company's competitive position will limit its ability to maintain and increase market share, which would result in serious harm to the Company's business. Increased competition may also result in price reductions, reduced gross margins and loss of market share. The Company competes in the supply chain management market on the basis of quality, performance, service levels, global capabilities, technology, operational efficiency and price.

Some of the Company's competitors have substantially greater financial, infrastructure, personnel and other resources than the Company. Furthermore, some of the Company's competitors have well established, large and experienced marketing and sales capabilities and greater name recognition, including well established relationships with the Company's current and potential clients. As a result, the Company's competitors may be in a stronger position to respond quickly to new or emerging technologies and changes in client requirements. They may also develop and promote their services more effectively than the Company. Also, the Company may lose potential clients to competitors for various reasons, including the ability or willingness of its competitors to offer lower prices and other incentives that the Company cannot match. There can be no assurance that the Company's competitors will not develop products and services that are superior to those of the Company or that achieve greater market acceptance than the Company's offerings.

Research and Development

The Company develops and markets a variety of products and services, the markets for which are often characterized by rapid technological development. The Company believes that its future success will depend in large part on its ability to continue to enhance its existing products and services and to develop other products and services which complement existing ones or extend into new markets. In order to respond to rapidly changing competitive and technological conditions, the Company expects to continue to incur significant research and development expenses during the initial development phase of new products and services as well as on an on-going basis.

During fiscal years 2002, 2001 and 2000, the Company expended approximately $53.7 million, $144.9 million and $148.7 million, respectively, or approximately 8%, 12% and 17%, respectively, of net revenue, on research and development. Information regarding in-process research and development expenses in connection with acquisitions and investments is set forth in Management's Discussion and Analysis of Financial Condition and Results of Operations included in Item 7 below.

Other

The Company relies upon a combination of patent, trade secret, copyright and trademark laws to protect its intellectual property. The Company owns, or holds licenses to use, numerous patents. New patents, trade secrets and other intellectual property are from time to time developed or obtained through the Company's research and development and acquisition activities. None of the Company's segments is substantially dependent on any single or group of related patents, trademarks, copyrights or licenses.

At July 31, 2002, the Company employed a total of 2,414 persons on a full-time basis. None of the Company's employees are represented by a labor union. The Company believes that its relations with its employees are good.

Certain segment information, including revenue and profit information, is set forth in Note 3 of the Notes to Consolidated Financial Statements included in Item 8 below and in Management's Discussion and Analysis of Financial Condition and Results of Operations included in Item 7 below, and is incorporated herein by reference.

Significant customers information is set forth under the heading "Diversification of Risk" in Note 2 of the Notes to Consolidated Financial Statements included in Item 8 below and is incorporated herein by reference.

For each of the last three fiscal years, the Company's revenues from external customers were primarily attributed to the Company's North American operations, and substantially all of the Company's assets were located in the United States. Approximately 10% of the total revenues of the Enterprise Software and Services segment were generated outside the United States during fiscal year 2002.

Because of the diversity of the Company's products and services, as well as the wide geographic dispersion of its facilities, the Company uses numerous sources for the wide variety of raw materials needed for its operations. The Company has not been adversely affected by inability to obtain raw materials.

ITEM 2.—PROPERTIES

The location and general character of the Company's principal properties by industry segment as of October 15, 2002 are as follows:

eBusiness and Fulfillment Segment

In its eBusiness and Fulfillment segment, the Company leases approximately 1.3 million square feet of office, storage, warehouse, production and assembly, sales and marketing, and operations space, principally in Massachusetts, Tennessee, California, Colorado, Illinois, Florida, The Netherlands, Ireland, Singapore, Malaysia, Taiwan and Mexico under leases expiring through fiscal year 2011. Approximately 161,000 square feet is sublet to third parties.

Enterprise Software and Services

In its Enterprise Software and Services segment, the Company leases approximately 284,000 square feet of office, administrative, storage, production and assembly, sales and marketing, engineering and development, and operations space, principally in California, Massachusetts, Illinois, Connecticut, New York and Europe under leases expiring through fiscal year 2007. Approximately 56,000 square feet is sublet to third parties.

Other

In addition, the Company leases approximately 327,000 square feet principally in Massachusetts and California under leases expiring through fiscal year 2011. These facilities generally consist of executive and administrative office space for the Company's corporate and venture capital headquarters. Approximately 23,000 square feet is sublet to third parties.

ITEM 3.—LEGAL PROCEEDINGS

In December 1999, Neil Braun, a former officer of iCAST Corporation, a wholly owned subsidiary of the Company ("iCAST"), filed a complaint in United States District Court, Southern District of New York naming the Company, iCAST and David S. Wetherell as defendants. In the complaint, Mr. Braun alleged breach of contract regarding his termination from iCAST and claimed that he was entitled to acceleration of options to purchase CMGI common stock and iCAST common stock, upon his termination, under contract and promissory estoppel principles. Mr. Braun also claimed that, under quantum meruit principles, he was entitled to lost compensation. Mr. Braun sought damages of approximately $50 million and requested specific performance of the acceleration and exercise of options. In August 2001, the Court (i) granted summary judgment dismissing Mr. Wetherell as a defendant and (ii) granted summary judgment, disposing of Mr. Braun's contract claim. In February 2002, the Court granted summary judgment disposing of Mr. Braun's promissory estoppel claim. Trial on the quantum meruit claim was held in March 2002 and the jury returned a verdict in favor of Mr. Braun and against the Company in the amount of $113,482.24. As to iCAST, the jury found that Mr. Braun had not proven his claim. The Company filed a motion for directed verdict, which motion sought to set aside the jury verdict against the Company. Such motion was denied. In May 2002, Mr. Braun appealed the Court's dismissal of his contract and promissory estoppel claims against iCAST and the Company. Full briefing on the appeal is not yet complete and no argument date has yet been set.

In August 2001, Jeffrey Black, a former employee of AltaVista, filed a complaint in Superior Court of the State of California (Santa Clara County) in his individual capacity as well as in his capacity as a trustee of two family trusts against the Company and AltaVista alleging certain claims arising out of the termination of Mr. Black's employment with AltaVista. As set forth in the complaint, Mr. Black is seeking monetary damages in excess of $70 million. The Company and AltaVista each believes that these claims are without merit and plans to vigorously defend against these claims. In March 2002, the court ordered the entire case to binding arbitration in California. In June 2002, Mr. Black petitioned the California Court of Appeal for a writ prohibiting enforcement of the order compelling arbitration of his cause of action for wrongful termination in violation of public policy. In July 2002, the Court of Appeal denied Mr. Black's petition. In August 2002, Mr. Black submitted the matter before the American Arbitration Association. The arbitrator was appointed on October 7, 2002. A date for the arbitration has not yet been set.

On January 28, 2002, Mark Nutritionals, Inc. ("MNI") filed suit against AltaVista in the United States District Court for the Western District of Texas, San Antonio Division. The claims against AltaVista include unfair competition and trademark infringement and dilution, under both federal law and the laws of the State of Texas. MNI is seeking compensatory damages in the amount of $10,000,000 and punitive damages. AltaVista believes that these claims are without merit and plans to vigorously defend against these claims. AltaVista filed its answer on March 1, 2002, denying the allegations. AltaVista is entitled to indemnification by a third party with respect to this matter.

On April 16, 2002, NCR Corporation filed a complaint in the United States District Court for the Northern District of Illinois against uBid. The complaint alleges that uBid has infringed four patents held by NCR and seeks unspecified monetary damages and injunctive relief. uBid believes that these claims are without merit and plans to vigorously defend against these claims. On May 28, 2002, uBid filed its answer to the complaint, denying the allegations.

On February 26, 2002, a purported class action lawsuit was filed in the Court of Chancery of the State of Delaware against the Company, Engage and the individual members of the Board of Directors of Engage (David S. Wetherell, George A. McMillan, Christopher M. Cuddy, Edward M. Bennett and Peter J. Rice). The complaint alleges, among other things, breaches of fiduciary duties by the Company and the individual defendants, and violations of Delaware law. The complaint requests, among other things, that the court (i) enjoin Engage from effecting a proposed reverse stock split, (ii) enjoin the issuance of shares of Engage common stock to the Company upon conversion of promissory notes previously issued by Engage to the Company, (iii) award rescissory relief if the reverse stock split and stock issuances are consummated, and (iv) award the plaintiff compensatory damages, attorneys' fees and expenses. On February 28, 2002, the Delaware Court of Chancery denied a request by the plaintiffs for the scheduling of a preliminary injunction hearing, and denied a request to allow expedited discovery in the lawsuit. In May 2002, the plaintiffs filed an amended complaint. In addition to the requests stated in the original complaint, the amended complaint requests that the court (i) enjoin a proposed merger by and among the Company, a wholly owned subsidiary of the Company and Engage (the "Merger"), and (ii) declare the Merger not to be entirely fair to the plaintiffs. On August 2, 2002, this matter was consolidated with the related matters set forth in the following two paragraphs. In light of the September 9, 2002 transaction in which the Company divested all of its equity and debt ownership interests in Engage, on October 18, 2002, all parties submitted to the Court a stipulated order agreeing to dismiss, with prejudice as to the named plaintiffs only, this matter as moot. The stipulated order further provides that the Court shall retain jurisdiction over the matter to consider any application for attorney's fees and expenses submitted by plaintiffs or their counsel.

On May 21, 2002, a purported class action lawsuit was filed with the Court of Chancery of the State of Delaware against the Company, Engage and the individual members of the Board of Directors of Engage (David S. Wetherell, George A. McMillan, Christopher M. Cuddy, Edward M. Bennett and Peter J. Rice). The complaint alleges, among other things, breaches of fiduciary duties. The complaint requests, among other things, that the Court (i) enjoin, preliminarily and permanently, the Merger, (ii) rescind the Merger (in the event it is consummated) or grant the plaintiffs rescissory damages, (iii) direct that the defendants account to plaintiffs for all damages caused to the plaintiffs and any special benefits obtained as a result of alleged unlawful conduct, and (iv) award the plaintiffs the costs and disbursements (including attorneys' fees) relating to this action. On August 2, 2002, this matter was consolidated with the related matters set forth in the following and preceding paragraphs.

In light of the September 9, 2002 transaction in which the Company divested all of its equity and debt ownership interests in Engage, on October 18, 2002, all parties submitted to the Court a stipulated order agreeing to dismiss, with prejudice as to the named plaintiffs only, this matter as moot. The stipulated order further provides that the Court shall retain jurisdiction over the matter to consider any application for attorney's fees and expenses submitted by plaintiffs or their counsel.

On May 21, 2002, another purported class action lawsuit was filed with the Court of Chancery of the State of Delaware against the Company, Engage and Robert W. Bartlett, Jr., Edward A. Bennett, Christopher M. Cuddy, George A. McMillan, Peter M. Rice, David S. Wetherell and Andrew J. Zimmon (officers and directors of Engage). The complaint alleges, among other things, breaches of fiduciary duties. The complaint requests, among other things, that the Court (i) enjoin, preliminarily and permanently, the Merger, (ii) rescind the Merger (in the event it is consummated) or grant the plaintiffs rescissory damages, (iii) direct that the defendants account to plaintiffs for all profits and any special benefits obtained as a result of alleged unlawful conduct, and (iv) award the plaintiffs the costs and disbursements (including attorneys' and experts' fees) relating to this action. On August 2, 2002, this matter was consolidated with the related matters set forth in the preceding two paragraphs. In light of the September 9, 2002 transaction in which the Company divested all of its equity and debt ownership interests in Engage, on October 18, 2002, all parties submitted to the Court a stipulated order agreeing to dismiss, with prejudice as to the named plaintiffs only, this matter as moot. The stipulated order further provides that the Court shall retain jurisdiction over the matter to consider any application for attorney's fees and expenses submitted by plaintiffs or their counsel.

The Company is also a party to litigation which it considers routine and incidental to its business. Management does not expect the results of any of these actions to have a material adverse effect on the Company's business, results of operation or financial condition.

ITEM 4.—SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of the Company's stockholders during the fourth quarter of 2002.

PART II

ITEM 5.—MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

On November 1, 2002, the Company's Common Stock will commence trading on the Nasdaq SmallCap Market under the symbol "CMGI". Prior to such date, the Common Stock has traded on the Nasdaq National Market under the same symbol. Other market information is set forth in Note 21 of the Notes to Consolidated Financial Statements included in Item 8 below and is incorporated herein by reference.

On October 18, 2002, there were approximately 5,673 holders of record of Common Stock of the Company.

The Company has never declared or paid cash dividends on its common stock. The Company currently intends to retain earnings, if any, to support its growth strategy and does not anticipate paying cash dividends in the foreseeable future. Payment of future dividends, if any, will be at the discretion of the Company's Board of Directors after taking into account various factors, including the Company's financial condition, operating results, current and anticipated cash needs and plans for expansion.

Information regarding the Company's equity compensation plans and the securities authorized for issuance thereunder is set forth in Item 12 below.

On June 15, 2002, pursuant to the terms of promissory notes issued by the Company on June 15, 2000 to certain of the former members of Shortbuzz.com LLC ("Shortbuzz") in connection with the Company's acquisition of Shortbuzz, the Company issued an aggregate of 7,184 shares of Common Stock to the noteholders upon conversion of such notes. The shares of Common Stock were issued in reliance on Section 3(a)(9) of the Securities Act of 1933, as amended, as a security exchanged by the issuer with its existing security holders exclusively where no commission or other remuneration is paid or given directly or indirectly for soliciting such exchange. No underwriters were involved with the issuance and sale of the shares of Common Stock.

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ITEM 6.—SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth selected consolidated financial information of the Company for the five years ended July 31, 2002. The following selected consolidated financial data 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 to those statements included elsewhere or incorporated by reference in this report. The following consolidated financial data includes the results of operations (from dates of acquisition) of the Company's fiscal 1998 acquisitions of Accipiter, Inc., InSolutions, Inc., Servercast Communications, LLC and On-Demand Solutions, Inc., the fiscal 1999 acquisitions of Magnitude Network, Inc., 2CAN Media, Inc., Internet Profiles Corporation, Activerse, Inc., Nascent Technologies, Inc., Netwright, LLC and Digiband, Inc., the fiscal 2000 acquisitions of AltaVista Company, AdForce, Inc., Flycast Communications Corporation, yesmail.com, Inc., Tallan, Inc., uBid, Inc. and eighteen other companies, the fiscal 2001 acquisitions of Space Media Holdings Limited ("Space") and MediaBridge Technologies, Inc., and the fiscal 2002 acquisition of the iLogistix assets and operations by the Company's wholly owned subsidiary SL Supply Chain. See note 8 to the Company's consolidated financial statements for further information concerning these acquisitions. The following consolidated financial data also includes the results of operations of companies that have been sold or ceased operations. In fiscal 2001, the operations of iCast, 1stUp, Adforce, Inc., and ExchangePath ceased and the Company sold a majority of its interest in Signatures SNI, Inc. (Signatures). In fiscal 2002, the operations of NaviPath and MyWay ceased and the Company sold its interest in Activate. For all periods presented, the results of operations of NaviSite have been accounted for within discontinued operations as a result of our decision to sell all of our equity and debt ownership interests in NaviSite on September 11, 2002. The historical results presented herein are not necessarily indicative of future results.

	Years ended July 31,				
	2002	2001	2000	1999	1998
	(in thousands, except per share data)				
Consolidated Statement of Operations Data:					
Net revenue	$ 707,770	$ 1,170,253	$ 857,902	$ 181,290	$ 91,741
Cost of revenue	608,028	1,038,894	684,661	162,462	77,504
Research and development expenses	53,738	144,886	148,733	21,903	17,301
In-process research and development expenses	—	1,462	65,683	6,061	10,325
Selling, general and administrative expenses	281,629	610,216	639,008	77,367	42,543
Amortization of intangible assets and stock-based compensation	256,012	1,556,909	1,401,644	14,807	3,093
Impairment of long lived-assets	73,114	3,363,317	34,205	—	—
Restructuring	26,209	209,208	14,770	—	—
Operating loss	(590,960)	(5,754,639)	(2,130,802)	(101,310)	(59,025)
Interest income (expense), net	36,086	4,970	(16,204)	300	(851)
Gains on issuance of stock by subsidiaries and affiliates	—	121,794	80,387	130,729	46,285
Other gains (losses), net	(68,503)	(409,095)	525,265	758,312	96,562
Other income (expense), net	28,887	448,153	97,898	(13,938)	(12,899)
Income tax benefit (expense)	7,431	184,404	116,198	(335,747)	(36,181)
Income (loss) from continuing operations	(587,059)	(5,404,413)	(1,327,258)	438,346	33,891
Extraordinary gain on retirement of debt, net of income taxes	131,281	—	—	—	—
Loss from discontinued operations, net of income taxes	(69,140)	(83,507)	(37,435)	(15,309)	(1,987)
Gain on disposal of discontinued operations, net of income taxes	—	—	—	53,203	—
Net income (loss)	(524,918)	(5,487,920)	(1,364,693)	476,240	31,904
Gain on repurchase of Series C convertible preferred stock	63,505	—	—	—	—
Preferred stock accretion and amortization of discount	(2,301)	(7,499)	(11,223)	(1,662)	—
Net income (loss) available to common stockholders	$ (463,714)	$ (5,495,419)	$ (1,375,916)	$ 474,578	$ 31,904

	Years ended July 31,				
	2002	2001	2000	1999	1998
	(in thousands, except per share data)				
Diluted earnings (loss) per share:					
Earnings (loss) from continuing operations	$ (1.39)	$ (16.42)	$ (5.12)	$ 2.12	$ 0.19
Loss from discontinued operations, net of income taxes	(0.18)	(0.25)	(0.14)	(0.08)	(0.01)
Gain on disposal of discontinued operations, net of income taxes	—	—	—	0.26	—
Extraordinary gain on retirement of debt, net of income taxes	0.35	—	—	—	—
Net earnings (loss)	$ (1.22)	$ (16.67)	$ (5.26)	$ 2.30	$ 0.18
Shares used in computing diluted net earnings (loss) per share	379,800	329,623	261,555	206,832	180,120
Consolidated Balance Sheet Data:					
Working capital	$ 203,879	$ 581,316	$ 1,110,105	$ 1,381,005	$ 12,784
Total assets	870,338	2,054,375	8,454,771	2,393,549	255,539
Long-term obligations	73,191	240,911	253,980	32,931	4,707
Redeemable preferred stock	—	390,640	383,140	411,283	—
Stockholders' equity	416,668	805,757	5,785,802	1,062,461	133,136

ITEM 7.—MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The matters discussed in this report contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended, that involve risks and uncertainties. All statements other than statements of historical information provided herein may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes", "anticipates", "plans", "expects" and similar expressions are intended to identify forward-looking statements. Factors that could cause actual results to differ materially from those reflected in the forward-looking statements include, but are not limited to, those discussed below in "Factors That May Affect Future Results," and elsewhere in this report, and the risks discussed in the Company's other filings with the SEC. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis, judgment, belief or expectation only as of the date hereof. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof.

Basis of Presentation

The Company previously reported five operating segments: (i) Interactive Marketing, (ii) eBusiness and Fulfillment, (iii) Search and Portals, (iv) Infrastructure and Enabling Technologies, and (v) Internet Professional Services. As a result of the cessation of operations, sale or other disposition of several subsidiaries and restructuring efforts at several of the remaining subsidiaries, the Company realigned its operating segments in fiscal 2002 to include three operating segments: (i) Enterprise Software and Services which consists of Engage, Inc. (Engage), Yesmail, Inc. (Yesmail), AltaVista Company (AltaVista), ProvisionSoft, Inc. (ProvisionSoft, formerly CMGion), Equilibrium Technologies, Inc. (Equilibrium) and Tallan, Inc. (Tallan), (ii) eBusiness and Fulfillment (which consists of SalesLink Corporation (SalesLink), uBid, Inc. (uBid), SL Supply Chain Services International Corp. (SL Supply Chain) and the historical results of Signatures SNI, Inc., (Signatures) until the sale of the Company's majority interest in February 2001), (iii) Managed Application Services (which consists of NaviSite, Inc. (NaviSite) and the historical results of NaviPath, Inc. (NaviPath), ExchangePath LLC (ExchangePath) and 1stUp.com Corporation (1stUp) until the cessation of their operations in January 2002, January 2001 and December 2000, respectively, and Activate.Net Corporation (Activate), until its sale in September 2001). The Other segment represents certain corporate marketing and administrative expenses and the Company's venture capital arm, which invests in companies involved in various aspects of the Internet.

On September 11, 2002, the Company sold all its equity and debt ownership interests in NaviSite. As a result, for all periods presented, NaviSite, which was previously included within the Managed Application Services segment, has been accounted for as a discontinued operation, as NaviSite's product offering represents both a major line of business and a distinct class of customer. At the time of the sale, NaviSite comprised more than 90% of both the total assets and operating losses of the Managed Application Services segment. Accordingly, NaviSite's net current assets and net non-current assets (liabilities) have been segregated from continuing operations in the accompanying consolidated balance sheets, and its operating results have been segregated from continuing operations and reported as discontinued operations in the accompanying consolidated statements of operations and cash flows, and related notes to the consolidated financial statements for all periods presented. The Company is currently evaluating its segment presentation and disclosures as a result of the recent dispositions of NaviSite, Engage, and Equilibrium.

In addition to its two current operating segments in fiscal year 2002, the Company continues to report a Portals (formerly Search and Portals) segment that consists of the operations of MyWay and iCAST, as these entities do not meet the aggregation criteria under SFAS No. 131 with respect to the Company's current reporting segments. In the second quarter of fiscal year 2001, management announced its decision to cease funding the operations of iCAST, and in the second quarter of fiscal 2002, management announced its decision to cease funding the operations of MyWay. Accordingly, the historical results of these companies will continue to be reported in the Portals segment, as will any residual results from operations that exist through the cessation of operations. Prior to the realignment of the business and the reporting segments, the Portals segment also included the results of AltaVista. For comparative purposes, the historical results of AltaVista for all periods presented have been reclassified to the Enterprise Software and Services segment. Also, the Company will continue to report a Managed Application Services segment which includes the historical results of NaviPath, ExchangePath and 1stUp until the cessation of their operations in January 2002, January 2001 and December 2000, respectively, and Activate, until its sale in September 2001.

Certain amounts for prior periods in the accompanying consolidated financial statements, and in the discussion below, have been reclassified to conform with current period presentations.

In accordance with accounting principles generally accepted in the United States of America, all significant intercompany transactions and balances have been eliminated in consolidation. Accordingly, segment results reported by CMGI exclude the effect of transactions between CMGI's subsidiaries.

Overview

CMGI, Inc. (together with its consolidated subsidiaries, "CMGI" or the "Company") is an operating and development company comprised of established and emerging companies, including both CMGI operating businesses and investments. The Company's subsidiaries have been classified into two operating segments in fiscal year 2002: (i) eBusiness and Fulfillment, and (ii) Enterprise Software and Services. CMGI's affiliated venture capital arm is comprised of several venture capital funds that focus on investing in companies involved in various aspects of the Internet and Internet technology. CMGI's business strategy over the years has led to the development, acquisition and operation of a number of majority-owned subsidiaries focused on Internet technologies and supply chain management services, as well as the strategic investment in other Internet companies that have demonstrated synergies with CMGI's core businesses. The Company's strategy also envisions and promotes opportunities for synergistic business relationships among its subsidiaries, investments and affiliates.

eBusiness and Fulfillment

SalesLink provides supply chain management, product and literature fulfillment services and third-party eFulfillment solutions for its clients' marketing, manufacturing and distribution programs. SL Supply Chain provides a comprehensive suite of traditional and e-commerce supply chain management services including procurement, inventory management, assembly, fulfillment and distribution services. uBid is an online marketplace consisting of business-to-business, business-to-consumer, and consumer-to-consumer auctions.

Enterprise Software and Services

Engage offers software products and services that enable marketers and advertisers to streamline and improve the management and delivery of marketing programs and materials. Yesmail provides comprehensive permission-based email marketing technologies and services. AltaVista is a global provider of search services and software. Tallan offers software development, enterprise infrastructure, creative design and strategic technology direction for Global 2000 and brand name online firms. ProvisionSoft is a provider of proactive infrastructure resource management software. Equilibrium provides and develops automated imaging solutions.

On September 9, 2002, the Company divested all of its equity and debt ownership interests in Engage.

On September 11, 2002, the Company sold all of its equity and debt interests in NaviSite.

On October 17, 2002, the Company sold all of its equity ownership interests in Equilibrium.

The Company also continues to report the segment results of both the Portals and Managed Application Services segments (see Basis of Presentation). The reported results of these segments include all historical results through the cessation of operations.

In addition, the Company maintains interests in several venture capital funds: CMG@Ventures I, CMG@Ventures II, CMG@Ventures III, CMG@Ventures Expansion and CMGI@Ventures IV. CMGI's venture capital funds focus on investing in companies involved in various aspects of the Internet and Internet technology.

Results of Operations

Fiscal 2002 compared to Fiscal 2001

NET REVENUE:

	2002	% of 2002 Total Net Revenue	2001	% of 2001 Total Net Revenue	2002 vs. 2001	% Change
			(in thousands)			
Enterprise Software and Services	$ 152,163	21%	$ 410,732	35%	$ (258,569)	(63)%
eBusiness and Fulfillment	542,913	77%	691,414	59%	(148,501)	(22)%
Managed Application Services	6,158	1%	49,054	4%	(42,896)	(87)%
Portals	6,536	1%	19,053	2%	(12,517)	(66)%
Other	—	—	—	—	—	—
Total	$ 707,770	100%	$ 1,170,253	100%	$ (462,483)	(40)%

The decrease in net revenue in fiscal year 2002 as compared to fiscal year 2001 was largely the result of decreased net revenue within the Enterprise Software and Services segment and the eBusiness and Fulfillment segment, and to a lesser extent the effects of the sale or cessation of operations of several companies in fiscal 2001 and 2002. The decrease in net revenue within the Enterprise Software and Services segment was primarily due to decreases at AltaVista, Engage and Tallan. The decrease in net revenue at AltaVista was due primarily to continued softness in the on-line advertising market and the impact of transitioning AltaVista's business strategy from a portal-based business model to an Internet and enterprise search business model. The decrease in net revenue at Engage was primarily due to the softness in the on-line advertising market, which led to the decision by Engage to exit its media business during the first quarter of fiscal year 2002. Engage also experienced declines in software license and professional services revenues during fiscal year 2002 as compared to the prior year. The decrease in net revenue at Tallan was due primarily to continued softness in demand for customized technology solutions, which contributed to reductions in both average billing rates and billable hours as compared to the prior year. The decrease in net revenue within the eBusiness and Fulfillment segment was primarily due to decreased net revenue at uBid and the Company's sale of a majority of its interest in Signatures in February 2001. Net revenue at uBid decreased primarily as a result of changes in its sales strategy, which included, among other things, the elimination of certain product categories, reductions in the volume of products made available for sale on uBid's website and an increase in drop shipment sales as a percent of total sales in fiscal year 2002 as compared to the prior year. Drop shipment sales result in uBid recording its net fee on the transaction as revenue as opposed to direct shipment sales of uBid's inventory, which result in uBid recording the gross merchandise sale as revenue. In addition, uBid experienced a shift in the mix of its bidding volume from its business to consumer auctions, under which uBid records gross revenue, to its consumer to consumer auctions, under which uBid records a only a percentage of the transaction as revenue. Net revenue at SalesLink decreased in fiscal year 2002 as compared to fiscal year 2001 due to volume decreases in supply chain management and literature distribution services; however, these net revenue declines were partially offset by the net revenue contribution provided by CMGI's acquisition of SL Supply Chain during the fourth quarter of fiscal year 2002. The decrease in net revenue within the Managed Application Services segment was primarily due to the cessation of operations of NaviPath and 1stUp, and the sale of Activate. The decrease in net revenue within the Portals segment was primarily due to the cessation of operations of MyWay during fiscal year 2002.

COST OF REVENUE:

	2002	% of 2002 Segment Net Revenue	2001	% of 2001 Segment Net Revenue	2002 vs. 2001	% Change
			(in thousands)			
Enterprise Software and Services	$ 81,370	54%	$ 249,219	61%	$ (167,849)	(67)%
eBusiness and Fulfillment	507,966	94%	616,861	89%	(108,895)	(18)%
Managed Application Services	14,748	240%	141,392	288%	(126,644)	(90)%
Portals	3,944	60%	31,422	165%	(27,478)	(87)%
Other	—	—	—	—	—	—
Total	$ 608,028	86%	$ 1,038,894	89%	$ (430,866)	(42)%

Cost of revenue consisted primarily of expenses related to the cost of products purchased for sale or distribution. Additionally, cost of revenue included expenses related to the content, connectivity and production associated with delivering the Company's products and services. The Company's cost of revenue as a percentage of net revenue decreased to approximately 86% in fiscal 2002 from approximately 89% in the prior fiscal year, primarily as a result of the cessation of operations of NaviPath, 1stUp, MyWay, iCAST, and ExchangePath during fiscal 2001 and 2002. Additionally, both Engage and AltaVista made certain changes in their business strategies that involved, among other things, changes to their product and service offerings and reductions in the underlying infrastructure costs associated with delivering those products and services. Cost of revenue as a percentage of net revenue within the Enterprise Software and Services segment decreased to approximately 54% in fiscal 2002 from approximately 61% in the prior fiscal year primarily due to lower cost of revenue at Engage, AltaVista, and ProvisionSoft. The decrease in cost of revenue at Engage was primarily the result of Engage's decision to cease operations of its lower margin media business and to focus on its higher margin software business. The decrease in cost of revenue at AltaVista was primarily due to reductions in infrastructure and ad serving costs related to the delivery of AltaVista's on-line advertising based products and services, including approximately $15.3 million in cost savings versus the prior year as a result of AltaVista's agreement with Compaq Financial Services (now Hewlett-Packard Financial Services, HPFS) to purchase certain equipment that it had previously leased, as part of AltaVista's shift in its business strategy from a portal-based business model to an Internet and enterprise search business model. Cost of revenue as a percentage of net revenue within the eBusiness and Fulfillment segment increased to approximately 94% in fiscal 2002 from approximately 89% in the prior fiscal year primarily as a result of higher cost of revenue at both uBid and SalesLink. The increase in cost of revenue as a percentage of net revenue at uBid was primarily the result of declines in product margin for certain categories of products sold by uBid on its website. As a result, uBid has made certain changes in its sales strategy, which involved, among other things, the elimination of certain product categories and reductions in the volume of certain products made available for sale on its website. Additionally, during fiscal year 2002, uBid transitioned its business to a new order management system and a new warehouse facility and encountered certain technical difficulties in connection with the systems conversion that resulted in higher costs to the company. Cost of revenue as a percentage of net revenue for SalesLink increased largely as a result of lower sales levels and reduced pricing of SalesLink's services within its supply chain management and literature distribution businesses, respectively, increased depreciation expense related to a new Enterprise Resource Planning (ERP) system, and increased costs associated with the transition to its new distribution center in Memphis, Tennessee. Cost of revenue as a percentage of net revenue within the Managed Application Services segment decreased to approximately 240% in fiscal 2002 from approximately 288% in the prior fiscal year, primarily as a result of the cessation of operations at NaviPath and 1stUp, and the sale of Activate. Cost of revenue as a percentage of net revenue within the Portals segment decreased to approximately 60% in fiscal 2002 from approximately 165% in the prior fiscal year primarily as a result of the closing of operations at MyWay and iCAST.

RESEARCH AND DEVELOPMENT EXPENSES:

	2002	% of 2002 Segment Net Revenue	2001	% of 2001 Segment Net Revenue	2002 vs. 2001	% Change
			(in thousands)			
Enterprise Software and Services	$ 51,537	34%	$ 123,672	30%	$ (72,135)	(58)%
eBusiness and Fulfillment	—	—	703	—	(703)	(100)%
Managed Application Services	507	8%	10,425	21%	(9,918)	(95)%
Portals	1,694	26%	10,086	53%	(8,392)	(83)%
Other	—	—	—	—	—	—
Total	$ 53,738	8%	$ 144,886	12%	$ (91,148)	(63)%

Research and development expenses consisted primarily of personnel and related costs to design, develop, enhance, test and deploy the Company's products and services either prior to the development efforts reaching technological feasibility or once the product had reached the maintenance phase of its life cycle. Research and development expenses decreased primarily due to the shift in business focus at AltaVista and Engage and the cessation of operations at ProvisionSoft's subsidiary, AdForce, MyWay, ExchangePath, iCAST, NaviPath, and 1stUp. The decrease in research and development expenses within the Enterprise Software and Services segment in fiscal year 2002 as compared to the prior fiscal year was primarily the result of restructuring efforts at both AltaVista and Engage in connection with changes in their respective business strategies, and the cessation of operations at AdForce. The decrease in research and development expense at AltaVista was primarily the result of reductions in headcount, facilities and equipment costs as part of a significant decrease in development efforts on the AltaVista portal site in connection with the change in AltaVista's business strategy from a portal-based business model to an Internet and enterprise search business model. The decrease in research and development expense at Engage was the result of reductions in their research and development staff during the second half of fiscal 2001 and the first quarter of fiscal 2002. The research and development staff reductions were brought about by changes in Engage's business strategy due to the significant decline in the media business, which led to the decision by Engage to exit its media business during the first quarter of fiscal year 2002. The decrease in research and development expense within the eBusiness and Fulfillment segment was the result of the sale of a majority interest in Signatures during fiscal year 2001. The decrease in research and development expense within the Managed Application Services segment was primarily the result of the cessation of operations at ExchangePath, NaviPath, and 1stUp, and the sale of Activate. The decrease in research and development expense within the Portals segment was primarily due to the cessation of operations of MyWay and iCAST.

IN-PROCESS RESEARCH AND DEVELOPMENT EXPENSES:

	2002	% of 2002 Segment Net Revenue	2001	% of 2001 Segment Net Revenue	2002 vs. 2001	% Change
			(in thousands)			
Enterprise Software and Services	—	—	$ 700	—	$ (700)	(100)%
Other	—	—	762	—	(762)	(100)%
Total	—	—	$1,462	—	$ (1,462)	(100)%

During fiscal year 2002 the Company did not incur any in-process research and development expenses. In-process research and development expenses totaled approximately $1.5 million in fiscal year 2001. The in-process research and development expenses incurred during fiscal year 2001 related to charges taken in connection with Engage's acquisition of MediaBridge Technologies, Inc. in September 2000 and CMGI@Ventures IV, LLC's investment in Avamar Technologies, Inc.

SELLING EXPENSES:

	2002	% of 2002 Segment Net Revenue	2001	% of 2001 Segment Net Revenue	2002 vs. 2001	% Change
			(in thousands)			
Enterprise Software and Services	$ 79,296	52%	$ 255,596	62%	$ (176,300)	(69)%
eBusiness and Fulfillment	52,480	10%	57,620	8%	(5,140)	(9)%
Managed Application Services	1,128	18%	23,159	47%	(22,031)	(95)%
Portals	(1,705)	26%	12,187	64%	(13,892)	(114)%
Other	22,075	—	12,855	—	9,220	72%
Total	$ 153,274	22%	$ 361,417	31%	$ (208,143)	(58)%

Selling expenses consisted primarily of advertising and other general marketing related expenses, compensation and employee-related expenses, sales commissions, facilities costs, credit card processing fees, tradeshow expenses and travel costs. Certain fulfillment costs, including warehousing costs related to activities such as receiving goods and the picking and packing of goods for shipment within the Company’s eBusiness and Fulfillment segment, are classified as selling expenses. Selling expenses decreased during fiscal year 2002 as compared to the prior fiscal year by approximately 58%. The decrease was primarily due to headcount reductions, lower sales commissions as a result of lower net revenue, significant reductions in marketing campaigns, the closing of Engage’s media business, the cessation of the operations of AdForce, ExchangePath, and 1stUp, the effect of the sale of a majority interest in Signatures and the sale of Activate. The decrease within the Enterprise Software and Services segment was primarily the result of reductions in selling expenses at AltaVista and Engage. The decrease in selling expense at AltaVista was due to reduced employee related expenses, third party commission costs and significant reductions in the scope of certain sales and marketing campaigns as part of the transition of AltaVista’s business strategy from a portal-based business model to an Internet and enterprise search business model. The decrease in selling expenses at Engage included significant reductions in headcount and associated sales commissions, as well as the consolidation of office facilities as a result of the closing of its media business and reductions in travel, consulting, advertising and trade show expenses for its remaining operations. The decrease in selling expenses within the eBusiness and Fulfillment segment was primarily the result of the sale of the Company’s majority interest in Signatures and reduced credit card processing fees at uBid as a result of the decline in uBid’s net revenue during fiscal 2002. The decrease in selling expense within the Managed Application Services segment was primarily the result of reductions in headcount, sales commissions and marketing programs due to the sale of Activate and the closing of operations at NaviPath, ExchangePath and 1stUp. The decrease in selling expense within the Portals segment was primarily the result of the closing of the operations of iCAST and MyWay, including a $2.4 million benefit from the finalization of estimates associated with the closure activities of iCAST and MyWay. The increase in selling expense within the Other segment during fiscal year 2002 was primarily the result of a one-time charge in the fourth quarter of approximately $20.0 million that the Company recorded as a result of changes in its sponsorship arrangement with the New England Patriots. Under the terms of the original sponsorship agreement the Company was to pay $7.6 million per year for the first ten years, with consumer price index adjustments for years eleven through fifteen, in exchange for a comprehensive collection of sponsorship and promotional rights associated with the stadium. Under the terms of an amendment to the original agreement, the Company relinquished the stadium naming rights and maintained more limited marketing rights in exchange for a series of payments of $1.6 million per year beginning in January of 2003 and ending in July of 2015. The amendment to the original agreement reduced the Company’s future obligation by approximately $86.0 million. During fiscal 2002, significant reductions were made in corporate marketing, staff and related costs.

GENERAL AND ADMINISTRATIVE EXPENSES:

	2002	% of 2002 Segment Net Revenue	2001	% of 2001 Segment Net Revenue	2002 vs. 2001	% Change
			(in thousands)			
Enterprise Software and Services	$ 52,286	34%	$ 97,519	24%	$ (45,233)	(46)%
eBusiness and Fulfillment	40,741	8%	38,779	6%	1,962	5%
Managed Application Services	4,075	66%	24,416	50%	(20,341)	(83)%
Portals	(1,935)	30%	10,231	54%	(12,166)	(119)%
Other	33,188	—	77,854	—	(44,666)	(57)%
Total	$ 128,355	18%	$ 248,799	21%	$ (120,444)	(48)%

General and administrative expenses consist primarily of compensation and other employee related costs, facilities costs, bad debt expense and fees for professional services. General and administrative expenses decreased in fiscal year 2002 as compared to the prior fiscal year, primarily due to headcount reductions, the consolidation of office space, reduced information systems costs, the cessation of the operations of AdForce, NaviPath, MyWay, iCAST, 1stUp, and ExchangePath, and the sale of Activate. The decrease in general and administrative expenses within the Enterprise Software and Services segment was primarily the result of significant reductions in payroll and other employee related expenses at Engage as a result of restructuring initiatives that ultimately involved the closing of Engage's media business. Additionally, general and administrative expenses decreased at AltaVista during fiscal year 2002 as a result of reductions in headcount related expenses due to restructuring initiatives in fiscal 2001 and 2002 and a decrease in professional fees, partially offset by a charge recorded by AltaVista related to the renegotiation of the terms of a real estate lease. General and administrative expense for fiscal year 2002 also included a net $4.8 million charge, that was recorded in the fourth quarter of fiscal year 2002, to adjust the remaining net assets and liabilities of Adforce to their estimated net realizable value at the end of fiscal year 2002. The increase in general and administrative expenses within the eBusiness and Fulfillment segment were primarily the result of increased information systems costs at uBid in connection with their new ERP system, offset largely by the sale of the Company's majority interest in Signatures. The decrease in general and administrative expenses in the Managed Application Services segment was primarily due to the cessation of operations at NaviPath, 1stUp and ExchangePath, and the sale of Activate. The decrease in the general and administrative expenses within the Portals segment was primarily the result of closing the operations of MyWay and iCAST, including a $6.3 million benefit from the finalization of estimates associated with the closing activities of MyWay and iCAST. The decrease in the general and administrative expenses within the Other segment, which includes certain corporate administrative functions such as legal, finance and business development which are not fully allocated to CMGI's subsidiary companies, was primarily the result of a decrease in headcount-related expenses as part of an overall effort to reduce spending across all Corporate administrative functions.

AMORTIZATION OF INTANGIBLE ASSETS AND STOCK-BASED COMPENSATION:

	2002	% of 2002 Segment Net Revenue	2001	% of 2001 Segment Net Revenue	2002 vs. 2001	% Change
			(in thousands)			
Enterprise Software and Services	$ 136,572	90%	$ 1,262,818	308%	$ (1,126,246)	(89)%
eBusiness and Fulfillment	121,284	22%	149,688	22%	(28,404)	(19)%
Managed Application Services	—	—	24,714	50%	(24,714)	(100)%
Portals	—	—	119,471	627%	(119,471)	(100)%
Other	(1,844)	—	218	—	(2,062)	(946)%
Total	$ 256,012	36%	$ 1,556,909	133%	$ (1,300,897)	(84)%

Amortization of intangible assets and stock-based compensation consisted primarily of goodwill amortization expense related to acquisitions made during fiscal year 2000. Included within amortization of intangible assets and stock-based compensation expenses was approximately $3.0 million and $68.3 million of stock-based compensation for the twelve months ended July 31, 2002 and 2001, respectively. The overall decrease in amortization of intangible assets was primarily the result of intangible asset impairment charges recorded during fiscal 2001. These impairment charges reduced the carrying amounts of goodwill and other intangible assets, to be amortized over their remaining useful lives. The decrease in amortization of intangible assets and stock-based compensation within the Enterprise Software and Services segment in fiscal year 2002 as compared to fiscal year 2001 was primarily the result of impairment charges recorded during fiscal year 2001 related to certain intangible assets of AltaVista, Engage, Tallan, ProvisionSoft's subsidiary, AdForce, and Yesmail. The decrease in amortization of intangible assets and stock-based compensation within the eBusiness and Fulfillment segment in fiscal year 2002 as compared to fiscal year 2001 was primarily the result of a decrease in the amortization of stock-based compensation due to the sale of the Company's majority interest in Signatures. The decrease in amortization of intangible assets and stock-based compensation within the Managed Application Services segment in fiscal year 2002 as compared to fiscal year 2001 was primarily the result of impairment charges recorded during fiscal year 2001 related to Activate, which was sold in September 2001, and the cessation of operations at 1stUp. The decrease in amortization of intangible assets and stock-based compensation within the Portals segment primarily resulted from impairment charges recorded during fiscal year 2001 related to certain intangible assets of MyWay, and to a lesser extent iCAST. The Company will adopt Statement of Financial Accounting Standards (SFAS) Nos. 141 and 142, in the first quarter of fiscal 2003. In accordance with the provisions of these statements, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to periodic impairment tests. Other intangible assets will continue to be amortized over their useful lives.

IMPAIRMENT OF LONG-LIVED ASSETS:

	2002	% of 2002 Segment Net Revenue	2001	% of 2001 Segment Net Revenue	2002 vs. 2001	% Change
			(in thousands)			
Enterprise Software and Services	$ 70,813	47%	$ 3,189,020	776%	$ (3,118,207)	(98)%
eBusiness and Fulfillment	—	—	7,138	1%	(7,138)	(100)%
Managed Application Services	—	—	58,754	120%	(58,754)	(100)%
Portals	154	2%	108,405	569%	(108,251)	(99)%
Other	2,147	—	—	—	2,147	N/A
Total	$ 73,114	10%	$ 3,363,317	287%	$ (3,290,203)	(98)%

The Company records impairment charges as a result of management's ongoing business review and impairment analysis performed under its existing policy regarding impairment. Where impairment indicators were identified, management determined the amount of the impairment charge by comparing the carrying value of long-lived assets to their fair value. Management determines fair value of goodwill and certain other intangible assets based on a combination of the discounted cash flow methodology, which is based upon converting expected cash flows to present value, and the market approach, which includes analysis of market price multiples of companies engaged in lines of business similar to the Company. The market price multiples are selected and applied to the Company based on the relative performance, future prospects and risk profile of the Company in comparison to the guideline companies. Management predominantly utilizes third-party valuation reports in its determination of fair value. Management predominantly determines fair value of other long-lived assets, such as property and equipment, based on third-party valuation reports. As a result, during management's quarterly reviews of the value and periods of amortization and depreciation of long-lived assets, it was determined that the carrying value of certain long-lived assets was not fully recoverable. During the fiscal years ended July 31, 2002 and 2001, respectively, the Company recorded impairment charges totaling approximately $73.1 million and $3.4 billion, respectively. The decrease in impairment charges in fiscal 2002 as compared to fiscal 2001 within the Enterprise Software and Services segment are primarily the result of impairment charges recorded during fiscal year 2001 related to certain goodwill and intangible assets of AltaVista, Engage, Tallán, Yesmail, and

ProvisionSoft's subsidiary, AdForce. The fiscal 2002 impairment charges recorded in the Enterprise Software and Services segment primarily included the write-down of goodwill and other intangible assets at Engage and Tallan, and an impairment charge related to certain equipment and leasehold improvements of AltaVista. During the fourth quarter of fiscal 2002, Engage recorded an impairment charge totaling approximately $31.2 million to write-down its remaining goodwill and intangible assets and Tallan recorded a fourth quarter impairment charge totaling approximately $23.4 million to write-down a portion of its goodwill and other intangible assets, as a result of the continued decline in operating and financial metrics. Additionally, AltaVista recorded impairment charges in fiscal 2002 totaling approximately $10.7 million related to its agreement to purchase certain equipment that it had previously leased under operating and capital lease agreements with HPFS, and certain leasehold improvements that were deemed impaired as a result of AltaVista's renegotiation of a facility lease arrangement. The decrease in impairment charges in fiscal 2002 as compared to fiscal 2001 within the Managed Application Services segment was primarily the result of impairment charges recorded during fiscal year 2001 related to Activate, which was sold in September 2001, and the cessation of operations at 1stUp and ExchangePath. The decrease in impairment charges in fiscal 2002 as compared to fiscal 2001 within the Portal segment results primarily from impairment charges recorded during fiscal year 2001 related to certain intangible assets of MyWay, and to a lesser extent iCAST. The impairment charge recorded within the Other segment in fiscal 2002 of approximately $2.1 million was primarily due to the write-off of certain software capitalized in the development of software for internal use, computer equipment and furniture and fixtures at the Company's headquarters. In June 2001, the FASB issued SFAS No. 142, "*Goodwill and Other Intangible Assets*." Under SFAS No. 142, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the statement. Other intangible assets will continue to be amortized over their useful lives. SFAS No. 142 is effective for the Company's fiscal 2003 financial statements. As of July 31, 2002, the Company has not yet determined what effect these tests will have on its operations and financial position. The Company operates in a volatile business environment, and as a result, could have material impairment charges in future periods.

RESTRUCTURING CHARGES:

	2002	% of 2002 Segment Net Revenue	2001	% of 2001 Segment Net Revenue	2002 vs. 2001	% Change
			(in thousands)			
Enterprise Software and Services	$ 31,082	20%	$ 102,042	25%	$ (70,960)	(70)%
eBusiness and Fulfillment	—	—	—	—	—	—
Managed Application Services	(16,668)	271%	67,438	138%	(84,106)	(125)%
Portals	6,131	94%	28,647	150%	(22,516)	(79)%
Other	5,664	—	11,081	—	(5,417)	(49)%
Total	$ 26,209	4%	$ 209,208	18%	$ (182,999)	(88)%

The Company's restructuring initiatives during fiscal 2002 and 2001, respectively, involved strategic decisions to exit certain businesses and to reposition certain on-going businesses of the Company. Restructuring charges consisted primarily of contract terminations, severance charges and equipment charges incurred as a result of the cessation of operations of certain subsidiaries and actions taken at several remaining subsidiaries to increase operational efficiencies, improve margins and further reduce expenses. Severance charges include employee termination costs as a result of workforce reductions. Employees affected by the restructuring were notified both through direct personal contact and by written notification. The contract terminations primarily consisted of costs to exit facility and equipment leases and to terminate bandwidth and other vendor contracts. The asset impairment charges primarily relate to the write-off of property and equipment. The decrease in restructuring charges in fiscal 2002 as compared to the prior fiscal year is primarily the result of restructuring charges in fiscal 2001 at NaviPath, AltaVista, ProvisionSoft's subsidiary, Adforce, and Engage. The net restructuring charges incurred during fiscal 2002 in the Enterprise Software and Services segment primarily related to charges of approximately $17.9 million at AltaVista and $11.2 million at Engage. The restructuring charge recorded by AltaVista primarily related to severance costs associated with a reduction in the workforce of approximately 120 employees, costs associated with the closing of its Irvine, California office location, the write-off of an information systems software package and the write-off of fixed assets as a result of AltaVista's decision to shut-down its European data center, partially offset by an adjustment of a previously recorded restructuring charge of approximately $2.7 million for vacant space in a facility resulting from AltaVista's decision to transition its business from a portal-based business model to an Internet and enterprise search business model. In the first quarter of fiscal 2002, AltaVista had recorded a restructuring charge for one year of rent related to space previously occupied by the portal division of its business. As a result of the renegotiation of its real estate lease, space that had been included in the original restructuring charge was forfeited, and Alta Vista recorded a restructuring charge for the net amount not previously recorded as a restructuring charge. Also, as part of the lease renegotiation, AltaVista transferred approximately 275,000 CMGI shares, that were held by AltaVista, to the landlord. The restructuring charge recorded by Engage was primarily due to the closing of its media operations and implementation of a restructuring plan designed to reduce its corporate overhead costs through reductions in the size of its finance and marketing staffs. The closing of the media business resulted in severance costs incurred in connection with the termination of approximately 232 employees and contract termination costs in connection with the costs to exit facility and equipment leases. The net restructuring benefit recorded during fiscal 2002 in the Managed Application Services segment primarily related to charges of approximately $4.1 million recorded by NaviPath, offset by a reversal of approximately $21.1 million of previously recorded restructuring charges at NaviPath. The restructuring charge recorded by NaviPath primarily related to severance costs and legal and other professional fees incurred in connection with the cessation of its operations. The restructuring benefit recorded by NaviPath related to the settlement by NaviPath of certain contractual purchase commitments, breakage fees and service contracts for amounts less than originally estimated. The net restructuring charge incurred in the Portals segment primarily related to charges of approximately $6.8 million at MyWay related to the write-off of property and equipment and the termination of customer and vendor contracts, partially offset by a reversal of approximately $1.4 million of previously recorded restructuring charges at MyWay. The restructuring benefit recorded by MyWay related to the favorable settlement of contractual obligations for amounts less than originally estimated. Additionally, iCast recorded a restructuring charge of approximately $0.8 million in fiscal 2002 related to exit cost associated with a facility lease, beyond what had been previously recorded as a restructuring charge. The net restructuring charges incurred in the Other segment of approximately $5.7 million primarily related to charges of approximately $6.2 million related to severance costs incurred in connection with the termination of approximately 70 employees at the Company's corporate headquarters, the write-off of property and equipment and costs incurred to exit facility leases in Europe, partially offset by a restructuring benefit of approximately $0.5 million recorded by CMGI @Ventures related to the favorable negotiation of the termination of a real estate lease.

OTHER INCOME/EXPENSE:

There were no gains on issuance of stock by subsidiaries and affiliates during fiscal 2002. Gain on issuance of stock by subsidiaries and affiliates during fiscal 2001 primarily related to a pre-tax gain of approximately $125.9 million on the issuance of stock by Engage in its acquisitions of MediaBridge and Space Media Holdings Limited, partially offset by a pre-tax loss of approximately $5.0 million on the issuance of stock by Engage to employees as a result stock option exercises.

Other gains (losses), net decreased $340.6 million, or 83%, to $(68.5) million for the twelve months ended July 31, 2002 from $(409.1) million for the same period in fiscal 2001. Other gains (losses), net for the twelve months ended July 31, 2002 primarily consisted of a pre-tax loss of approximately $27.5 million on the sale of Primedia, Inc. stock, a pre-tax loss of approximately $21.4 million resulting from the Company's sale of its subsidiary Activate and a pre-tax loss of approximately $44.7 million related to impairment charges for other-than-temporary declines in the carrying value of certain investments in affiliates, offset by a pre-tax gain of approximately $53.9 million on the arrangement that hedged the Company's investment in Yahoo! common stock which was settled during the twelve months ended July 31, 2002. Other gains (losses), net for the twelve months ended July 31, 2001 primarily consisted of a pre-tax gain of approximately $357.4 million on the sale of Lycos, Inc. common stock, a pre-tax gain of approximately $135.3 million on the sale of Kana Communications, Inc. common stock, a pre-tax gain of approximately $89.4 million on the hedging arrangement with respect to the Company's investment in Yahoo! common stock, a pre-tax gain of approximately $64.2 million on the sale of Terra Networks stock, a pre-tax gain of approximately $70.9 million on the sale of Critical Path, Inc. common stock and a pre-tax gain of approximately $19.8 million on the sale of a real estate holding by AltaVista, partially offset by a pre-tax loss of approximately $358.9 million on the sale of Pacific Century CyberWorks Limited (PCCW) stock, a pre-tax loss of approximately $95.9 million on the sale of AltaVista's wholly-owned subsidiary, Raging Bull, a pre-tax loss of approximately $310.9 million related to impairment charges taken on certain available-for-sale securities held by the Company, and by a pre-tax loss of approximately $187.5 million on the write-down of the carrying value of the Company's restricted PCCW stock.

Interest income decreased $34.5 million to $16.8 million for the twelve months ended July 31, 2002 from $51.3 million for the same period in fiscal 2001, reflecting decreased interest income associated with lower average cash and cash equivalent balances and lower interest rates in fiscal 2002.

Interest expense decreased $65.6 million to a net benefit of $19.3 million for the twelve months ended July 31, 2002 from a net expense of $46.3 million for the same period in fiscal 2001, primarily due to a favorable fair market value adjustment of approximately $20.7 million related to the decrease in value of the obligation to the former holders of the Series C Preferred Stock. In connection with the repurchase of the outstanding shares of its Series C Preferred Stock in November 2001, the Company incurred an obligation to deliver approximately 448.3 million shares of its PCCW stock holdings to the former holders of the Series C Preferred Stock no later than December 2, 2002. As a result of this transaction, the Company is accounting for the 448.3 million shares of PCCW stock as a trading security and the liability related to the obligation to deliver the PCCW stock as a current note payable, both of which are carried at market value. Changes in the fair value of the PCCW stock and the note payable are recorded in the Consolidated Statements of Operations as other gains (losses), net and as adjustments to interest expense, respectively. The fair market value adjustment of the note payable through July 31, 2002 resulted in a $20.7 million decrease to interest expense, which was offset by a loss of $20.7 million on the fair value adjustment of the trading security which was included in other gains (losses), net. Additionally, the interest expense decreased from the fiscal 2001 payment in full of the $376.9 million principal balance on the notes issued in connection with the acquisition of Tallan, the settlement of the underlying debt associated with the borrowing arrangement entered into in connection with a hedge of the Company's investment in Yahoo! common stock and the retirement of the $220 million notes payable to Compaq Computer Corporation, now Hewlett-Packard Company (HP), in November of 2001.

Equity in losses of affiliates resulted from the Company's minority ownership in certain investments that are accounted for under the equity method. Under the equity method of accounting, the Company's proportionate share of each affiliate's operating losses and amortization of the Company's net excess investment over its equity in each affiliate's net assets is included in equity in losses of affiliates. Equity in losses of affiliates decreased $30.3 million to $15.4 million for the twelve months ended July 31, 2002, from $45.7 million for the same period in fiscal 2001, primarily reflecting a decreased number of investments accounted for under the equity method compared to the same period last year. The Company expects its affiliate companies to continue to invest in the development of their products and services, and to recognize operating losses, which will result in future charges recorded by the Company to reflect its proportionate share of such losses.

Minority interest decreased to $44.3 million for the twelve months ended July 31, 2002 from $493.8 million for the same period of fiscal 2001, primarily as a result of reduced losses at AltaVista and Engage. Minority interest for the twelve months ended July 31, 2002 primarily reflects the minority interest in the net losses of Engage and AltaVista.

INCOME TAX BENEFIT:

Income tax benefit attributable to continuing operations recorded for the twelve months ended July 31, 2002 was approximately $7.4 million. Income tax benefit for the twelve months ended July 31, 2002 differs from the amount computed by applying the U.S. federal income tax rate of 35 percent to pre-tax loss primarily as a result of non-deductible goodwill amortization and impairment charges, valuation allowances recognized on deferred tax assets, and utilization of net operating loss from fiscal year 2001 due to a change in the tax law. During the twelve months ended July 31, 2002, the Company recorded net tax benefit of approximately $7.4 million, primarily attributable to the tax expense related to the recognition of a valuation allowance to continuing operations due to the reduction in expected future taxable income related to unrealized gains in “Accumulated other comprehensive income (loss)”, net of tax benefit related to a change in the tax law, allowing for a portion of the fiscal year 2002 and 2001 net operating losses to be carried back up to five years against its U.S. federal taxable income reported in earlier years. The Company received $31.8 million in refunds during the fiscal year 2002.

DISCONTINUED OPERATIONS

On June 12, 2002 (the measurement date), CMGI’s board of directors authorized the divestiture of the Company’s equity and debt ownership interests in its subsidiary NaviSite. In September 2002, the Company completed the sale of NaviSite to ClearBlue. In consideration thereof, the Company received, among other things, 131,579 shares of common stock of ClearBlue. At the time of the sale, NaviSite comprised more than 90% of both the total assets and operating losses of the Managed Application Services segment. As a result of the transaction, the Company expects to record a net gain of between $4.0 million and $7.0 million in the first quarter of fiscal year 2003. The estimated gain on the sale of NaviSite includes the results of operations from the measurement date through the date of disposal. The results of operations of NaviSite from the measurement date through July 31, 2002 have been deferred and reflected as deferred loss on disposal of subsidiary on the Consolidated Balance Sheet at July 31, 2002. Additionally, the historical operations of NaviSite have been reflected as loss from discontinued operations in the accompanying consolidated financial statements, and NaviSite’s net current assets and net long term assets (liabilities) have been reported as net current assets and net non-current assets (liabilities) of discontinued operations at July 31, 2002 and 2001, respectively. Certain prior period amounts in the consolidated financial statements have been reclassified in accordance with generally accepted accounting principles to reflect the operations of NaviSite as discontinued operations.

EXTRAORDINARY ITEM

During the second quarter of fiscal 2002, the Company recorded an extraordinary gain of approximately $131.3 million, net of approximately $1.8 million in state taxes, related to the extinguishment of the Company’s $220.0 million in face amounts of notes payable to HP. As part of an agreement between the Company and HP, HP agreed to deem the Company’s $220.0 million in face amounts of notes payable, plus accrued interest thereon, paid in full in exchange for $75.0 million in cash, approximately 4.5 million shares of CMGI common stock and CMGI’s 49% ownership interest in its affiliate, B2E Solutions LLC, of which HP had previously owned the remaining 51%. The gain was calculated as the difference between the carrying value of the notes payable plus accrued interest thereon, less the carrying value of the consideration exchanged.

Fiscal 2001 Compared to Fiscal 2000

NET REVENUE:

	2001	% of 2001 Total Net Revenue	2000	% of 2000 Total Net Revenue	2001 vs. 2000	% Change
			(in thousands)			
Enterprise Software and Services	$ 410,732	35%	$ 466,105	55%	$ (55,373)	(12)%
eBusiness and Fulfillment	691,414	59%	345,177	40%	346,237	100%
Managed Application Services	49,054	4%	28,675	3%	20,379	71%
Portals	19,053	2%	17,945	2%	1,108	6%
Other	—	—	—	—	—	—
Total	$ 1,170,253	100%	$ 857,902	100%	$ 312,351	36%

The increase in net revenue in fiscal year 2001 compared to fiscal year 2000 was largely a result of the full year impact of the acquisitions of uBid and Tallan in April 2000, and net revenue growth at NaviPath during fiscal year 2001. The increase in net revenue in fiscal year 2001 was partially offset by reduced net revenues at Engage and AltaVista, and the sale or closing of operations of several companies during fiscal year 2001. The decrease in net revenue within the Enterprise Software and Services segment was primarily the result of decreased net revenue at Engage and AltaVista, which was partially offset by increased net revenue as a result of the full year impact of the acquisition of Tallan in April 2000. The decrease in net revenue at Engage was attributable to a decline in the on-line advertising market, which was partially offset by Engage's acquisition of MediaBridge during fiscal year 2001. Subsequent to July 31, 2001, Engage announced it had ceased its media business, which comprised approximately 16% and 28% of the Enterprise Software and Services segment net revenue for fiscal years 2001 and 2000, respectively, and would be focusing on interactive software and services. The decrease in net revenue at AltaVista was due to reduced net revenue from certain strategic deals renegotiated during fiscal year 2001, the softness in the on-line advertising market and certain changes in AltaVista's business strategy from a portal-based business model to an Internet and enterprise search business model. The increase in net revenue within the eBusiness and Fulfillment segment was primarily the result of the full year impact of the fiscal year 2000 acquisition of uBid, partially offset by the sale of a majority interest in Signatures in February 2001 and decreased net revenue at SalesLink as a result of the decline in volume within SalesLink's e-commerce and fulfillment and literature distribution lines of business. The decrease in net revenue at SalesLink was partially offset by the growth of net revenue within its supply chain management line of business. During the fourth quarter of fiscal year 2001, the Company adopted Staff Accounting Bulletin No. 101, "*Revenue Recognition in Financial Statements*" and Emerging Issues Task Force No. 99-19, "*Reporting Revenue Gross as a Principal versus Net as an Agent*", and accordingly adjusted net revenue at uBid by $27.6 million and $7.6 million in fiscal year 2001 and 2000, respectively. These adjustments reduce both net revenue and cost of revenue and have no impact on operating loss. The increase in net revenue within the Managed Application Services segment was primarily the result of increased net revenue from NaviPath and the full year impact of the acquisition of Activate, Inc. in November 1999. The increase in net revenue for NaviPath during fiscal year 2001 primarily related to the growth in the number of users and hours due to the expansion of its network coverage across the United States and Canada. Subsequent to July 31, 2001, the Company ceased funding the operations of NaviPath, which comprised approximately 66% and 57% of the net revenue in the Managed Application Services segment in fiscal year 2001 and 2000, respectively. The increase in net revenue within the Portals segment was primarily attributable to an increase in net revenue at MyWay during fiscal year 2001, as a result of growth in its customer base.

COST OF REVENUE:

	2001	% of 2001 Segment Net Revenue	2000	% of 2000 Segment Net Revenue	2001 vs. 2000	% Change
			(in thousands)			
Enterprise Software and Services	$ 249,219	61%	$ 259,515	56%	$ (10,296)	(4)%
eBusiness and Fulfillment	616,861	89%	293,942	85%	322,919	110%
Managed Application Services	141,392	288%	91,360	319%	50,032	55%
Portals	31,422	165%	39,844	222%	(8,422)	(21)%
Other	—	—	—	—	—	—
Total	$ 1,038,894	89%	$ 684,661	80%	$ 354,233	52%

Cost of revenue consisted primarily of expenses related to the cost of products purchased for sale or distribution. Additionally, cost of revenue included expenses related to the content, connectivity and production associated with delivering the Company's products and services. The increase in cost of revenue in fiscal year 2001 compared to fiscal year 2000 was largely attributable to the full year impact of the acquisitions of uBid and Tallan in April 2000, and the costs associated with the expansion of network infrastructure at NaviPath. The increases in cost of revenue in fiscal year 2001 was partially offset by decreases in cost of revenue as a result of the implementation of the Company's restructuring initiatives, which included the sale or closing of operations of several companies during fiscal year 2001, and actions taken at several of the remaining subsidiaries to increase operational efficiencies, improve margins and further reduce expenses. The Company's cost of revenue as a percentage of net revenue increased to approximately 89% in fiscal 2001 from approximately 80% in the prior fiscal year, primarily as a result of the full year impact of companies acquired in fiscal year 2000, the decline in net revenue from on-line advertising and the increasing costs associated with the expansion of network infrastructure. The decrease in cost of revenue within the Enterprise Software and Services segment was primarily due to reduced cost of revenues for Engage and AltaVista, offset partially by increased cost of revenue from the full year impact of the acquisition of Tallan. The decease in Engage's cost of revenue from the prior year was largely due to a reduction in headcount and reduced royalty expenses paid to Web publishers at Engage as a result of the restructuring initiatives implemented during fiscal year 2001, partially offset by the impact of the fiscal year 2001 acquisition of MediaBridge. The decrease in cost of revenue for AltaVista was primarily due to certain changes that AltaVista made to its business strategy in an effort to move from a portal-based business model to an Internet and enterprise search business model. Cost of revenue as a percentage of revenue for the Enterprise Software and Services segment increased to approximately 61% in fiscal year 2001 from approximately 56% in fiscal year 2000. The year over year increase is primarily a result of a decline in net revenue from on-line advertising in excess of savings generated from the Company's cost saving initiatives. The increase in cost of revenue within the eBusiness and Fulfillment segment was primarily due to the full year impact of the fiscal year 2000 acquisition of uBid, partially offset by the sale of a majority interest in Signatures during fiscal year 2001. Cost of revenue as a percentage of revenue for the eBusiness and Fulfillment segment increased to approximately 89% for fiscal year 2001 from approximately 85% for fiscal year 2000 primarily due to the full year impact of the acquisition of uBid and a change in the mix of business at SalesLink from literature distribution services and e-commerce fulfillment to supply chain management. The increase in cost of revenue within the Managed Application Services segment was primarily due to increased costs to support the growth of the customer base and network usage at NaviPath during fiscal year 2001 and the full year impact of the fiscal year 2000 acquisition of Activate. Cost of revenues as a percentage of revenues within the Managed Application Services segment decreased to approximately 288% in fiscal year 2001 from 319% in fiscal year 2000 primarily due to improved gross margins at NaviPath as a result of net revenue increases in excess of the incremental costs associated with generating net revenues. The decrease in cost of revenue within the Portals segment was primarily due to the closing of operations at iCAST in January 2001 and changes to MyWay's business strategy. The cost of revenues as a percentage of revenues decreased within the Portals segment to approximately 165% for fiscal year 2001 from approximately 222% for fiscal year 2000, primarily due to the closing of operations at iCAST and changes to MyWay's business strategy that involved a transition to a common technology platform, which reduced MyWay's cost of revenue.

RESEARCH AND DEVELOPMENT EXPENSES:

	2001	% of 2001 Segment Net Revenue	2000	% of 2000 Segment Net Revenue	2001 vs. 2000	% Change
			(in thousands)			
Enterprise Software and Services	$ 123,672	30%	$ 104,295	22%	$ 19,377	19%
eBusiness and Fulfillment	703	—	2,571	1%	(1,868)	(73)%
Managed Application Services	10,425	21%	9,742	34%	683	7%
Portals	10,086	53%	32,125	179%	(22,039)	(69)%
Other	—	—	—	—	—	—
Total	$ 144,886	12%	$ 148,733	17%	$ (3,847)	(3)%

Research and development expenses consisted primarily of personnel and related costs to design, develop, enhance, test and deploy the Company's products and services either prior to the development effort reaching technological feasibility or once the product had reached the maintenance phase of its life cycle. The increase in research and development expenses in fiscal year 2001 compared to fiscal year 2000 within the Enterprise Software and Services segment was primarily the result of the full year impact of the acquisitions of AdKnowledge, Inc. (AdKnowledge), Flycast Communications Corporation (Flycast) and Yesmail during fiscal year 2000 and increased development efforts at Engage related to the further development of its software business. The increase in the Managed Application Services segment was primarily the result of the full year impact of the acquisition of Activate during fiscal year 2000, partially offset by a decrease in development efforts at NaviPath. The decrease in research and development expenses within the Portals segment was primarily the result of the closing of operations at iCAST in January 2001, and the closing of certain operations at MyWay in connection with their transition to a common technology platform.

IN-PROCESS RESEARCH AND DEVELOPMENT EXPENSES:

	2001	% of 2001 Segment Net Revenue	2000	% of 2000 Segment Net Revenue	2001 vs. 2000	% Change
			(in thousands)			
Enterprise Software and Services	$ 700	—	$ 62,037	13%	$ (61,337)	(99)%
eBusiness and Fulfillment	—	—	—	—	—	—
Managed Application Services	—	—	2,400	8%	(2,400)	(100)%
Portals	—	—	—	—	—	—
Other	762	—	1,246	—	(484)	(39)%
Total	$ 1,462	—	$ 65,683	8%	$ (64,221)	(98)%

The fiscal year 2001 in-process research and development expenses relate to the one-time charges taken in connection with Engage's acquisition of MediaBridge in September 2000 and the Company's investment in Avamar Technologies, Inc. The fiscal year 2000 in-process research and development expenses relate to one-time charges taken in connection with the acquisitions of AdForce, AdKnowledge, ExchangePath, Equilibrium, Flycast and Yesmail and the Company's investment in AnswerLogic, Inc.

SELLING EXPENSES:

	2001	% of 2001 Segment Net Revenue	2000	% of 2000 Segment Net Revenue	2001 vs. 2000	% Change
			(in thousands)			
Enterprise Software and Services	$ 255,596	62%	$ 340,286	73%	$ (84,690)	(25)%
eBusiness and Fulfillment	57,620	8%	27,231	8%	30,389	112%
Managed Application Services	23,159	47%	21,436	75%	1,723	8%
Portals	12,187	64%	37,199	207%	(25,012)	(67)%
Other	12,855	—	6,580	—	6,275	95%
Total	$ 361,417	31%	$ 432,732	50%	$ (71,315)	(16)%

Selling expenses consisted primarily of advertising and other general marketing related expenses, compensation and employee-related expenses, sales commissions, facilities costs, tradeshow expenses and travel costs. Certain costs related to fulfillment, including distribution and customer service center expenses for activities such as receiving goods and picking of goods for shipment within the Company's eBusiness and Fulfillment segment are classified as selling expenses. Selling expenses decreased during fiscal year 2001 primarily due to a concerted effort by management to reduce sales and marketing expenses throughout the Company as part of its restructuring initiatives. The decrease in selling expenses within the Enterprise Software and Services segment was primarily the result of a decrease in headcount and certain sales and marketing campaigns at AltaVista and Engage in connection with restructuring initiatives. The increase in selling expenses within the eBusiness and Fulfillment segment was primarily the result of the full year impact of the fiscal year 2000 acquisition of uBid, partially offset by the sale of the Company's majority interest in Signatures. The increase in selling expenses in the Managed Application Services segment was primarily the result of the full year impact of the fiscal year 2000 acquisition of Activate, partially offset by a decrease in selling expenses at NaviPath as a result of a reduction in headcount during fiscal year 2001. The decrease in selling expenses in the Portals segment was primarily the result of the closing of operations of iCAST and the closing of certain operations at MyWay in connection with their transition to a common technology platform. The increase in selling expenses within the Other segment was primarily the result of costs incurred to develop and produce certain corporate marketing and advertising programs during fiscal year 2001.

GENERAL AND ADMINISTRATIVE EXPENSES:

	2001	% of 2001 Segment Net Revenue	2000	% of 2000 Segment Net Revenue	2001 vs. 2000	% Change
			(in thousands)			
Enterprise Software and Services	$ 97,519	24%	$ 86,019	18%	$ 11,500	13%
eBusiness and Fulfillment	38,779	6%	29,274	8%	9,505	32%
Managed Application Services	24,416	50%	23,627	82%	789	3%
Portals	10,231	54%	20,246	113%	(10,015)	(49)%
Other	77,854	—	47,110	—	30,744	65%
Total	$ 248,799	21%	$ 206,276	24%	$ 42,523	21%

General and administrative expenses consisted primarily of compensation, facilities costs, bad debt and fees for professional services. The increase in general and administrative expenses in fiscal year 2001 compared to fiscal year 2000 was primarily the result of the full year impact of the fiscal year 2000 acquisitions, increased bad debt expense related to the downturn in the Internet industry and the building of infrastructure at the corporate level and at several of the Company's subsidiaries, partially offset by the sale and closing of certain companies and restructuring initiatives taken at several of the remaining subsidiaries. The increase in general and administrative expenses within the Enterprise Software and Services segment was primarily the result of the full year impact of the fiscal year 2000 acquisitions of AdKnowledge, Flycast, Tallan and Yesmail, the fiscal 2001 acquisition of MediaBridge and increased bad debt expense recorded by Engage, primarily related to its media business, during fiscal year 2001. The increase in general and administrative expenses within the eBusiness and Fulfillment segment was primarily the result of the full year impact of the acquisition of uBid, partially offset by the sale of a majority interest in Signatures in fiscal year 2001. The increase in general and administrative expenses within in the Managed Application Services segment was primarily the result of the full year impact of the fiscal year 2000 acquisition of Activate, partially offset by the closing of operations at ExchangePath and 1stUp. The decrease in general and administrative expenses within the Portals segment was primarily the result of the closing of operations of iCAST and the closing of certain operations at MyWay in connection with their transition to a common technology platform. The increase in general and administrative expenses within the Other segment, which includes certain administrative functions such as legal, finance and business development which are not fully allocated to CMGI's subsidiary companies, was primarily the result of the growth of CMGI's corporate infrastructure, including higher personnel costs due to increased headcount, increased information technology costs associated with an upgrade of the Company's information systems and increased professional fees and facilities costs.

AMORTIZATION OF INTANGIBLE ASSETS AND STOCK-BASED COMPENSATION:

	2001	% of 2001 Segment Net Revenue	2000	% of 2000 Segment Net Revenue	2001 vs. 2000	% Change
			(in thousands)			
Enterprise Software and Services	$ 1,262,818	308%	$ 1,218,396	261%	$ 44,422	4%
eBusiness and Fulfillment	149,688	22%	40,914	12%	108,774	266%
Managed Application Services	24,714	50%	36,638	128%	(11,924)	(33)%
Portals	119,471	627%	105,480	588%	13,991	13%
Other	218	—	216	—	2	1%
Total	$ 1,556,909	133%	$ 1,401,644	163%	$ 155,265	11%

Amortization of intangible assets and stock-based compensation consisted primarily of goodwill amortization expense related to acquisitions made during fiscal year 2000, and, to a lesser degree, acquisitions made in fiscal 2001. The intangible assets recorded as a result of these acquisitions are primarily being amortized over periods ranging from two to five years. Included within amortization of intangible assets and stock-based compensation expenses was approximately $68.3 million and $84.1 million of stock-based compensation for fiscal years 2001 and 2000, respectively. The increase in amortization expense in the Enterprise Software and Services segment is primarily the result of a full year of amortization in fiscal year 2001 related to the fiscal year 2000 acquisitions of AdKnowledge, Flycast, Tallan and Yesmail and the fiscal year 2001 acquisition of MediaBridge. This increase was partially offset by the effect of impairment charges recorded during fiscal year 2001 related to certain intangible assets of AltaVista, Engage, Tallan and Yesmail, including $587.6 million recorded in the fourth quarter.

The increase in amortization expense in the eBusiness and Fulfillment segment primarily reflects a full year of amortization in fiscal year 2001 related to the acquisition of uBid. The decrease in amortization expense in the Managed Application Services segment was primarily the result of the closing of operations at 1stUp and ExchangePath during fiscal year 2001, partially offset by a full year of amortization in fiscal year 2001 related to the Activate acquisition in fiscal year 2000. The increase in amortization expense in the Portals segment primarily reflects a full year of amortization in fiscal year 2001 related to the fiscal year 2000 acquisition of Zip2 Corporation (which was subsequently acquired by MyWay). The increase in amortization expense was partially offset by the effect of impairment charges recorded during fiscal year 2001 related to certain intangible assets of MyWay, including $96.0 million recorded in the fourth quarter.

IMPAIRMENT OF LONG-LIVED ASSETS:

	2001	% of 2001 Segment Net Revenue	2000	% of 2000 Segment Net Revenue	2001 vs. 2000	% Change
			(in thousands)			
Enterprise Software and Services	$ 3,189,020	776%	$ 17,377	4%	$ 3,171,643	18,252%
eBusiness and Fulfillment	7,138	1%	5,014	1%	2,124	42%
Managed Application Services	58,754	120%	—	—	58,754	N/A
Portals	108,405	569%	11,814	66%	96,591	818%
Other	—	—	—	—	—	—
Total	$ 3,363,317	287%	$ 34,205	4%	$ 3,329,112	9,733%

The Company records impairment charges as a result of management’s ongoing business review and impairment analysis performed under its existing policy regarding impairment of long-lived assets. Where impairment indicators were identified, management determined the amount of the impairment charge by comparing the carrying value of long-lived assets to their fair value. Management determines fair value of goodwill and certain other intangible assets based on a combination of the discounted cash flow methodology, which is based upon converting expected future cash flows to present value, and the market approach, which includes analysis of market price multiples of companies engaged in lines of business similar to the company. The market price multiples are selected and applied to the company based on the relative performance, future prospects and risk profile of the company in comparison to the guideline companies. Management predominately utilizes third-party valuation reports in its determination of fair value. As a result, during management's ongoing review of the value and periods of amortization and depreciation of long-lived assets, it was determined that the carrying value of certain long-lived assets was not fully recoverable. The impairment charges recorded in the Enterprise Software and Services segment during fiscal year 2001 included the write-down of goodwill and other intangible assets at AltaVista of approximately $986.2 million, of which approximately $123.5 million was recorded in the fourth quarter, the write-down of goodwill and intangible assets at Engage related to its media and software businesses of approximately $925.3 million, of which approximately $384.4 million was recorded in the fourth quarter, the write-down of goodwill and other intangible assets of approximately $335.9 million as a result of the closing of operations at ProvisionSoft's subsidiary, AdForce, the write-down of goodwill and other intangible assets at Tallan of approximately $586.3 million, of which $75.5 million was recorded in the fourth quarter, and the write-down of goodwill and other intangible assets at Yesmail of approximately $355.4 million, of which approximately $4.2 million was recorded in the fourth quarter. The impairment charges recorded in the Managed Application Services segment during fiscal year 2001 primarily included the write-down of goodwill and other intangible assets at Activate of approximately $30.4 million and the write-down of goodwill and other intangible assets of approximately $22.7 million as a result of the closing of operations at 1stUp. The impairment charges recorded in the Portals segment primarily included the write-down of goodwill and other intangible assets at MyWay of approximately $104.8 million, of which approximately $96.0 million was recorded in the fourth quarter. The other intangible assets that were determined to be impaired within each segment primarily related to a significant reduction in the acquired customer base and turnover of workforce, which was in place at the time of the acquisitions. The impairment factors evaluated by management may change in subsequent periods, given that the Company operates in a volatile business environment. This could result in material impairment charges in future periods.

RESTRUCTURING CHARGES:

	2001	% of 2001 Segment Net Revenue	2000	% of 2000 Segment Net Revenue	2001 vs. 2000	% Change
			(in thousands)			
Enterprise Software and Services	$ 102,042	25%	$ 14,770	3%	$ 87,272	591%
eBusiness and Fulfillment	—	—	—	—	—	—
Managed Application Services	67,438	138%	—	—	67,438	N/A
Portals	28,647	150%	—	—	28,647	N/A
Other	11,081	—	—	—	11,081	N/A
Total	$ 209,208	18%	$ 14,770	2%	$ 194,438	1,316%

The Company's restructuring initiatives during fiscal 2001 and 2000, respectively, involved strategic decisions to exit certain businesses and to reposition certain on-going businesses of the Company. Restructuring charges consisted primarily of contract terminations, severance charges and equipment charges incurred as a result of the cessation of operations of certain subsidiaries and actions taken at several remaining subsidiaries to increase operational efficiencies, improve margins and further reduce expenses. Severance charges include employee termination costs as a result of a reduction in workforce of approximately 1,700 positions. Employees affected by the restructuring were notified both through direct personal contact and by written notification. The contract terminations primarily consisted of costs to exit facility and equipment leases and to terminate bandwidth and other vendor contracts. The asset impairment charges primarily relate to the write-off of property and equipment. The restructuring charges incurred in the Enterprise Software and Services segment during fiscal year 2001 primarily related to restructuring initiatives at AltaVista, Engage and ProvisionSoft's subsidiary, AdForce. The AltaVista restructuring included workforce reductions of approximately 410 positions, the termination of a contract with a significant customer and the termination of other contracts by AltaVista in connection with the change in its business strategy. The Engage restructuring included workforce reductions of approximately 550 positions, the closing of several office locations, future lease commitments of Engage for associated servers, desktop computers and other telecommunications equipment and the write-off of fixed assets. The AdForce restructuring related to severance costs, the termination of several contracts and other exit costs related to the cessation of operations at AdForce. The restructuring charges incurred in the Managed Application Services segment during fiscal year 2001 primarily related to severance costs, the termination of several contracts, the write-off of fixed assets and other exit costs at NaviPath, 1stUp and ExchangePath in connection with the closing of their respective operations. The restructuring charges incurred in the Portals segment during fiscal year 2001 primarily consisted of costs associated with the closing of certain operations at MyWay in connection with their transition to a common technology platform, and the closing of operations at iCAST. The restructuring charges in the Other segment primarily related to severance costs and future lease commitments of the Company’s European corporate operations and CMGI@Ventures.

OTHER INCOME/EXPENSE:

Gain on issuance of stock by subsidiaries and affiliates increased $41.4 million, or 52%, to $121.8 million for fiscal year 2001 from $80.4 million for fiscal year 2000. Gain on the issuance of stock by subsidiaries and affiliates for fiscal year 2001 primarily relates to a pre-tax gain of approximately $125.9 million on the issuance of stock by Engage in its acquisitions of MediaBridge and Space Media Holdings Limited (Space) partially offset by a pre-tax loss of approximately $5.0 million on the issuance of stock by Engage to employees as a result of stock option exercises. Gain on issuance of stock by subsidiaries and affiliates for fiscal year 2000 primarily reflects the pre-tax gain of $51.9 million on the issuance of common stock by NaviSite in connection with its initial public offering.

Other gains (losses), net decreased $934.4 million, or 178%, to ($409.1) million for fiscal year 2001 from $525.3 million for fiscal year 2000. Other gains (losses), net for fiscal year 2001 primarily consisted of a pre-tax loss of approximately $358.9 million on the sale of Pacific Century CyberWorks Limited (PCCW) stock, a pre-tax loss of approximately $310.9 million related to the impairment charges taken on certain available-for-sale securities held by the Company, a pre-tax loss of approximately $187.5 million on the write-down of the carrying value of the Company’s restricted PCCW stock, a pre-tax loss of approximately $148.9 related to the write-down of the carrying value of certain CMGI @Ventures investments held by the Company, a pre-tax loss of approximately $95.9 million on the sale of AltaVista’s subsidiary, Raging Bull, Inc. (Raging Bull), and a pre-tax loss of approximately $18.5 million on the sale of the Company’s majority interest in Signatures, partially offset by a pre-tax gain of approximately $357.4 million on the sale of Lycos, Inc. (Lycos) stock, a pre-tax gain of approximately $135.3 million on the sale of Kana Communications, Inc. (Kana) stock, a pre-tax gain of approximately $89.4 million on the hedging arrangement with respect to the Company’s investment in Yahoo!, Inc. (Yahoo!) stock, a pre-tax gain of approximately $64.2 million on the sale of Terra Networks, S.A. (Terra Networks) stock, a pre-tax gain of approximately $70.9 million on the sale of Critical Path, Inc. (Critical Path) stock and a pre-tax gain of approximately $19.8 million on the sale of a real estate holding by AltaVista. Other gains (losses), net for fiscal year 2000 primarily consisted of a pre-tax gain of approximately $499.5 million on the sale of Yahoo! stock and a pre-tax gain of approximately $53.6 million on the acquisition of Half.com, Inc. (Half.com) by eBay, Inc. (eBay), partially offset by a pre-tax loss of approximately $35.0 million on the write-down of the carrying value of an available-for-sale security.

Interest income increased $11.8 million to $51.3 million for fiscal year 2001 from $39.5 million for fiscal year 2000, reflecting increased interest income associated with higher cash and cash equivalent balances, partially offset by lower interest rates. Interest expense decreased $9.4 million to $46.3 million for fiscal year 2001 from $55.7 million for fiscal year 2000, primarily due to the payment in full of the principal on the notes issued in connection with the acquisition of Tallan in fiscal year 2001 and due to the settlement of a portion of the underlying debt associated with the borrowing arrangement entered into in connection with a hedge of the Company's investment in Yahoo! stock.

Equity in losses of affiliates resulted from the Company's minority ownership in certain investments that are accounted for under the equity method. Under the equity method of accounting, the Company's proportionate share of each affiliate's operating losses and amortization of the Company's net excess investment over its equity in each affiliate's net assets is included in equity in losses of affiliates. Equity in losses of affiliates decreased $6.2 million to $45.7 million for fiscal year 2001, from $51.9 million for fiscal year 2000, primarily reflecting the effect of the sale of the Company's investment in Half.com to eBay and the effect of the impairment charges taken during fiscal year 2000, partially offset by an increase due to the Company's investment in B2E Solutions, LLC. The Company expects its affiliate companies to continue to invest in the development of their products and services, and to recognize operating losses, which will result in future charges recorded by the Company to reflect its proportionate share of such losses.

Minority interest, net increased to $493.8 million for fiscal year 2001 from $149.8 million for fiscal year 2000, primarily reflecting minority interest in net losses of six subsidiaries during fiscal year 2001, including AltaVista, Engage, MyWay, ProvisionSoft, NaviPath and Tallan. The increase is primarily related to an increase in the net losses reported by Engage and AltaVista due to substantial amortization, impairment and restructuring charges recorded during fiscal year 2001.

INCOME TAX BENEFIT:

Income tax benefit recorded for fiscal year 2001 was approximately $184.4 million and the Company's effective tax rates for fiscal 2001 and 2000 were 3% and 8%, respectively. The Company's effective tax rate differs from the amount computed by applying the U.S. federal income tax rate of 35 percent to pre-tax loss primarily as a result of non-deductible goodwill amortization and impairment charges, state taxes and valuation allowances recognized on deferred tax assets. During the year ended July 31, 2001, the Company recorded a valuation allowance against its gross deferred tax assets not expected to be utilized as it is more likely than not that these assets will not be realized in future years. Prior to fiscal 2001, the Company had recorded valuation allowances against net deferred tax assets only with respect to majority owned subsidiaries not included in the Company's federal consolidated tax return group. The increase in the valuation allowance resulted in additional tax expense of approximately $89.0 million for the year ended July 31, 2001.

Liquidity and Capital Resources

Working capital at July 31, 2002 decreased to approximately $203.9 million compared to $581.3 million at July 31, 2001. The net decrease in working capital is primarily attributable to a $431.3 million decrease in cash and cash equivalents, a $99.8 million decrease in available-for-sale securities and a $39.1 million decrease in accounts receivable. The Company's principal sources of capital during the twelve months ended July 31, 2002 were from the sales of approximately 7.1 million shares of Primedia, Inc. common stock for proceeds of approximately $15.9 million, the net maturities of other available-for-sale securities investments for proceeds of approximately $4.9 million, and from federal income tax refunds of approximately $31.8 million. The Company's principal uses of capital during the twelve months ended July 31, 2002 were $259.4 million for funding operations, $100.3 million for the retirement of the Series C Preferred Stock, $75.0 million for the retirement of notes payable to HP and $31.8 million for purchases of property and equipment.

On August 1, 2001, the Company settled the final tranche of the borrowing arrangement that hedged the Company's investment in the common stock of Yahoo! through the delivery of 581,499 shares of Yahoo! common stock.

On August 18, 2001, the Company issued approximately 5.4 million shares of its common stock to HP as a semi-annual interest payment of approximately $11.5 million related to notes payable issued to HP in the acquisition of AltaVista.

In September 2001, the Company received a federal income tax refund of approximately $14.0 million as a result of overpayment of the prior year's estimated tax payments.

On October 29, 2001, the Company and its majority-owned subsidiaries, AltaVista and NaviSite entered into agreements with HP, a significant stockholder of CMGI, and HP's wholly owned subsidiary, HPFS. Under certain terms of these agreements NaviSite purchased and recorded equipment from HPFS effective August 1, 2001, previously leased by NaviSite under operating lease agreements expiring through 2003, in exchange for a note payable of approximately $35.0 million. The $35.0 million due to HPFS was executed in the form of a convertible note payable to HPFS in the total amount of $55.0 million on November 8, 2001, as described below. As of July 31, 2002, the $55.0 million note due to HPFS, net of amounts allocated to beneficial conversion features, has been classified a component of net non-current assets (liabilities) of discontinued operations in the accompanying condensed consolidated balance sheets. Additionally, under the terms of these agreements, AltaVista agreed to purchase certain equipment, which it had previously leased from HPFS under operating and capital lease agreements, in exchange for a cash payment of $20.0 million. In November 2001, AltaVista completed and recorded the purchase of this equipment.

On November 8, 2001, as part of the agreement with HPFS, NaviSite received $20.0 million in cash from HPFS in exchange for a six-year, convertible note payable. This note, which also relates to the $35.0 million equipment purchase described above, bears interest at 12% and requires payment of interest only for the first three years from the date of issuance. A portion of the interest payable to HPFS in the first two years may be paid in NaviSite common stock. Principal and interest payments are due on a straight-line basis commencing in year four until maturity on the sixth anniversary from the issuance date. The convertible note payable is secured by substantially all assets of NaviSite and cannot be prepaid. The principal balance may be converted into NaviSite common stock at the option of the holder at any time prior to maturity at a conversion rate of $0.26 per share. As of July 31, 2002, NaviSite's cash balance has been classified as a component of net current assets of discontinued operations in the accompanying consolidated balance sheets, and NaviSite's note due to HPFS, net of amounts allocated to beneficial conversion features, has been classified a component of net non-current assets (liabilities) of discontinued operations in the accompanying consolidated balance sheets as a result of the Company's sale of all of its equity and debt ownership interests in NaviSite to ClearBlue on September 11, 2002.

Also, on November 8, 2001, as part of this agreement, HP agreed to deem the Company's $220.0 million in face amounts of notes payable, plus the accrued interest thereon, paid in full in exchange for $75.0 million in cash, approximately 4.5 million shares of CMGI common stock and CMGI's 49% ownership interest in its affiliate, B2E Solutions, LLC.

In November 2001, the Company consummated the repurchase of all the outstanding shares of its Series C Preferred Stock pursuant to privately negotiated stock exchange agreements with the holders of the Series C Preferred Stock. In connection therewith, the Company announced the retirement of the Series C Preferred Stock effective immediately. Under this agreement, the Company repurchased all of the outstanding shares of Series C Preferred Stock for aggregate consideration consisting of approximately $100.3 million in cash, approximately 34.7 million shares of the Company's common stock, and an obligation to deliver, no later than December 2, 2002, approximately 448.3 million shares of PCCW stock. In addition, due to the delayed delivery obligation with respect to the PCCW shares, the Company agreed to make cash payments to the former holders of the Series C Preferred Stock, on the dates and in the aggregate amounts as follows: approximately $3.7 million on February 9, 2002, approximately $3.5 million on May 17, 2002, approximately $3.8 million on August 19, 2002, approximately $3.7 million on November 19, 2002 and approximately $0.5 million on December 2, 2002. The obligation to make payments ceases upon delivery of the PCCW shares and any payment due for the period during which the PCCW shares are delivered to the former holders of the Series C Preferred Stock will be reduced on a pro rata basis. The Company made the cash payments due on February 19, 2002 and May 17, 2002 as scheduled. Also, subsequent to year end the Company made the August 19, 2002 cash payment of approximately $3.8 million as scheduled.

In January 2002, the Company purchased approximately $15.0 million of commercial paper. These investments had original maturity dates greater than 90 days at acquisition and therefore were classified as marketable securities at the time of purchase. During the fourth quarter of fiscal 2002, the $15.0 million of commercial paper matured, and was included in the Company's cash and cash equivalents balance at July 31, 2002.

In July 2002, the Company received a cash refund of approximately $17.8 million as a result of a change in tax law that allowed the Company to carry back a portion of its fiscal year 2001 net operating loss up to five years against taxable income reported in earlier years.

On July 11, 2002, following approval by the United States Bankruptcy Court and the administrator in The Netherlands, the Company, through its wholly owned subsidiary SL Supply Chain, acquired substantially all of the worldwide assets and operations of iLogistix, a provider of a comprehensive suite of traditional and e-commerce supply chain management services, for approximately $44.3 million.

Also, subsequent to year end, on September 9, 2002, the Company divested all of its equity and debt ownership interests in Engage. Under the terms of the Transaction Agreement, CMGI transferred to Engage approximately 148.4 million shares of common stock of Engage held by CMGI, representing approximately 76% of the issued and outstanding shares of Engage, and cancelled approximately $60 million of debt, including all convertible debt, owed to CMGI by Engage. In consideration of the equity transfer and debt cancellation, Engage, among other things, (i) paid to CMGI $2.5 million in cash, (ii) agreed to pay to CMGI up to an additional $6.0 million, comprised of a senior secured promissory note due in September 2006 and earnout payments commencing in fiscal year 2004, and (iii) issued to CMGI a warrant for the purchase of up to 9.9% of the issued and outstanding shares of Engage Common Stock, at an exercise price of $.048 per share.

On October 17, 2002, the Company sold all of its equity ownership interests in Equilibrium, to a group (the "Buyer") led by the current management of Equilibrium. Under the terms of the Transaction Agreement, CMGI sold to the Buyer 100% of the issued and outstanding shares of Equilibrium. In consideration thereof, CMGI received, among other things, (i) a senior secured promissory note due in October 2005 in the principal amount of $1.5 million made by the Buyer, (ii) a warrant for the purchase of 19.9% of the issued and outstanding shares of Equilibrium Common Stock, at an exercise price of $.01 per share, and (iii) a royalty-free perpetual worldwide license to Equilibrium's MediaRich software.

The Company believes that existing working capital and the availability of marketable securities, which could be sold or posted as collateral for cash loans, will be sufficient to fund its operations, investments and capital expenditures for at least the next twelve months. Should additional capital be needed to fund future investment and acquisition activity, the Company may seek to raise additional capital through the selective sale of investments or minority interests in certain subsidiaries, through public or private offerings of the Company's or its subsidiaries' stock, or through debt financing. There can be no assurance, however, that the Company will be able to raise additional capital on terms that are favorable to the Company, or at all.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, product returns, bad debts, inventories, investments, intangible assets, income taxes, restructuring, and contingencies and litigation. The Company bases our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. There can be no assurance that actual results will not differ from those estimates.

The Company has identified the accounting policies below as the policies most critical to its business operations and the understanding of our results of operations. The impact and any associated risks related to these policies on our business operations is discussed throughout Management's Discussion and Analysis of Financial Condition and Results of Operations where such policies affect our reported and expected financial results. Our critical accounting policies are as follows:

- *Revenue recognition*
- *Accounting for impairment of long-lived assets*
- *Restructuring expenses*
- *Accounting for the allowance for doubtful accounts and sales returns*
- *Loss Contingencies*
- *Excess and obsolete inventory*

Revenue recognition. The Company derives its revenue from three primary sources: (i) sale of products, both merchandise and software licenses; (ii) services and support revenue, which includes software maintenance and hosting services; and (iii) the delivery of advertising impressions and e-mail based direct marketing. As described below, significant management judgments and estimates must be made and used in connection with the revenue recognized in any accounting period. Material differences may result in the amount and timing of our revenue for any period if our management made different judgments or utilized different estimates. For most of its transactions, the Company applies the provisions of SEC Staff Accounting Bulletin 101 *Revenue Recognition.* However, revenue from sales of software is recognized in accordance with AICPA Statement of Position (SOP) 98-9, *Software Revenue Recognition with Respect to Certain Arrangements*.

Revenue from sales of merchandise is recognized upon shipment of the merchandise and verification of the customer's credit card authorization or receipt of cash. All shipping and handling fees billed to customers are recognized as revenue and related costs as costs of revenue when incurred, as long as the Company takes title to the products or assumes the risks and rewards of ownership.

Revenue from software product licenses, database services and website traffic audit reports are generally recognized when (i) a signed non-cancelable software license exists, (ii) delivery has occurred, (iii) the Company's fee is fixed or determinable, and (iv) collection is probable.

Revenue from software maintenance is deferred and recognized ratably over the term of each maintenance agreement, typically twelve months. Revenue from professional services is recognized as the services are performed, collection is probable and such revenues are contractually nonrefundable. Revenue from multiple element arrangements involving products, services and support elements is recognized in accordance with SOP 98-9, *Software Revenue Recognition with Respect to Certain Arrangements*, when vendor-specific objective evidence of fair value does not exist for the delivered element. As required by SOP 98-9, under the residual method, the fair value of the undelivered elements are deferred and subsequently recognized. The Company establishes sufficient vendor-specific objective evidence of fair value for services and support elements based on the price charged when these elements are sold separately. Accordingly, software license revenue for products developed is recognized under the residual method in arrangements in which the software is sold with one or both of the other elements. Revenue from license agreements that require significant customizations and modifications to the software product is deferred and recognized using the percentage of completion method. For license arrangements involving customizations for which the amount of customization effort cannot be reasonably estimated or when license arrangements provide for customer acceptance, we recognize revenue under the completed contract method of accounting.

The Company's advertising revenue is derived primarily from the delivery of advertising impressions through its own or third-party Web sites. Revenue is recognized in the period that the advertising impressions are delivered, provided the collection of the resulting receivable is probable. Revenue from e-mail based direct marketing is recognized upon delivery of the e-mail to the target audience that represents substantial completion of the contract obligation.

Substantially all media and media management revenue is recognized on a gross basis and amounts paid to websites where advertisements appear are recorded as cost of revenue. Revenue is generally recognized gross of the related website expense in arrangements in which the Company acts as the principal in the transaction. Revenue is recognized net of the related Web site expense in arrangements in which the Company primarily acts as a sales agent.

Revenue from server hosting, systems administration, application rentals and Web site management services is generally billed and recognized over the term of the contract based on actual usage. Amounts billed prior to satisfying the above revenue recognition criteria are classified as deferred revenue.

Accounting for Impairment of Long-Lived Assets. The Company's management performs on-going business reviews and, based on quantitative and qualitative measures, assesses the need to record impairment losses on long-lived assets used in operations when impairment indicators are present. Where impairment indicators are identified, management determines the amount of the impairment charge by comparing the carrying value of the long-lived assets to their fair value. Management determines fair value based on a combination of the discounted cash flow methodology, which is based upon converting expected future cash flows to present value, and the market approach, which includes analysis of market price multiples of companies engaged in lines of business similar to the company being evaluated. The market price multiples are selected and applied to the company based on the relative performance, future prospects and risk profile of the company in comparison to the guideline companies. Management predominately utilizes third-party valuation reports in its determination of fair value. The impairment policy is consistently applied in evaluating impairment for each of the Company's wholly-owned and majority-owned subsidiaries and investments. It is reasonably possible that the impairment factors evaluated by management will change in subsequent periods, given that the Company operates in a volatile business environment. This could result in material impairment charges in future periods.

Restructuring Expenses. The Company assesses the need to record restructuring charges in accordance with Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)" (EITF 94-3), EITF 95-3, "Recognition of Liabilities in Connection with a Purchase Business Combination" and Staff Accounting Bulletin (SAB) No. 100, "Restructuring and Impairment Charges." In accordance with this guidance, management must execute an exit plan that will result in the incurrence of costs that have no future economic benefit. Also under the terms of EITF 94-3 a liability for the restructuring charges is recognized in the period management approves the restructuring plan. The Company recorded a liability that primarily includes the estimated severance and other costs related to employee benefits and certain estimated costs to exit equipment and facility lease obligations, bandwidth agreements and other service contracts. These estimates are based on the remaining amounts due under various contractual agreements, adjusted for any anticipated contract cancellation penalty fees or any anticipated or unanticipated event or changes in circumstances that would reduce these obligations.

Accounting for the Allowance for Doubtful Accounts and Sales returns. The allowance for doubtful accounts is based on our assessment of the collectibility of specific customer accounts and the aging of the accounts receivable. If there is a deterioration of a major customer's credit worthiness or actual defaults are higher than our historical experience, our estimates of the recoverability of amounts due to us could be adversely affected. A reserve for sales returns is established based on historical trends in product returns. If the actual or future returns do not reflect the historical data, our net revenue could be affected.

Loss Contingencies. The Company is subject to the possibility of various loss contingencies arising in the ordinary course of business. The Company considers the likelihood of the loss or impairment of an asset or the incurrence of a liability as well as our ability to reasonably estimate the amount of loss in determining loss contingencies. An estimated loss contingency is accrued when it is probable that a liability has been incurred or an asset has been impaired and the amount of the loss can be reasonably estimated. The Company regularly evaluates the current information available to us to determine whether such accruals should be adjusted.

Excess and Obsolete Inventory. The Company writes down its inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of the inventory and the estimated market value based upon assumptions about future demand and market conditions. If actual future demand or market conditions are less favorable than those projected by management, additional inventory write-downs may be required. Such adjustments are considered permanent adjustments to the cost basis of the inventory.

Recent Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141, "*Business Combinations*," and SFAS No. 142, "*Goodwill and Other Intangible Assets*." SFAS No. 141 will apply to all business combinations that the Company enters into after June 30, 2001, and eliminates the pooling-of-interests method of accounting. SFAS 142 is effective for fiscal years beginning after December 15, 2001. Under the new statements, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the statements. Other intangible assets will continue to be amortized over their useful lives.

The Company is required to adopt these statements for accounting for goodwill and other intangible assets beginning in the first quarter of fiscal year 2003. Upon adoption, the Company will perform the required impairment tests of goodwill and indefinite lived intangible assets under SFAS No. 142. As of July 31, 2002, the Company has not yet determined what effect these tests will have on its operations and financial position.

Upon adoption of SFAS No. 142, SFAS No. 141 will require the Company to evaluate its existing intangible assets and goodwill that were acquired in prior purchase business combinations, and to make any necessary reclassifications in order to conform with the new criteria in SFAS No. 141 for recognition apart from goodwill. Accordingly, the Company will be required to reassess the useful lives and residual values of all identifiable intangible assets acquired in purchase business combinations, and make any necessary amortization period adjustments. In addition, to the extent an intangible asset is then determined to have an indefinite useful life, the Company will be required to test the intangible asset for impairment in accordance with the provisions of SFAS No. 142. Any impairment loss will be measured as of the date of adoption and recognized as the cumulative effect of a change in accounting principle.

SFAS No. 142 will require the Company to perform an assessment of whether there is an indication that goodwill is impaired as of the date of adoption. To accomplish this the Company must identify its reporting units and determine the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of the date of adoption. The Company will then have up to six months from the date of adoption to determine the fair value of each reporting unit and compare it to the reporting unit's carrying amount. To the extent a reporting unit's carrying amount exceeds its fair value, an indication exists that the reporting unit's goodwill may be impaired and the Company must perform the second step of the transitional impairment test. In the second step, the Company must compare the implied fair value of the reporting unit's goodwill, determined by allocating the reporting unit's fair value to all of its assets (recognized and unrecognized) and liabilities in a manner similar to a purchase price allocation in accordance with SFAS No. 141, to its carrying amount, both of which would be measured as of the date of adoption. This second step is required to be completed as soon as possible, but no later than the end of the year of adoption. Any transitional impairment loss for goodwill will be recognized as the cumulative effect of a change in accounting principle in the Company's consolidated statement of operations.

In June 2001, the FASB issued SFAS No. 143, "*Accounting for Asset Retirement Obligations*." This statement addresses the accounting treatment for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The provisions of the statement apply to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development, or normal operation of a long-lived asset. The statement is effective for financial statements issued for fiscal years beginning after June 15, 2002. The Company has not completed its analysis of the impact of adopting SFAS No. 143, but does not expect this statement to have a material impact on its operations or financial position.

In October 2001, the FASB issued SFAS No. 144, "*Impairment on Disposal of Long-Lived Assets,*" effective for fiscal years beginning after December 15, 2001. Under the new rules, the criteria required for classifying an asset as held-for-sale have been significantly changed. Assets held-for-sale are stated at the lower of their fair values or carrying amounts, and depreciation is no longer recognized. In addition, the expected future operating losses from discontinued operations will be displayed in discontinued operations in the period in which the losses are incurred rather than as of the measurement date. More dispositions will qualify for discontinued operations treatment in the statement of operations under the new rules. The Company is currently evaluating the impact of SFAS No. 144 to its consolidated financial statements.

In November 2001, the Emerging Issues Task Force of the FASB issued as interpretive guidance Topic No. D-103, *"Income Statement Characterization of Reimbursements Received for 'Out-of-Pocket' Expenses Incurred"* ("Topic D-103"). Topic D-103 requires that reimbursements received for out-of-pocket expenses be classified as revenue on the statement of operations and was adopted by the Company at the beginning of the third quarter of fiscal 2002. This change in revenue classification impacts the Company's Enterprise Software and Services segment, resulting in an increase in both net revenue and cost of revenue of approximately $6.2 million for fiscal year 2001. There was no impact on operating loss for any prior periods. Comparative financial statements for prior periods were reclassified to comply with this interpretive guidance.

In April 2002, the FASB issued SFAS No. 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections effective for financial statements issued after May 15, 2002. The standard rescinds Statement 4 which required all gains and loses from extinguishment of debt to be aggregated and, when material, classified as an extraordinary item net of related income tax effect. CMGI does not expect this Statement will have a material effect on its financial position or results of operations.

In June 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities which addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). The standard requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Examples of costs covered by the standard include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, plant closing, or other exit or disposal activity. The provisions of this Statement are required to be applied to exit or disposal activities that are initiated after December 31, 2002. The Company is currently evaluating the impact of SFAS No. 146 to its consolidated financial statements.

Contractual Obligations

The Company leases facilities and certain other machinery and equipment under various non-cancelable operating leases and executory contracts expiring through December 2013. Future minimum contractual payments as of July 31, 2002 are as follows:

	Operating Leases	Stadium	Other Contractual Obligations	Total
			(in thousands)	
For the fiscal years ended July 31:				
2003	$ 37,113	$ 1,600	$ 3,778	$ 42,491
2004	22,701	1,600	1,100	25,401
2005	20,674	1,600	250	22,524
2006	18,241	1,600	—	19,841
2007	13,735	1,600	—	15,335
Thereafter	39,613	12,800	—	52,413
	$ 152,077	$20,800	$ 5,128	$178,005

Total future minimum lease payments have been reduced by future minimum sublease rentals of approximately $10.3 million.

The Company leases facilities and certain machinery and equipment under non-cancelable capital lease arrangements, which are not included in the table above. The present value of net minimum capital lease obligations is $1.8 million and $23.6 million as of July 31, 2002 and 2001, respectively.

Total rent and equipment lease expense charged to continuing operations was approximately $41.0 million, $108.4 million, and $60.5 million for the years ended July 31, 2002, 2001 and 2000, respectively.

In August 2000, the Company announced it had acquired the exclusive naming and sponsorship rights to the New England Patriots' new stadium, for a period of fifteen years. Under the terms of the original sponsorship agreement, the Company was scheduled to pay $7.6 million per year for the first ten years, with consumer price index adjustments for years eleven through fifteen, in return for the naming and sponsorship rights. In August 2002, the Company agreed with the owner of the stadium to amend the sponsorship agreement. Under the terms of the amended agreement, the Company relinquished the stadium naming rights and retained more limited marketing rights in exchange for a series of annual payments of $1.6 million per year beginning in 2003 and ending in 2015.

From time to time the Company provides guarantees of payment to vendors doing business with certain of the Company's subsidiaries. These guarantees require that in the event that the CMGI subsidiary company cannot satisfy its obligations with certain of its vendors, the Company will be required to settle the obligation. As of July 31, 2002 and 2001, the Company had outstanding guarantees of subsidiary indebtedness totaling $15.2 million and $20.7 million, respectively.

Other contractual obligations primarily consist of an agreement between AltaVista and DoubleClick, Inc. (DoubleClick). Under this agreement, AltaVista is contractually obligated to use a portion of DoubleClick's ad-serving technology through December 31, 2004. AltaVista estimates its remaining contractual obligation to DoubleClick from the period August 1, 2002 through December 31, 2004 will not exceed $3.3 million.

Factors That May Affect Future Results

The Company operates in a rapidly changing environment that involves a number of risks, some of which are beyond the Company's control. Forward-looking statements in this document and those made from time to time by the Company through its senior management are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements concerning the expected future revenues or earnings or concerning projected plans, performance, product development, product release or product shipment, as well as other estimates related to future operations are necessarily only estimates of future results and there can be no assurance that actual results will not materially differ from expectations. Forward-looking statements represent management's current expectations and are inherently uncertain. CMGI does not undertake any obligation to update forward-looking statements. Factors that could cause actual results to differ materially from results anticipated in forward-looking statements include, but are not limited to, the following:

CMGI may not be profitable in the future.

During the fiscal year ended July 31, 2002, CMGI had an operating loss of approximately $591 million. CMGI anticipates that it will continue to incur significant operating expenses in the future, including significant costs of revenue and selling, general and administrative and amortization, impairment and restructuring expenses. CMGI also has significant commitments and contingencies, including with respect to real estate, machinery and equipment leases, continuing stadium sponsorship obligations, and guarantees entered into by CMGI on behalf of itself and its operating companies. As a result, CMGI expects to continue to incur significant operating expenses and can give no assurance that it will achieve profitability or be capable of sustaining profitable operations. At July 31, 2002, CMGI had a consolidated cash and cash equivalents balance of approximately $257.2 million. Total cash and cash equivalents usage was approximately $43.8 million during the fourth quarter of fiscal 2002. If CMGI is unable to reach and sustain profitability, it risks depleting its working capital balances and its business will be materially adversely affected.

CMGI may have problems raising money it needs in the future.

CMGI from time to time seeks opportunities to provide capital to support CMGI's growth through the selective sale of investments or minority interests in subsidiaries or affiliates to outside investors. In recent years, CMGI has generally financed its operations with proceeds from selling shares of stock of companies in which CMGI had invested directly or through its @Ventures venture capital affiliates. The aggregate holdings and market value of the shares of stock held by CMGI has declined significantly over the past two plus years, due to market conditions and continued sales. Market and other conditions largely beyond CMGI's control may affect its future ability to engage in such sales, the timing of any such sales, and the amount of proceeds therefrom. Even if CMGI is able to sell any such securities in the future, CMGI may not be able to sell at favorable prices or on favorable terms. In addition, this funding source may not be sufficient in the future, and CMGI may need to obtain funding from outside sources. However, CMGI may not be able to obtain funding from outside sources. In addition, even if CMGI finds outside funding sources, CMGI may be required to issue to such outside sources securities with greater rights than those currently possessed by holders of CMGI's common stock. CMGI may also be required to take other actions, which may lessen the value of its common stock or dilute its common stockholders, including borrowing money on terms that are not favorable to CMGI or issuing additional shares of common stock. If CMGI experiences difficulties raising money in the future, its business will be materially adversely affected.

CMGI derives a significant portion of its revenue from a small number of customers and the loss of any of those customers could significantly damage CMGI's business.

A limited number of customers account for a substantial portion of CMGI's consolidated net revenue and the loss of any one or more of these customers could cause its revenue to decline below expectations. On July 11, 2002, CMGI acquired the assets of iLogistix, through its wholly owned subsidiary, SL Supply Chain. Nearly all of the revenues of SL Supply Chain are accounted for by sales to Hewlett-Packard and Microsoft. CMGI currently does not have any agreements which obligate either customer to buy a minimum amount of products or services from CMGI or to designate CMGI as its sole supplier of any particular products or services. The loss of a significant amount of business with Hewlett-Packard or Microsoft, or any other key customer, would have a material adverse effect on CMGI. CMGI believes that it will continue to derive a significant portion of its operating revenue from sales to a small number of customers. There can be no assurance that CMGI's revenue from key customers will not decline in future periods.

CMGI and its operating companies depend on third-party software, systems and services.

CMGI and its operating companies rely on products and services of third-party providers in their business operations. For example, uBid's business relies on order management software and information systems provided by Oracle and other third parties, as well as on Microsoft.NET enterprise servers to run its auction website. There can be no assurance that CMGI or its operating companies will not experience operational problems attributable to the installation, implementation, integration, performance, features or functionality of such third-party software, systems and services. Any interruption in the availability or usage of the products and services provided by third parties could have a material adverse effect on the business or operations of CMGI or its operating companies.

If the market for supply chain management services declines, the demand for CMGI's services and its financial results could suffer.

CMGI derives a substantial portion of its revenue from providing supply chain management services. CMGI's business and future growth will depend in large part on the industry trend towards outsourcing supply chain management and other business processes. If this trend does not continue or declines, demand for CMGI's supply chain management services would decline and its financial results could suffer.

A decline in the technology sector could reduce CMGI's revenue.

A large portion of CMGI's supply chain management revenue comes from clients in the technology sector which is intensely competitive and highly volatile. A decline in the overall performance of the technology sector could adversely affect the demand for the supply chain management services and reduce CMGI's revenues from such clients.

CMGI depends on certain important employees, and the loss of any of those employees may harm CMGI's business.

CMGI's performance is substantially dependent on the performance of its executive officers and other key employees, as well as management of its operating companies. The familiarity of these individuals with the Internet and supply chain management industries makes them especially critical to CMGI's success. In addition, CMGI's success is dependent on its ability to attract, train, retain and motivate high quality personnel, especially for its operating companies management teams. The loss of the services of any of CMGI's executive officers or key employees may harm its business. CMGI's success also depends on its continuing ability to attract, train, retain and motivate other highly qualified technical and managerial personnel. Competition for such personnel is intense.

There may be conflicts of interest among CMGI, CMGI's subsidiaries and their respective officers, directors and stockholders.

Some of CMGI's officers and directors also serve as officers or directors of one or more of CMGI's subsidiaries. In addition, David S. Wetherell, CMGI's Chairman of the Board, has significant compensatory interests in certain of CMGI's @Ventures venture capital affiliates. As a result, CMGI, CMGI's officers and directors, and CMGI's subsidiaries and venture capital affiliates may face potential conflicts of interest with each other and with stockholders. Specifically, CMGI's officers and directors may be presented with situations in their capacity as officers, directors or management of one of CMGI's subsidiaries and venture capital affiliates that conflict with their fiduciary obligations as officers or directors of CMGI or of another subsidiary or affiliate.

CMGI's strategy of expanding its business through acquisitions of other businesses and technologies presents special risks.

CMGI intends to continue to expand its business in certain areas through the acquisition of businesses, technologies, products and services from other businesses. Acquisitions involve a number of special problems, including:

- difficulty integrating acquired technologies, operations and personnel with the existing businesses;
- diversion of management attention in connection with both negotiating the acquisitions and integrating the assets;
- strain on managerial and operational resources as management tries to oversee larger operations;
- the funding requirements for acquired companies may be significant;
- exposure to unforeseen liabilities of acquired companies;
- increased risk of costly and time-consuming litigation, including stockholder lawsuits;
- potential issuance of securities in connection with an acquisition with rights that are superior to the rights of holders of CMGI's common stock, or which may have a dilutive effect on the common stockholders;
- the need to incur additional debt or use cash; and
- the requirement to record potentially significant additional future operating costs for the amortization of intangible assets.

CMGI may not be able to successfully address these problems. Moreover, CMGI's future operating results will depend to a significant degree on its ability to successfully integrate acquisitions and manage operations while also controlling expenses and cash burn. In addition, many of CMGI's investments are in early-stage companies with limited operating histories and limited or no revenues. CMGI may not continue to fund or successfully develop these young companies to profitability.

CMGI must develop and maintain positive brand name awareness.

CMGI believes that establishing and maintaining its brand name and the brand names of its operating companies is essential to expanding its business and attracting new customers. CMGI also believes that the importance of brand name recognition will increase in the future as Internet companies continue to differentiate themselves. Promotion and enhancement of CMGI's brand names will depend largely on its ability to provide consistently high-quality products and services. If CMGI is unable to provide high-quality products and services, the value of its brand names will suffer and CMGI's business prospects may be adversely affected.

CMGI's quarterly results may fluctuate significantly.

CMGI's operating results have fluctuated widely on a quarterly basis during the last several years, and it expects to experience significant fluctuations in future quarterly operating results. Many factors, some of which are beyond CMGI's control, have contributed to these quarterly fluctuations in the past and may continue to do so. Such factors include:

- demand for its products and services;
- payment of costs associated with its acquisitions, sales of assets and investments;

- timing of sales of assets and marketable securities;
- market acceptance of new products and services;
- seasonality, especially in the eBusiness and Fulfillment segment;
- charges for impairment of long-lived assets in future periods;
- potential restructuring charges in connection with CMGI's continuing restructuring efforts;
- specific economic conditions in the industries in which CMGI competes; and
- general economic conditions.

The emerging nature of the commercial uses of the Internet makes predictions concerning CMGI's future revenues difficult. CMGI believes that period-to-period comparisons of its results of operations will not necessarily be meaningful and should not be relied upon as indicative of its future performance. It is also possible that in some fiscal quarters, CMGI's operating results will be below the expectations of securities analysts and investors. In such circumstances, the price of CMGI's common stock may decline.

The price of CMGI's common stock has been volatile and may fluctuate based on the value of its assets.

The market price of CMGI's common stock has been, and is likely to continue to be, volatile, experiencing wide fluctuations. In recent years, the stock market has experienced significant price and volume fluctuations, which have particularly impacted the market prices of equity securities of many companies providing Internet-related products and services. Some of these fluctuations appear to be unrelated or disproportionate to the operating performance of such companies. Future market movements may adversely affect the market price of CMGI's common stock. In addition, should the market price of CMGI's common stock remain below $1.00 per share for an extended period, it risks Nasdaq delisting, which would have an adverse effect on CMGI's business. In order to maintain compliance with Nasdaq listing standards, CMGI may consider several strategies, including without limitation a reverse stock split.

In addition, a portion of CMGI's assets includes the equity securities of both publicly traded and privately held companies. The market price and valuations of the securities that CMGI holds may fluctuate due to market conditions and other conditions over which CMGI has no control. Fluctuations in the market price and valuations of the securities that CMGI holds in other companies may result in fluctuations of the market price of CMGI's common stock and may reduce the amount of working capital available to CMGI. Finally, CMGI is obligated to deliver, no later than December 2, 2002, approximately 448 million shares of Pacific Century CyberWorks Limited to the former holders of CMGI's Series C Convertible Preferred Stock.

CMGI relies on NaviSite for Web site hosting.

On September 11, 2002, CMGI sold all of its equity and debt ownership interests in NaviSite to ClearBlue Technologies, Inc. CMGI and certain of its operating companies rely on NaviSite for network connectivity and hosting of servers. If NaviSite fails to perform such services, CMGI's internal business operations may be interrupted, and the ability of CMGI's operating companies to provide services to customers may also be interrupted. Such interruptions may have an adverse impact on CMGI's business and revenues and its operating companies.

The success of CMGI and its operating companies depends greatly on increased use of the Internet by businesses and individuals.

The success of CMGI and its operating companies depends greatly on increased use of the Internet for e-commerce transactions, advertising, marketing, providing services and conducting business. Commercial use of the Internet is currently at an early stage of development and the future of the Internet is not clear. In addition, it is not clear how effective Internet advertising is or will be, or how successful Internet-based sales will be. The businesses of CMGI's operating companies will suffer if commercial use of the Internet fails to grow in the future.

CMGI's operating companies are subject to intense competition.

The markets for the products and services of CMGI's operating companies are highly competitive and often lack significant barriers to entry, enabling new businesses to enter these markets relatively easily. Competition in the markets for Internet products and services may intensify in the future. Numerous well-established companies and smaller entrepreneurial companies are focusing significant resources on developing and marketing products and services that will compete with the products and services of CMGI's operating companies. The market for supply chain management products and services is very competitive, and the intensity of the competition is expected to continue to increase. Any failure to maintain and enhance the competitive position of CMGI's supply chain management operating companies will limit its ability to maintain and increase market share, which would result in serious harm to CMGI's business. Increased competition may also result in price reductions, reduced gross margins and loss of market share. In addition, many of the current and potential competitors of CMGI's operating companies have greater financial, technical, operational and marketing resources than those of CMGI's operating companies. CMGI's operating companies may not be able to compete successfully against these competitors. Competitive pressures may also force prices for Internet and supply chain management products and services down and such price reductions may reduce the revenues of CMGI's operating companies.

If the United States or other governments regulate the Internet more closely, the businesses of CMGI's operating companies may be harmed.

Because of the Internet's popularity and increasing use, new laws and regulations may be adopted. These laws and regulations may cover issues such as privacy, pricing, taxation, advertising methods and content. The enactment of any additional laws or regulations may impede the growth of the Internet and the Internet-related business of CMGI's operating companies and could place additional financial burdens on their businesses.

To succeed, CMGI's operating companies must respond to the rapid changes in technology and distribution channels related to the Internet.

The markets for the Internet and technology products and services of CMGI's operating companies are characterized by:

- rapidly changing technology;
- evolving industry standards;
- frequent new product and service introductions;
- shifting distribution channels; and
- changing customer demands.

The success of CMGI's operating companies will depend on their ability to adapt to this rapidly evolving marketplace. They may not be able to adequately adapt their products and services or to acquire new products and services that can compete successfully. In addition, CMGI's operating companies may not be able to establish and maintain effective distribution channels.

CMGI's operating companies face security risks.

Consumer concerns about the security of transmissions of confidential information over public telecommunications facilities is a significant barrier to e-commerce and communications on the Internet. Many factors may cause compromises or breaches of the security systems that CMGI's operating companies or other Internet sites use to protect proprietary information, including advances in computer and software functionality or new discoveries in the field of cryptography. A significant compromise of security on the Internet would have a negative effect on the use of the Internet for commerce and communications and negatively impact CMGI's operating companies. Security breaches of their activities or the activities of their customers and sponsors involving the storage and transmission of proprietary information, such as credit card numbers, may expose CMGI's operating companies to a risk of loss or litigation and possible liability. CMGI cannot assure that the security measures of CMGI's operating companies will prevent security breaches.

The success of the global operations of CMGI's operating companies is subject to special risks and costs.

CMGI's operating companies intend to continue to expand their operations outside of the United States. This international expansion will require significant management attention and financial resources. The ability of CMGI's operating companies to expand their offerings of CMGI's products and services internationally will be limited by the general acceptance of the Internet in other countries. In addition, CMGI and its operating companies have limited experience in such international activities. Accordingly, CMGI and its operating companies will need to commit substantial time and development resources to customizing the products and services of its operating companies for selected international markets and to developing international sales and support channels.

CMGI expects that the export sales of its operating companies will be denominated predominantly in United States dollars. As a result, an increase in the value of the United States dollar relative to other currencies may make the products and services of its operating companies more expensive and, therefore, potentially less competitive in international markets. As CMGI's operating companies increase their international sales, their total revenues may also be affected to a greater extent by seasonal fluctuations resulting from lower sales that typically occur during the summer months in Europe and other parts of the world.

CMGI's operating companies could be subject to infringement claims and other liabilities.

From time to time, CMGI's operating companies have been, and expect to continue to be, subject to third-party claims in the ordinary course of business, including claims of alleged infringement of intellectual property rights. Any such claims may damage the businesses of CMGI's operating companies by:

- subjecting them to significant liability for damages;
- resulting in invalidation of their proprietary rights;
- resulting in costly license fees in order to settle such claims;
- being time-consuming and expensive to defend even if such claims are not meritorious; and
- resulting in the diversion of management time and attention.

In addition, because materials may be downloaded from the Internet and subsequently distributed to others, CMGI's operating companies may be subject to claims for defamation, negligence, copyright or trademark infringement, personal injury or other theories based on the nature, content, publication and distribution of such materials.

ITEM 7A—QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to equity price risks on the marketable portion of its equity securities. The Company's available-for-sale securities at July 31, 2002 primarily consisted of investments in companies in the Internet and technology industries which have experienced significant historical volatility in their stock prices. The Company typically does not attempt to reduce or eliminate its market exposure on these securities. A 20% adverse change in equity prices, based on a sensitivity analysis of the equity component of the Company's available-for-sale securities portfolio as of July 31, 2002, would result in an approximate $2.1 million decrease in the fair value of the Company's available-for-sale securities.

The carrying values of financial instruments including cash and cash equivalents, accounts receivable, accounts payable and notes payable, approximate fair value because of the short maturity of these instruments. The carrying value of long-term debt approximates its fair value, as estimated by using discounted future cash flows based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

The Company from time to time uses derivative financial instruments primarily to reduce exposure to adverse fluctuations in interest rates on its borrowing arrangements. The Company does not enter into derivative financial instruments for trading purposes. As a matter of policy all derivative positions are used to reduce risk by hedging underlying economic or market exposure. The derivatives the Company uses are straightforward instruments with liquid markets. At July 31, 2002, the Company was primarily exposed to the London Interbank Offered Rate (LIBOR) and Euro Interbank Offered Rate (EURIBOR) interest rate on its outstanding borrowing arrangements.

The Company has historically had very low exposure to changes in foreign currency exchange rates, and as such, has not used derivative financial instruments to manage foreign currency fluctuation risk. The Company may consider utilizing derivative instruments to mitigate the risk of foreign currency exchange rate fluctuations in the future.

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ITEM 8.—FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
CMGI, Inc.:

We have audited the accompanying consolidated balance sheets of CMGI, Inc. and subsidiaries as of July 31, 2002 and 2001, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three-year period ended July 31, 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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 financial position of CMGI, Inc. and subsidiaries as of July 31, 2002 and 2001, and the results of their operations and their cash flows for each of the years in the three-year period ended July 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

Boston, Massachusetts
October 28, 2002

CMGI, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	July 31, 2002	July 31, 2001
	(in thousands, except share and per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 257,210	$ 688,490
Available-for-sale securities	10,335	110,134
Trading security	94,271	—
Accounts receivable, trade, net of allowance for doubtful accounts of $15,847 and $29,316 at July 31, 2002 and 2001, respectively	61,142	100,290
Inventories	47,918	40,141
Prepaid expenses and other current assets	41,514	50,947
Net current assets of discontinued operations	14,431	1,146
Deferred loss on disposal of subsidiary	31,869	—
Total current assets	558,690	991,148
Property and equipment, net	68,762	146,144
Investments in affiliates	57,770	239,127
Goodwill and other intangible assets, net of accumulated amortization of $3,143,075 and $2,886,042 at July 31, 2002 and 2001, respectively	151,759	464,473
Other assets	33,357	140,910
Net non-current assets of discontinued operations	—	72,573
	$ 870,338	$ 2,054,375
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 94,271	$ 33,594
Current installments of long-term debt	1,370	6,213
Accounts payable	46,011	59,500
Accrued restructuring	28,729	90,316
Accrued income taxes	93,515	35,912
Accrued expenses	75,532	134,495
Deferred income taxes	—	18,860
Other current liabilities	15,383	30,942
Total current liabilities	354,811	409,832
Long-term debt, less current installments	7,890	1,814
Deferred income taxes	—	20,795
Other long-term liabilities	16,108	19,097
Due to Hewlett-Packard Company	—	220,000
Net non-current liabilities of discontinued operations	49,193	—
Minority interest	25,668	186,440
Preferred stock, $0.01 par value per share. Authorized 5,000,000 shares; issued 375,000 Series C convertible, redeemable preferred stock at July 31, 2001, dividend at 2% per annum carried at liquidation value; zero outstanding as of July 31, 2002	—	390,640
Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.01 par value per share. Authorized 1,405,000,000 shares; issued and outstanding 392,679,011 shares at July 31, 2002 and 346,725,404 shares at July 31, 2001	3,926	3,467
Additional paid-in capital	7,292,415	7,138,132
Deferred compensation	—	(291)
Accumulated deficit	(6,880,452)	(6,353,233)
	415,889	788,075
Accumulated other comprehensive income	779	17,682
Total stockholders' equity	416,668	805,757
	$ 870,338	$ 2,054,375

see accompanying notes to consolidated financial statements

CMGI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share amounts)

	Years ended July 31,		
	2002	2001	2000
Net revenue	$ 707,770	$ 1,170,253	$ 857,902
Operating expenses:			
Cost of revenue	608,028	1,038,894	684,661
Research and development	53,738	144,886	148,733
In-process research and development	—	1,462	65,683
Selling	153,274	361,417	432,732
General and administrative	128,355	248,799	206,276
Amortization of intangible assets and stock-based compensation	256,012	1,556,909	1,401,644
Impairment	73,114	3,363,317	34,205
Restructuring	26,209	209,208	14,770
Total operating expenses	1,298,730	6,924,892	2,988,704
Operating loss	(590,960)	(5,754,639)	(2,130,802)
Other income (expense):			
Interest income	16,793	51,280	39,485
Interest (expense) recovery, net	19,293	(46,310)	(55,689)
Gains on issuance of stock by subsidiaries and affiliates	—	121,794	80,387
Other gains (losses), net	(68,503)	(409,095)	525,265
Equity in losses of affiliates, net	(15,408)	(45,661)	(51,886)
Minority interest	44,295	493,814	149,784
	(3,530)	165,822	687,346
Loss from continuing operations before income taxes and extraordinary item	(594,490)	(5,588,817)	(1,443,456)
Income tax benefit	(7,431)	(184,404)	(116,198)
Loss from continuing operations before extraordinary item	(587,059)	(5,404,413)	(1,327,258)
Discontinued operations, net of income taxes:			
Loss from discontinued operations	(69,140)	(83,507)	(37,435)
Extraordinary item, net of income taxes:			
Gain on extinguishment of notes payable to Hewlett-Packard Company	131,281	—	—
Net loss	(524,918)	(5,487,920)	(1,364,693)
Preferred stock accretion and amortization of discount	(2,301)	(7,499)	(11,223)
Gain on repurchase of Series C Convertible Preferred stock	63,505	—	—
Net loss available to common stockholders	$ (463,714)	$ (5,495,419)	$ (1,375,916)
Basic and diluted loss per share:			
Loss from continuing operations before extraordinary item available to common stockholders	$ (1.39)	$ (16.42)	$ (5.12)
Loss from discontinued operations	(0.18)	(0.25)	(0.14)
Gain on extinguishment of notes payable to Hewlett-Packard Company	0.35	—	—
Net loss available to common stockholders	$ (1.22)	$ (16.67)	$ (5.26)
Shares used in computing basic and diluted loss per share:	379,800	329,623	261,555

see accompanying notes to consolidated financial statements

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CMGI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share amounts)

	Common stock	Additional paid-in capital	Accumulated other comprehensive income	Deferred compensation	Retained earnings (accumulated deficit)	Total stockholders' equity
Balance at July 31, 1999 (191,168,280 shares)	$ 1,912	$ 234,273	$ 308,354	$ (180)	$ 518,102	$ 1,062,461
Comprehensive loss, net of taxes:						
Net loss	—	—	—	—	(1,364,693)	(1,364,693)
Other comprehensive income:						
Net unrealized holding gain arising during period	—	—	496,304	—	—	496,304
Less: Reclassification adjustment for gain realized in net loss	—	—	(308,987)	—	—	(308,987)
Total comprehensive loss	—	—	—	—	—	(1,177,376)
Preferred stock accretion	—	—	—	—	(8,516)	(8,516)
Amortization of discount on preferred stock	—	2,707	—	—	(2,707)	—
Conversion of redeemable preferred stock to common stock (2,834,520 shares)	28	36,357	—	—	—	36,385
Issuance of common stock pursuant to employee stock purchase plans and stock options (8,279,232 shares)	83	39,137	—	—	—	39,220
Issuance of common stock and common stock equivalents for acquisitions and investments (94,205,470 shares)	942	5,676,877	—	(75,265)	—	5,602,554
Amortization of deferred compensation	—	—	—	30,243	—	30,243
Tax benefit of stock option exercises	—	189,944	—	—	—	189,944
Effect of subsidiaries' equity transactions, net	—	10,887	—	—	—	10,887
Balance at July 31, 2000 (296,487,502 shares)	$ 2,965	$ 6,190,182	$ 495,671	$ (45,202)	$ (857,814)	$ 5,785,802

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CMGI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Continued)
(in thousands, except share amounts)

	Common stock	Additional paid-in capital	Accumulated other comprehensive income	Deferred compensation	Retained earnings (accumulated deficit)	Total stockholders' equity
Balance carried forward from previous page at July 31, 2000 (296,487,502 shares)	$ 2,965	$6,190,182	$ 495,671	$ (45,202)	$ (857,814)	$ 5,785,802
Comprehensive loss, net of taxes:						
Net loss	—	—	—	—	(5,487,920)	(5,487,920)
Other comprehensive income:						
Net unrealized holding loss arising during period	—	—	(794,446)	—	—	(794,446)
Less: Reclassification adjustment for loss realized in net loss	—	—	316,457	—	—	316,457
Total comprehensive loss	—	—	—	—	—	(5,965,909)
Preferred stock accretion	—	—	—	—	(7,499)	(7,499)
Issuance of common stock pursuant to employee stock purchase plans and stock options (4,059,413 shares)	40	11,986	—	—	—	12,026
Issuance of common stock for investments and payments on notes payable and long-term debt (46,178,489 shares)	462	963,473	—	—	—	963,935
Amortization of deferred compensation	—	—	—	44,911	—	44,911
Tax benefit of stock option exercises and reduction of previously recorded benefits, net	—	(29,587)	—	—	—	(29,587)
Effect of subsidiaries' equity transactions, net	—	2,078	—	—	—	2,078
Balance at July 31, 2001 (346,725,404 shares)	$ 3,467	$7,138,132	$ 17,682	$ (291)	$ (6,353,233)	$ 805,757
Comprehensive loss, net of taxes:						
Net loss	—	—	—	—	(524,918)	(524,918)
Other comprehensive income:						
Net unrealized holding loss arising during period	—	—	(54,575)	—	—	(54,575)
Less: Reclassification adjustment for loss realized in net loss	—	—	37,672	—	—	37,672
Total comprehensive loss	—	—	—	—	—	(541,821)
Preferred stock accretion	—	—	—	—	(2,301)	(2,301)
Gain on repurchase of Series C Convertible Preferred stock and related issuance of common stock (34,701,034 shares)	347	154,070	—	—	—	154,417
Issuance of common stock pursuant to employee stock purchase plans and stock options (1,134,909 shares)	11	1,081	—	—	—	1,092
Issuance of common stock and payments on notes payable and long-term debt (10,117,664 shares)	101	21,186	—	—	—	21,287
Amortization of deferred compensation	—	(182)	—	291	—	109
Tax benefit of stock option exercises and reduction of previously recorded benefits, net	—	—	—	—	—	—
Effect of subsidiaries' equity transactions, net	—	(21,872)	—	—	—	(21,872)
Balance at July 31, 2002 (392,679,011 shares)	$ 3,926	$7,292,415	$ 779	$ —	$ (6,880,452)	$ 416,668

see accompanying notes to consolidated financial statements

CMGI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years ended July 31,		
	2002	2001	2000
Cash flows from operating activities:			
Net loss	$ (524,918)	$ (5,487,920)	$ (1,364,693)
Adjustments to reconcile net loss to cash used for continuing operations:			
Depreciation, amortization and impairment charges	431,505	5,096,292	1,494,619
Deferred income taxes	12,625	(228,741)	(280,450)
Non-operating gains (losses), net	(102,588)	235,753	(605,652)
Equity in losses of affiliates	15,408	45,661	51,886
Deferred loss on sale of subsidiary	(31,869)	—	—
Minority interest	(44,295)	(493,814)	(149,784)
In-process research and development	—	1,462	65,683
Changes in operating assets and liabilities, excluding effects from acquired and divested subsidiaries:			
Trade accounts receivable	61,714	112,991	(77,419)
Prepaid expenses and other current assets	30,415	(6,406)	(40,447)
Accounts payable and accrued expenses	(131,884)	83,891	(16,251)
Deferred revenues	(5,455)	(23,471)	10,215
Refundable and accrued income taxes, net	17,903	(28,611)	(49,719)
Tax benefit from exercise of stock options	—	(29,587)	189,944
Other assets and liabilities	12,088	2,874	(4,011)
Net cash used for operating activities of continuing operations	(259,351)	(719,626)	(776,079)
Cash flows from investing activities of continuing operations:			
Additions to property and equipment	(31,769)	(116,710)	(113,374)
Proceeds from sale of property and equipment	—	35,779	—
Net proceeds from maturities of (purchases of) available-for-sale securities, net	37,023	42,672	11,182
Proceeds from liquidation of stock investments	20,851	979,933	1,143,574
Cash impact of acquisitions and divestitures of subsidiaries	(40,646)	(14,432)	(185,127)
Investments in affiliates	(8,200)	(75,540)	(299,330)
Other, net	3,384	(240)	(301)
Net cash provided by (used for) investing activities of continuing operations	(19,357)	851,462	556,624
Cash flows from financing activities of continuing operations:			
Net proceeds from (repayments of) obligations under capital leases	(26,926)	(12,460)	1,375
Net proceeds from (repayments of) notes payable	(75,000)	(3,576)	180,672
Net proceeds from (repayments of) long-term debt	2,532	(6,645)	(3,935)
Payment for retirement of Series C convertible preferred stock	(100,301)	—	—
Net proceeds from issuance of common stock	3,795	19,913	47,237
Net proceeds from issuance of stock by subsidiaries	93	6,713	209,207
Other	—	(2,082)	(20,000)
Net cash provided by (used for) financing activities of continuing operations	(195,807)	1,863	414,556
Net cash provided by (used for) discontinued operations	43,235	(6,928)	(98,942)
Net increase in cash and cash equivalents	(431,280)	126,771	96,159
Cash and cash equivalents at beginning of year	688,490	561,719	465,560
Cash and cash equivalents at end of year	$ 257,210	$ 688,490	$ 561,719

see accompanying notes to consolidated financial statements

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Nature of Operations

CMGI, Inc. (together with its consolidated subsidiaries, “CMGI” or the “Company”) is an operating and development company comprised of established and emerging companies, including both CMGI operating businesses and investments. CMGI companies span a range of vertical market segments including eBusiness and Fulfillment and Enterprise Software and Services.

CMGI’s business strategy over the years has led to the development, acquisition and operation of majority-owned subsidiaries focused on Internet technologies and supply chain management services, as well as the strategic investment in other Internet companies that have demonstrated synergies with CMGI’s core businesses. The Company’s strategy also envisions and promotes opportunities for synergistic business relationships among its subsidiaries, investments and affiliates.

(2) Summary of Significant Accounting Policies

Principles of Consolidation and Presentation

The consolidated financial statements of the Company include its wholly-owned and majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The Company accounts for investments in businesses in which it owns less than 50% using the equity method, if the Company has the ability to exercise significant influence over the investee company. All other investments for which the Company does not have the ability to exercise significant influence or for which there is not a readily determinable market value, are accounted for under the cost method of accounting. Certain amounts for prior periods have been reclassified to conform to current year presentations.

Certain costs related to the purchase price of products sold, inbound and outbound shipping charges, packing supplies and other costs associated with marketplace business of the Company’s eBusiness and Fulfillment segment are classified as cost of revenue. Certain costs related to fulfillment, including distribution and customer service center expenses for activities such as receiving goods and picking of goods for shipment within the Company’s eBusiness and Fulfillment segment are classified as selling expenses.

Revenue Recognition

Revenue from sales of merchandise is recognized upon shipment of the merchandise and verification of the customer’s credit card authorization or receipt of cash. All shipping and handling fees billed to customers are recognized as revenue and related costs as costs of revenue when incurred, as long as the Company takes title to the products or assumes the risks and rewards of ownership.

The Company’s advertising revenue is derived primarily from the delivery of advertising impressions through its own or third-party Web sites. Revenue is recognized in the period that the advertising impressions are delivered, provided the collection of the resulting receivable is probable.

Revenue from software product licenses, database services and website traffic audit reports are generally recognized when (i) a signed non-cancelable software license exists, (ii) delivery has occurred, (iii) the Company’s fee is fixed or determinable, and (iv) collection is probable.

Revenue from software maintenance is deferred and recognized ratably over the term of each maintenance agreement, typically twelve months. Revenue from professional services is recognized as the services are performed, collection is probable and such revenues are contractually nonrefundable. Revenue from multiple element arrangements involving products, services and support elements is recognized in accordance with AICPA SOP 98-9, *"Software Revenue Recognition with Respect to Certain Arrangements,"* when vendor-specific objective evidence of fair value does not exist for the delivered element. As required by SOP 98-9, under the residual method, the fair value of the undelivered elements are deferred and subsequently recognized. The Company establishes sufficient vendor-specific objective evidence of fair value for services and support elements based on the price charged when these elements are sold separately. Accordingly, software license revenue for products developed is recognized under the residual method in arrangements in which the software is sold with one or both of the other elements. Revenue from license agreements that require significant customizations and modifications to the software product is deferred and recognized using the percentage of completion method using labor hours as the primary measure towards completion. For license arrangements involving customizations for which the amount of customization effort cannot be reasonably estimated or when license arrangements provide for customer acceptance, we recognize revenue under the completed contract method of accounting.

Revenue from e-mail based direct marketing is recognized upon delivery of the e-mail to the target audience that represents substantial completion of the contract obligation.

Substantially all media and media management revenue is recognized on a gross basis and amounts paid to Web sites where advertisements appear are recorded as cost of revenue. Revenue is generally recognized gross of the related Web site expense in arrangements in which the Company acts as the principal in the transaction. Revenue is recognized net of the related Web site expense in arrangements in which the Company primarily acts as a sales agent.

Revenue from server hosting, systems administration, application rentals and Web site management services is generally billed and recognized over the term of the contract based on actual usage.

The Company adopted SAB No. 101 and Emerging Issues Task Force (EITF) No. 99-19, *"Reporting Revenue Gross as a Principal versus Net as an Agent"* during the fourth quarter of fiscal year 2001 and accordingly recognized an adjustment for approximately $27.6 million. The adjustment reduced both net revenue and cost of revenue by $8.1 million, $7.7 million and $11.8 million, respectively for each of the first three quarters of fiscal year 2001. An adjustment of $7.6 million was also recorded to net revenue in the fourth quarter of fiscal year 2000. The adoption of SAB No. 101 also reflects a change in the recognition of certain revenues within the eBusiness and Fulfillment segment from a gross basis to a net basis. These adjustments had no impact on operating loss.

The Company adopted Topic No. D-103, *"Income Statement Characterization of Reimbursements Received for 'Out-of-Pocket' Expenses Incurred"* at the beginning of the third quarter of fiscal 2002. Topic D-103 requires that reimbursements received for out-of-pocket expenses be classified as revenue on the statement of operations. This change in revenue classification impacts the Company's Enterprise Software and Services segment, resulting in an increase in both net revenue and cost of revenue of approximately $6.2 million for fiscal year 2001. There was no impact on revenue or cost of revenue for fiscal year 2000. There was no impact on operating loss for any prior periods. Comparative financial statements for prior periods were reclassified to comply with this interpretive guidance.

Amounts billed prior to satisfying the above revenue recognition criteria are classified as deferred revenue.

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Gains on Issuance of Stock by Subsidiaries and Affiliates

At the time a subsidiary sells its stock to unrelated parties at a price in excess of its book value, the Company's net investment in that subsidiary increases. If at that time, the subsidiary is not a newly formed, non-operating entity, nor a research and development, start-up or development stage company, nor is there question as to the subsidiary's ability to continue in existence, the Company records the increase in its Consolidated Statements of Operations. Otherwise, the increase is reflected in "Effect of subsidiaries' equity transactions" in the Company's Consolidated Statements of Stockholders' Equity.

At the time a subsidiary sells its stock to unrelated parties at a price below its book value, the Company's net investment in that subsidiary decreases. If at that time, the subsidiary is not a newly formed, non-operating entity, nor a research and development, start-up or development stage company, nor is there question as to the subsidiary's ability to continue in existence, the Company records the decrease in its Consolidated Statements of Operations. Otherwise, the decrease is reflected in "Effect of subsidiaries' equity transactions" in the Company's Consolidated Statements of Stockholders' Equity.

If gains have been recognized on issuances of a subsidiary's stock and shares of the subsidiary are subsequently repurchased by the subsidiary or by the Company, gain recognition does not occur on issuance subsequent to the date of a repurchase until such time as shares have been issued in an amount equivalent to the number of repurchased shares. Such transactions are reflected as equity transactions, and the net effect of these transactions is reflected in the Consolidated Statements of Stockholders' Equity.

Cash Equivalents and Statement of Cash Flows Supplemental Information

Highly liquid investments with original maturities of three months or less at the time of acquisition are considered cash equivalents.

Cash used for operating activities reflect cash payments for interest and income taxes as follows:

	Years ended July 31,		
	2002	2001	2000
		(in thousands)	
Interest	$ 1,190	$ 5,064	$ 15,734
Income taxes	$ 1,600	$ 20,151	$ 14,510

Portions of the consideration for acquisitions of businesses by the Company, or its subsidiaries, during fiscal years 2001 and 2000 included the issuance of shares of the Company's and its subsidiaries' common stock and the issuance of seller's notes (see note 8).

During fiscal 2002, significant non-cash activities included the Company's repurchase of all of the outstanding shares of its Series C Convertible Preferred Stock for approximately 34.7 million shares of the Company's common stock as well as additional consideration (see note 16).

In September 2001, the Company completed the sale of its majority-owned subsidiary, Activate.Net Corporation (Activate), in exchange for a $3.0 million note. At July 31, 2002 the carrying value of the note was reduced to $2.3 million as a result of a fourth quarter impairment charge of $0.7 million.

The Company also issued approximately 5.4 million shares of its common stock as payment for the first quarter fiscal 2002 interest on the Compaq Computer Corporation, now Hewlett-Packard Company (HP), note payable.

Also during fiscal 2002, the Company reached an agreement with HP in which HP agreed to deem the Company's $220.0 million in face amounts of notes payable, plus the accrued interest thereon, paid in full in exchange for approximately 4.5 million shares of CMGI common stock, CMGI's 49% ownership interest in its affiliate, B2E Solutions, LLC, of which HP had previously owned the remaining 51% as well as additional consideration (see note 14).

In November 2000, the Company entered into an agreement to hedge its investment in 581,499 shares of Yahoo! (Yahoo!) common stock. Under the terms of the new contract, the Company delivered 581,499 shares of Yahoo! common stock on August 1, 2001 (see note 14).

During fiscal year 2001, significant non-cash investing activities included the issuance of approximately 2.3 million shares of the Company's common stock to HP as consideration for $23.0 million in annual interest payments due on the notes payable issued in conjunction with the acquisition of AltaVista. Also during the year ended July 31, 2001, the Company issued approximately 30.2 million shares of its common stock as payment of principal and interest totaling approximately $391.6 million related to notes payable that had been issued in the Company's acquisition of Tallan, Inc. (Tallan). In August 2000, the Company and Cable & Wireless plc, completed a previously agreed to exchange of stock. CMGI received approximately 241.0 million shares of PCCW stock from Cable & Wireless in exchange for approximately 13.4 million shares of the Company's common stock.

During fiscal year 2001, the Company settled the first and third tranches of an agreement (see note 14) that hedged a portion of the Company's investment in common stock of Yahoo! through the delivery of 581,499 and 47,684 shares of Yahoo! common stock, respectively, to an investment bank.

During fiscal year 2001, Yahoo! acquired eGroups, Inc., a CMGI @Ventures investee company. In connection with the merger, CMG@Ventures III received approximately 91,000 shares (including shares held in escrow) of Yahoo! common stock.

In August 2000 and September 2000, respectively, Engage completed the acquisitions of Space and MediaBridge in exchange for its own common stock (see note 8).

During fiscal year 2000, significant non-cash investing activities included the exchange of stock between the Company and the following companies: divine, inc. (Divine), Primedia, Netcentives, Inc. (Netcentives) and PCCW. During fiscal year 2000, the Company also completed the sale of the Company's investment in Half.com in exchange for eBay common stock.

Fair Value of Financial Instruments

The carrying value for cash and cash equivalents, accounts receivable, accounts payable and notes payable approximates fair value because of the short maturity of these instruments. The carrying value of long-term debt approximates its fair value, as estimated by using discounted future cash flows based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

Investments

Marketable securities held the Company which meet the criteria for classification as available-for-sale are carried at fair value, net of a market discount to reflect any restrictions on transferability. Unrealized holding gains and losses on securities classified as available-for-sale are carried net of income taxes as a component of "Accumulated other comprehensive income (loss)" in the Consolidated Statements of Stockholders' Equity.

Marketable securities held by the Company which meet the criteria for classification as trading are carried at fair value. Changes in the market value of securities classified as trading are recorded as a component of “Other gains (losses), net” in the accompanying Consolidated Statements of Operations.

Other investments in which the Company’s interest is less than 20% and which are not classified as available-for-sale securities are carried at the lower of cost or net realizable value unless it is determined that the Company exercises significant influence over the investee company, in which case the equity method of accounting is used. For those investments in affiliates in which the Company’s voting interest is between 20% and 50%, the equity method of accounting is generally used. Under this method, the investment balance, originally recorded at cost, is adjusted to recognize the Company’s share of net earnings or losses of the affiliates as they occur, limited to the extent of the Company’s investment in, advances to and commitments for the investee. The Company’s share of net earnings or losses of affiliates includes the amortization of the difference between the Company’s investment and its share of the underlying net assets of the investee. Amortization is recorded on a straight-line basis over periods ranging from three to five years. These adjustments are reflected in “Equity in losses of affiliates” in the Company’s Consolidated Statements of Operations.

At the time an equity method investee sells its stock to unrelated parties at a price in excess of its book value, the Company’s net investment in that affiliate increases. If at that time, the affiliate is not a newly formed, non-operating entity, nor a research and development, start-up or development stage company, nor is there question as to the affiliate’s ability to continue in existence, the Company records the increase as a gain in its Consolidated Statements of Operations.

The Company assesses the need to record impairment losses on investments and records such losses when the impairment of an investment is determined to be other than temporary in nature. These impairment losses are reflected in “Other gains (losses), net” in the Company’s Consolidated Statements of Operations.

Accounting for Impairment of Long-Lived Assets

The Company’s management performs on-going business reviews and, based on quantitative and qualitative measures, assesses the need to record impairment losses on long-lived assets used in operations when impairment indicators are present. Where impairment indicators are identified, management determines the amount of the impairment charge by comparing the carrying value of the long-lived assets to their fair value. Management determines fair value based on a combination of the discounted cash flow methodology, which is based upon converting expected future cash flows to present value, and the market approach, which includes analysis of market price multiples of companies engaged in lines of business similar to the company being evaluated. The market price multiples are selected and applied to the company based on the relative performance, future prospects and risk profile of the company in comparison to the guideline companies. Management predominately utilizes third-party valuation reports in its determination of fair value. The impairment policy is consistently applied in evaluating impairment for each of the Company’s wholly-owned and majority-owned subsidiaries and investments. It is reasonably possible that the impairment factors evaluated by management will change in subsequent periods, given that the Company operates in a volatile business environment. This could result in material impairment charges in future periods.

Restructuring Expenses

The Company assesses the need to record restructuring charges in accordance with EITF No. 94-3, *“Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)”*, EITF No. 95-3, *“Recognition of Liabilities in Connection with a Purchase Business Combination”* and SAB No. 100, *“Restructuring and Impairment Charges.”* In accordance with this guidance, management must execute an exit plan that will result in the incurrence of costs that have no future economic benefit. Under the terms of EITF No. 94-3, a liability for the restructuring charges is recognized in the period management approves the restructuring plan.

Property and Equipment

Property and equipment is stated at cost. Depreciation and amortization is provided on the straight-line basis over the estimated useful lives of the respective assets (three to seven years). Leasehold improvements are amortized on a straight-line basis over the lesser of the estimated useful life of the asset or the lease term.

Maintenance and repairs are charged to operating expenses as incurred. Major renewals and betterments are added to property and equipment accounts at cost.

Intangible Assets

Goodwill and other intangible assets are being amortized principally over periods expected to be benefited, ranging from two to fifteen years, with the majority of the goodwill balance being amortized over three years.

Research and Development Costs and Software Costs

Expenditures that are related to the development of new products and processes, including significant improvements and refinements to existing products and the development of software are expensed as incurred, unless they are required to be capitalized. Software development costs are required to be capitalized when a product's technological feasibility has been established by completion of a detailed program design or working model of the product, and ending when a product is available for general release to customers. To date, the establishment of technological feasibility and general release has substantially coincided. As a result, capitalized software development costs have not been significant. Additionally, at the date of acquisition or investment, the Company evaluates the components of the purchase price of each acquisition or investment to identify amounts allocated to in-process research and development. Upon completion of acquisition accounting and valuation, such amounts are charged to expense if technological feasibility had not been reached at the acquisition date.

Advertising Costs

Advertising costs are expensed in the year incurred. Advertising expenses were approximately $40.3 million, $48.2 million and $160.0 million for the years ended July 31, 2002, 2001 and 2000, respectively.

Accounting for Income Taxes

Income taxes are accounted for under the asset and liability method whereby deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Accrued taxes payable includes reserves for estimated tax exposures.

Earnings (Loss) Per Share

The Company calculates earnings per share in accordance with Statement of Financial Accounting Standards (SFAS) No. 128, "*Earnings per Share*". Basic earnings per share is computed based on the weighted average number of common shares outstanding during the period. The dilutive effect of common stock equivalents and convertible preferred stock are included in the calculation of diluted earnings per share only when the effect of their inclusion would be dilutive. Approximately 4.7 million weighted average common stock equivalents were excluded from the denominator in the diluted loss per share calculation for the year ended July 31, 2002. As the Series C Convertible Preferred Stock was repurchased in November 2001 (see note 16), there is no effect of assumed conversion of convertible preferred stock for the year ended July 31, 2002. Approximately 8.5 million weighted average common stock equivalents and approximately 9.7 million shares representing the weighted average effect of assumed conversion of convertible preferred stock were excluded from the denominator in the diluted loss per share calculation for the year ended July 31, 2001. Approximately 13.1 million weighted average common stock equivalents and approximately 9.5 million shares representing the weighted average effect of assumed conversion of convertible preferred stock were excluded from the denominator in the diluted loss per share calculation for the year ended July 31, 2000.

If a subsidiary has dilutive stock options or warrants outstanding, diluted earnings per share is computed by first deducting from net income (loss), the income attributable to the potential exercise of the dilutive stock options or warrants of the subsidiary. The effect of income attributable to dilutive subsidiary stock equivalents was immaterial during the years ended July 31, 2002, 2001 and 2000, respectively.

Stock-Based Compensation Plans

The Company accounts for its stock compensation plans under the provisions of SFAS No. 123, *"Accounting for Stock-Based Compensation."* As permitted by SFAS No. 123, the Company measures compensation cost in accordance with Accounting Principles Board Opinion (APB) No. 25, "*Accounting for Stock Issued to Employees*" and related interpretations. Accordingly, no accounting recognition is given to stock options granted at fair market value until they are exercised. Upon exercise, net proceeds, including tax benefits realized, are credited to equity.

Use of Estimates

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

Diversification of Risk

Sales to one customer, Cisco Systems, Inc., accounted for approximately 6%, 8% and 11% of consolidated net revenue and 8%, 14% and 28% of eBusiness and Fulfillment segment net revenue for fiscal years 2002, 2001 and 2000, respectively. Accounts receivable from this customer amounted to approximately 5% and 10% of total trade accounts receivable at July 31, 2002 and 2001, respectively. Customer advertising contracts serviced by DoubleClick, Inc. accounted for approximately 1% and 13% of consolidated net revenue and 3% and 24% of the Enterprise Software and Services segment net revenue for fiscal years 2001 and 2000, respectively. Accounts receivables from one customer, HP, account for approximately 33% of the total accounts receivable at July 31, 2002. The Company's products and services are provided to customers primarily in North America.

Financial instruments, which potentially subject the Company to concentrations of credit risk are cash equivalents, available-for-sale securities, and accounts receivable. The Company's cash equivalent investment portfolio is diversified and consists primarily of short-term investment grade securities. To reduce risk, the

Company performs ongoing credit evaluations of its customers' financial condition. The Company generally does not require collateral on accounts receivable.

The Company enters into interest rate swap and cap agreements to reduce the impact of changes in interest rates on its floating rate debt. The swap agreements are contracts to exchange floating rate for fixed interest payments periodically over the life of the agreements without the exchange of the underlying notional amounts. The notional amounts of interest rate agreements are used to measure interest to be paid or received and do not represent the amount of exposure to credit loss. The differential paid or received on interest rate agreements is recognized as an adjustment to interest expense.

Derivative Instruments and Hedging Activities

As amended, SFAS No. 133, "*Accounting for Derivative Instruments and Hedging Activities*," establishes standards of accounting and reporting for derivative instruments and hedging activities. SFAS No. 133 requires that all derivatives be recognized at fair value in the statement of financial position, and that the corresponding gains or losses be reported either in the statements of operations or as a component of comprehensive income, depending on the type of hedging relationship that exists. If the derivative is determined to be a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are offset against the change in fair value of the hedged assets, liabilities, or firm commitments through the statements of operations or recognized in other comprehensive income until the hedged item is recognized in the statements of operations. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings. The Company adopted SFAS No. 133 on August 1, 2000 and recorded a transition gain, net of income taxes, of approximately $3.2 million during the first quarter of fiscal year 2001.

Comprehensive Income

SFAS No. 130, "*Reporting Comprehensive Income*," requires certain financial statement components, such as net unrealized holding gains or losses and cumulative translation adjustments to be included in accumulated other comprehensive income (loss). The Company reports accumulated other comprehensive income (loss) in the Consolidated Statements of Stockholders' Equity.

Recent Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, "*Business Combinations*," and SFAS No. 142, "*Goodwill and Other Intangible Assets*." SFAS No. 141 will apply to all business combinations that the Company enters into after June 30, 2001, and eliminates the pooling-of-interests method of accounting. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001. Under the new statements, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the statements. Other intangible assets will continue to be amortized over their useful lives.

The Company is required to adopt SFAS No. 142, and apply its provisions for accounting for goodwill and other intangible assets beginning in the first quarter of fiscal year 2003. Upon adoption, the Company will perform the required impairment tests of goodwill and indefinite lived intangible assets. As of July 31, 2002, the Company has not yet determined what effect these tests will have on its operations and financial position. Upon adoption of SFAS No. 142, SFAS No. 141 will require the Company to evaluate its existing intangible assets and goodwill that were acquired in prior purchase business combinations, and to make any necessary reclassifications in order to conform with the new criteria in SFAS No. 141 for recognition apart from goodwill. Accordingly, the Company will be required to reassess the useful lives and residual values of all identifiable intangible assets acquired in purchase business combinations, and make any necessary amortization period adjustments. In addition, to the extent an intangible asset is then determined to have an indefinite useful life, the Company will be required to test the intangible asset for impairment in accordance with the provisions of SFAS No. 142. Any impairment loss will be measured as of the date of adoption and recognized as the cumulative effect of a change in accounting principle.

SFAS No. 142 will require the Company to perform an assessment of whether there is an indication that goodwill is impaired as of the date of adoption. To accomplish this the Company must identify its reporting units and determine the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of the date of adoption. The Company will then have up to six months from the date of adoption to determine the fair value of each reporting unit and compare it to the reporting unit's carrying amount. To the extent a reporting unit's carrying amount exceeds its fair value, an indication exists that the reporting unit's goodwill may be impaired and the Company must perform the second step of the transitional impairment test. In the second step, the Company must compare the implied fair value of the reporting unit's goodwill, determined by allocating the reporting unit's fair value to all of its assets (recognized and unrecognized) and liabilities in a manner similar to a purchase price allocation in accordance with SFAS No. 141, to its carrying amount, both of which would be measured as of the date of adoption. This second step is required to be completed as soon as possible, but no later than the end of the year of adoption. Any transitional impairment loss for goodwill will be recognized as the cumulative effect of a change in accounting principle in the Company's Consolidated Statement of Operations.

In June 2001, the FASB issued SFAS No. 143, "*Accounting for Asset Retirement Obligations*." This statement addresses the accounting treatment for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The provisions of the statement apply to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development, or normal operation of a long-lived asset. The statement is effective for financial statements issued for fiscal years beginning after June 15, 2002. The Company has not completed its analysis of the impact of adopting SFAS No. 143, but does not expect this statement to have a material impact on its operations or financial position.

In October 2001, the FASB issued SFAS No. 144, "*Impairment on Disposal of Long-Lived Assets*," effective for fiscal years beginning after December 15, 2001. Under the new rules, the criteria required for classifying an asset as held-for-sale have been significantly changed. Assets held-for-sale are stated at the lower of their fair values or carrying amounts, and depreciation is no longer recognized. In addition, the expected future operating losses from discontinued operations will be displayed in discontinued operations in the period in which the losses are incurred rather than as of the measurement date. More dispositions will qualify for discontinued operations treatment in the statement of operations under the new rules. The Company is currently evaluating the impact of SFAS No. 144 to its consolidated financial statements.

In November 2001, the Emerging Issues Task Force of the FASB issued as interpretive guidance Topic No. D-103, *"Income Statement Characterization of Reimbursements Received for 'Out-of-Pocket' Expenses Incurred"*. Topic D-103 requires that reimbursements received for out-of-pocket expenses be classified as revenue on the statement of operations and was adopted by the Company at the beginning of the third quarter of fiscal 2002. This change in revenue classification impacts the Company's Enterprise Software and Services segment, resulting in an increase in both net revenue and cost of revenue of approximately $6.2 million for fiscal year 2001. There was no impact on revenue or cost of revenue for fiscal year 2000. There was no impact on operating loss for any prior periods. Comparative financial statements for prior periods were reclassified to comply with this interpretive guidance.

In April 2002, the FASB issued SFAS No. 145, "*Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections*" effective for financial statements issued after

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

May 15, 2002. The statement rescinds Statement 4 which required all gains and loses from extinguishment of debt to be aggregated and, when material, classified as an extraordinary item net of related income tax effect. This statement did not have a material effect on the Company's financial position or results of operations.

In June 2002, the FASB issued SFAS No. 146, "*Accounting for Costs Associated with Exit or Disposal Activities*" which addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue 94-3. The statement requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Examples of costs covered by the statement include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operations, plant closing, or other exit or disposal activity. The provisions of this Statement are required to be applied to exit or disposal activities that are initiated after December 31, 2002. The Company is currently evaluating the impact of SFAS No. 146 to its consolidated financial statements.

(3) Segment Information

Based on the information provided to the Company's chief operating decision maker for purposes of making decisions about allocating resources and assessing performance, the Company's operations have been classified in two operating segments that are strategic business units offering distinctive products and services that are marketed through different channels.

The Company previously reported five operating segments: (i) Interactive Marketing, (ii) eBusiness and Fulfillment, (iii) Search and Portals, (iv) Infrastructure and Enabling Technologies, and (v) Internet Professional Services. As a result of the cessation of operations, sale or other disposition of several subsidiaries and restructuring efforts at several of the remaining subsidiaries, the Company realigned its operating segments in fiscal 2002 to include three operating segments: (i) Enterprise Software and Services (which consists of Engage, (Engage, Inc.), Yesmail, Inc. (Yesmail), AltaVista Company (AltaVista), ProvisionSoft, Inc. (ProvisionSoft, formerly CMGion), Equilibrium Technologies, Inc. (Equilibrium) and Tallán, Inc. (Tallán) (ii) eBusiness and Fulfillment (which consists of SalesLink Corporation (SalesLink), uBid, Inc. (uBid), SL Supply Chain Services International Corp. (SL Supply Chain) as of July 2002, and the historical results of Signatures SNI, Inc., (Signatures) until the sale of the Company's majority interest in February 2001), (iii) Managed Application Services (which consists of NaviSite, Inc. (NaviSite) and the historical results of NaviPath, Inc. (NaviPath), ExchangePath LLC (ExchangePath) and 1stUp.com Corporation (1stUp) until the cessation of their operations in January 2002, January 2001 and December 2000, respectively, and Activate.Net Corporation (Activate), until its sale in September 2001). The Other segment represents certain corporate marketing and administrative expenses and the Company's venture capital arm, which invests in companies involved in various aspects of the Internet.

On September 11, 2002, the Company sold of all its equity and debt ownership interests in NaviSite. As a result, for all periods presented, NaviSite, which was previously included within the Managed Application Services segment, has been accounted for as a discontinued operation, as NaviSite's product offering represents both a major line of business and a distinct class of customer. At the time of the sale, NaviSite comprised more than 90% of both the total assets and operating losses of the Managed Application Services segment. Accordingly, NaviSite's net current assets and net non-current assets (liabilities) have been segregated from continuing operations in the accompanying consolidated balance sheets, and its operating results have been segregated from continuing operations and reported as discontinued operations in the accompanying Consolidated Statements of Operations and Cash Flows, and related notes to the consolidated financial statements for all periods presented (see note 4). The Company is currently evaluating its segment presentation and disclosures as a result of the recent dispositions of NaviSite, Engage, and Equilibrium.

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In addition to its two current operating segments in fiscal year 2002, the Company continues to report a Portals (formerly Search and Portals) segment that consists of the operations of MyWay and iCAST, as these entities do not meet the aggregation criteria under SFAS No. 131 *"Disclosures about Segments of an Enterprise and Related Information"*, with respect to the Company's current reporting segments. In the second quarter of fiscal year 2001, management announced its decision to cease funding the operations of iCAST, and in the second quarter of fiscal 2002, management announced its decision to cease funding the operations of MyWay. Accordingly, the historical results of these companies will continue to be reported in the Portals segment, as will any residual results from operations that exist through the cessation of operations. Prior to the realignment of the business and the reporting segments, the Portals segment also included the results of AltaVista. For comparative purposes, the historical results of AltaVista for all periods presented have been reclassified to the Enterprise Software and Services segment. Also, the Company will continue to report a Managed Application Services segment which includes the historical results of NaviPath, ExchangePath and 1stUp until the cessation of their operations in January 2002, January 2001 and December 2000, respectively, and Activate, until its sale in September 2001.

Management evaluates segment performance based on segment net revenue, operating loss and "pro forma operating income (loss)", which is defined as the operating income (loss) excluding net charges related to in-process research and development, depreciation, long-lived asset impairment, restructuring and amortization of intangible assets and stock-based compensation.

Summarized financial information of the Company's continuing operations by business segment is as follows:

	Years Ended July 31,		
	2002	2001	2000
		(in thousands)	
Net revenue:			
Enterprise Software and Services	$ 152,163	$ 410,732	$ 466,105
eBusiness and Fulfillment	542,913	691,414	345,177
Managed Application Services	6,158	49,054	28,675
Portals (formerly Search and Portals)	6,536	19,053	17,945
Other	—	—	—
	$ 707,770	$ 1,170,253	$ 857,902
Operating income (loss):			
Enterprise Software and Services	$ (350,793)	$ (4,869,854)	$ (1,636,590)
eBusiness and Fulfillment	(179,558)	(179,375)	(53,769)
Managed Application Services	2,368	(301,244)	(156,528)
Portals (formerly Search and Portals)	(1,747)	(301,396)	(228,763)
Other	(61,230)	(102,770)	(55,152)
	$ (590,960)	$ (5,754,639)	$ (2,130,802)
Pro forma operating income (loss):			
Enterprise Software and Services	$ (88,451)	$ (267,410)	$ (279,705)
eBusiness and Fulfillment	(49,364)	(16,461)	(4,076)
Managed Application Services	(12,056)	(138,269)	(114,476)
Portals (formerly Search and Portals)	5,628	(42,138)	(107,902)
Other	(49,384)	(85,858)	(52,554)
	$ (193,627)	$ (550,136)	$ (558,713)

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Years ended July 31,		
	2002	2001	2000
	(in thousands)		
GAAP Operating loss	$ (590,960)	$ (5,754,639)	$ (2,130,802)
Adjustments:			
In-process research and development	—	1,462	65,683
Depreciation	41,998	73,607	55,787
Amortization of intangibles and stock-based compensation	256,012	1,556,909	1,401,644
Long-lived asset impairments	73,114	3,363,317	34,205
Restructuring charge (benefit)	26,209	209,208	14,770
Pro forma operating loss	$ (193,627)	$ (550,136)	$ (558,713)

	July 31,	
	2002	2001
	(in thousands)	
Total assets:		
Enterprise Software and Services	$ 157,692	$ 498,143
eBusiness and Fulfillment	296,689	357,569
Managed Application Services	1,873	43,524
Portals (formerly Search and Portals)	1,849	8,801
Other	365,935	1,072,619
	$ 824,038	$ 1,980,656

"Other" includes certain cash equivalents, available-for-sale securities, certain other assets and corporate infrastructure expenses, which are not identifiable to the operations of the Company's operating business segments.

(4) Discontinued Operations

On June 12, 2002 (the measurement date), CMGI's board of directors authorized the divestiture of the Company's equity and debt ownership interests in its subsidiary NaviSite. In September 2002, the Company completed the sale of all its equity and debt ownership interests in its subsidiary, NaviSite to ClearBlue Technologies, Inc. ("ClearBlue"). In consideration thereof, the Company received, among other things, 131,579 shares of common stock of ClearBlue. As a result, for all periods presented, NaviSite, which was previously included within the Managed Application Services segment, has been accounted for as a discontinued operation, as NaviSite's product offering represents both a major line of business and a distinct class of customer. At the time of the sale, NaviSite comprised more than 90% of both the total assets and operating losses of the Managed Application Services segment. As a result of the transaction, the Company expects to record a net gain of between $4.0 million and $7.0 million in the first quarter of fiscal year 2003. The estimated gain on the sale of NaviSite includes the results of operations from the measurement date through the date of disposal. The results of operations of NaviSite from the measurement date through July 31, 2002 have been deferred and reflected as a deferred loss on disposal of subsidiary on the Consolidated Balance Sheet at July 31, 2002 in accordance with EITF No. 85-36, *"Discontinued Operations with Expected Gain and Interim Operating Losses."* Additionally, the historical operations of NaviSite have been reflected as loss from discontinued operations in the accompanying consolidated financial statements, and NaviSite's net current assets and net long term assets (liabilities) have been reported as net current assets and net non-current assets (liabilities) of discontinued operations at July 31, 2002 and 2001, respectively. Certain prior period amounts in the consolidated financial statements have been reclassified in accordance with generally accepted accounting principles to reflect the operations of NaviSite as discontinued operations. Summarized financial information for discontinued operations is as follows:

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Years Ended July 31,		
	2002	2001	2000
	(in thousands)		
Results of operations:			
Net revenues	$ 44,475	$ 73,602	$ 32,519
Operating expenses	113,615	157,109	69,954
Operating Loss	(69,140)	(83,507)	(37,435)
Net loss from discontinued operations	$ (69,140)	$ (83,507)	$ (37,435)

	July 31, 2002	July 31, 2001
	(in thousands)	
Financial position:		
Current assets	$ 29,709	$ 35,702
Property and equipment, net	12,412	63,410
Other assets	7,875	9,163
Total liabilities	(84,758)	(34,556)
Net assets (liabilities) of discontinued operations	$ (34,762)	$ 73,719

(5) Deconsolidation of Signatures SNI, Inc.

Beginning in February 2001, CMGI's ownership interest in Signatures was reduced to below 50% as a result of the sale of the Company's majority interest. As such, beginning in February 2001, the Company began to account for its investment in Signatures under the equity method of accounting, rather than the consolidation method. Prior to these events, the operating results of Signatures were consolidated within the operating results of the Company's eBusiness and Fulfillment segment, and the assets and liabilities of Signatures were consolidated with those of CMGI's other majority-owned subsidiaries in the Company's consolidated balance sheets. The Company's historical quarterly consolidated operating results for the six months ended January 31, 2001 included Signatures net revenue of approximately $40.8 million and operating losses of approximately $4.7 million.

(6) Available-for-Sale Securities

At July 31, 2002 and 2001, available-for-sale securities primarily consist of stock investments, carried at fair value and based on quoted market prices. Available-for-sale securities at July 31, 2002 primarily consisted of approximately 4.6 million shares of Vicinity stock valued at $9.4 million and approximately 21,000 shares of Amazon.com stock valued at $0.3 million. Available-for-sale securities at July 31, 2001 primarily consisted of approximately 7.1 million shares of Primedia stock valued at $43.5 million, 590,000 shares of Yahoo! stock valued at $10.4 million, 4.6 million shares of Vicinity stock valued at $8.0 million, 4.7 million shares of Divine stock valued at $6.0 million, 2.1 million shares of MSGI stock valued at $1.9 million and 3.2 million shares of Ventro Corporation stock valued at $1.6 million. The net unrealized holding gain of approximately $0.8 million and $17.7 million, net of deferred income taxes, has been presented as "Accumulated other comprehensive income" within the Consolidated Statements of Stockholders' Equity at July 31, 2002 and 2001, respectively.

(7) Property and Equipment

Property and equipment consists of the following:

	July 31, 2002	July 31, 2001
	(in thousands)	
Machinery and equipment	$ 68,804	$ 118,004
Other	74,488	123,373
	143,292	241,377
Less: Accumulated depreciation and amortization	74,530	95,233
Net property and equipment	$ 68,762	$ 146,144

(8) Business Combinations

Fiscal 2002

On July 11, 2002, following approval by the United States Bankruptcy Court and the administrator in The Netherlands, the Company, through its wholly owned subsidiary SL Supply Chain, acquired substantially all of the worldwide assets and operations of iLogistix, a provider of a comprehensive suite of traditional and e-commerce supply chain management services, for approximately $44.3 million. The purchase price allocation for iLogistix (now doing business as SL Supply Chain) is preliminary and subject to change.

Fiscal 2001

In August 2000, Engage completed its acquisition of Space. The total purchase price for Space was valued at approximately $35.8 million consisting of approximately 3.2 million shares of Engage common stock valued at approximately $35.5 million and direct acquisition costs of approximately $425,000, net of cash acquired of $70,000. Engage also recorded approximately $18.9 million in deferred compensation related to approximately 1.5 million shares of Engage common stock to be issued to certain employee shareholders of Space contingent upon continued employment for a one year period following the date of acquisition. Lastly, contingent consideration, comprised of approximately 1.4 million shares of Engage common stock, has been placed in escrow to satisfy certain performance objectives by Space. At July 31, 2001 and 2002, respectively, the performance goals were not met by Space.

In September 2000, Engage completed its acquisition of MediaBridge. The total purchase price for MediaBridge was valued at approximately $219.1 million consisting of approximately 11.7 million shares of Engage common stock valued at approximately $190.1 million, options to purchase Engage common stock valued at approximately $31.1 million, direct acquisition costs of approximately $482,000 and net cash acquired of $2.6 million. Of the purchase price, $700,000 was allocated to in-process research and development, which was charged to operations during the first quarter of fiscal 2001. Engage also recorded approximately $7.0 million in deferred compensation related to stock options issued to certain MediaBridge employees. During fiscal year 2001, Engage recorded a $2.9 million adjustment to the goodwill that was originally recorded for the MediaBridge acquisition. The adjustment related principally to accruing additional liabilities related to MediaBridge pre-acquisition contingencies. The additional goodwill recorded will be amortized over the remaining life of the goodwill amortization periods as originally determined for the MediaBridge acquisition. In the fourth quarter of 2001, an impairment charge in the amount of approximately $109.0 million was recorded to write-down MediaBridge goodwill and other intangible assets to fair value (see note 9). In the fourth quarter of 2002, an impairment charge was recorded to write-down the remaining goodwill and other intangible assets.

Fiscal 2000

In August 1999, CMGI completed its acquisition of approximately 81.5% of AltaVista, for approximately 38.0 million CMGI common shares valued at approximately $1.8 billion, approximately 18,000 shares of the Company's Series D preferred stock, which were converted into approximately 3.7 million shares of CMGI common stock in October 1999 valued at approximately $173.0 million, two three-year notes totaling $220.0 million and the exchange of CMGI and subsidiary stock options for AltaVista stock options. The AltaVista acquisition included the assets and liabilities constituting the AltaVista Internet search service and also included former Compaq subsidiaries Zip2 Corporation and Shopping.com. The shares issued by the Company in connection with the AltaVista acquisition are not registered under the Securities Act of 1933. The total purchase price for AltaVista was valued at approximately $2.4 billion, including costs of acquisition of approximately $4.0 million. The value of the Company's shares included in the purchase price was recorded net of a weighted average 10% market value discount to reflect the restrictions on transferability.

In January 2000, CMGI completed its acquisition of AdForce. The total purchase price for AdForce was valued at approximately $545.0 million. Of the purchase price, approximately $9.3 million was allocated to in-process research and development, which was charged to operations during the third quarter of fiscal 2000. Also in January 2000, CMGI completed its acquisition of Flycast. The total purchase price for Flycast was valued at approximately $897.5 million. Of the purchase price, approximately $29.3 million was allocated to in-process research and development, which was charged to operations during the third quarter of fiscal year 2000. In March 2000, CMGI completed its acquisition of Yesmail. The total purchase price for Yesmail was valued at approximately $588.6 million. Of the purchase price, approximately $18.5 million was allocated to in-process research and development, which was charged to operations during the fourth quarter of fiscal year 2000. In April 2000, CMGI completed its acquisition of uBid. The total purchase price for uBid was valued at approximately $390.8 million. Also in April 2000, CMGI completed its acquisition of approximately 94.2% of Tallan. The total purchase price for Tallan was valued at approximately $905.2 million. The consideration for the acquisitions of AdForce, Flycast, Yesmail and uBid was primarily in the form of CMGI common stock.

In April 2000, CMGI contributed Flycast and Adsmart to Engage, a majority-owned subsidiary of CMGI. Upon completion of the transaction, CMGI received approximately 64 million shares of Engage common stock, and Flycast and Adsmart became wholly owned subsidiaries of Engage. As a result of the transaction, CMGI's ownership interest in Engage increased to approximately 87% and CMGI recorded a decrease to its consolidated stockholders' equity of approximately $54.0 million to reflect this transaction.

During fiscal year 2000, the Company, or its subsidiaries, also completed the acquisitions of eighteen other companies for combined consideration of approximately $586.1 million in CMGI and subsidiary common stock, options and warrants to purchase common stock of CMGI and subsidiaries, notes which are payable only in CMGI common stock and cash and commitments to fund a total of approximately $83.0 million in operating capital. Those acquisitions included 1stUp ($35.9 million purchase price), Activate ($61.6 million), AdKnowledge ($164.1 million), AdTECH Advertising Service Providing GmbH (in which the Company acquired an 80.29% ownership interest) ($20.2 million), Clara Vista Corporation ($17.2 million), ClickHear, Inc. ($50,000), Equilibrium ($17.1 million), ExchangePath ($12.5 million), GreenWitch, LLC ($3.0 million), iAtlas, Inc. ($23.3 million), Interactive Solutions ($5.0 million), Raging Bull, a CMGI affiliate ($165.8 million), Shortbuzz ($330,000), Signatures ($30.0 million), Transium Corporation ($9.6 million), Tribal Voice ($13.8 million), Virtual BillBoard Network ($4.7 million), and the remaining 33% minority interest in Netwright, LLC (Netwright) ($2.0 million) not already owned by CMGI.

The acquisitions completed during fiscal years 2002, 2001 and 2000 have been accounted for using the purchase method and, accordingly, the purchase prices have been allocated to the assets purchased and liabilities assumed based upon their fair values at the dates of acquisition. The amounts of the purchase prices allocated to goodwill and other identifiable intangible assets are being amortized on a straight-line basis, generally over three years. The acquired companies are included in the Company's consolidated financial statements from the respective dates of acquisition.

The purchase prices for the fiscal year 2002, 2001 and 2000 acquisitions were allocated as follows:

	Years ended July 31,		
	2002	2001	2000
		(in thousands)	
Working capital, including cash (cash overdraft) acquired	$ 26,149	$ (11,219)	$ 115,810
Property and equipment	143	2,468	89,834
Other assets (liabilities), net	18,755	(404)	54,753
Goodwill	—	239,028	5,532,078
Developed technology	—	—	220,418
Other identifiable intangible assets	—	24,300	224,615
In-process research and development	—	700	64,437
Minority interest	(744)	—	—
Purchase price	$ 44,303	$ 254,873	$ 6,301,945

Amortization of intangible assets and stock-based compensation consists of the following:

	Years ended July 31,		
	2002	2001	2000
		(in thousands)	
Amortization of intangible assets	$ 253,052	$ 1,488,618	$ 1,317,591
Amortization of stock-based compensation	2,960	68,291	84,053
Total	$ 256,012	$ 1,556,909	$ 1,401,644

The amortization of intangible assets and impairment of long-lived assets for the years ended July 31, 2002, 2001 and 2000 would have been primarily allocated to general and administrative expense had the Company recorded the expenses within the functional operating expense categories. The amortization of stock-based compensation for the years ended July 31, 2002, 2001 and 2000, respectively, would have been primarily allocated to general and administrative expense had the Company recorded the expenses within the functional department of the employee or director.

The following unaudited pro forma financial information presents the consolidated operations of the Company as if the fiscal year 2002 acquisition of SL Supply Chain had occurred as of the beginning of fiscal year 2001, after giving effect to certain adjustments including the elimination of SL Supply Chain's amortization of goodwill and non-recurring charges that are not indicative of normal operating results. The fiscal year 2000 pro forma presents the consolidated operations of the Company as if the fiscal year 2000, acquisitions of AltaVista, AdForce, Flycast, Yesmail, Tallán, and uBid had occurred as of the beginning of fiscal 2000, after giving effect to certain adjustments including increased amortization of goodwill and other intangible assets related to the acquisitions and increased interest expense related to long-term debt issued in conjunction with the acquisitions. In-process research and development charges totaling $57.1 million, which were recorded in fiscal 2000 related to the acquisitions of AdForce, Flycast and Yesmail in fiscal 2000, are excluded from the pro forma results as they are non-recurring and not indicative of normal operating results. The unaudited pro forma information excludes the impact of all other fiscal year 2000 and 2001 acquisitions, respectively, since they are not material to the Company's consolidated financial statements.

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following unaudited pro forma financial information is provided for informational purposes only and should not be construed to be indicative of the Company's consolidated results of operations had the acquisitions been consummated on the dates assumed and do not project the Company's results of operations for any future period:

	Years ended July 31,		
	2002	2001	2000
	(in thousands, except per share data)		
Net revenue	$ 1,018,894	$ 1,654,171	$ 1,188,485
Net loss from continuing operations before extraordinary item	$ (587,621)	$ (5,419,497)	$ (1,870,059)
Net loss available to common stockholders	$ (464,276)	$ (5,510,503)	$ (1,918,717)
Net loss available to common stockholders per share (basic and diluted)	$ (1.22)	$ (16.72)	$ (6.68)

(9) Impairment of Long-Lived Assets

The Company records impairment charges as a result of management's ongoing business review and impairment analysis performed under its existing policy regarding impairment. Where impairment indicators were identified, management determined the amount of the impairment charge by comparing the carrying value of long-lived assets to their fair value. Management determines fair value of goodwill and certain other intangible assets based on a combination of the discounted cash flow methodology, which is based upon converting expected cash flows to present value, and the market approach, which includes analysis of market price multiples of companies engaged in lines of business similar to the Company. The market price multiples are selected and applied to the Company based on the relative performance, future prospects and risk profile of the Company in comparison to the guideline companies. Management predominantly utilizes third-party valuation reports in its determination of fair value. Management predominantly determines fair value of other long-lived assets, such as property and equipment, based on third party valuation reports.

During the first quarter of fiscal year 2002, the Company recorded impairment charges of approximately $9.3 million. These charges included an impairment charge of $6.5 million related to the purchase of certain leased equipment previously held under operating and capital leases by AltaVista (see note 14). The Company also recorded approximately $2.8 million related to impairment of customer base and workforce in place intangible assets at Tallan.

During the second quarter of fiscal year 2002, the Company recorded impairment charges totaling approximately $4.0 million. AltaVista recorded long-lived asset impairment charges totaling approximately $1.1 million related to an adjustment of a previously recorded impairment charge recorded by AltaVista as part of its agreement with Compaq Financial Services Corporation, (now Hewlett-Packard Financial Services Corporation, HPFS) to purchase certain equipment that it had previously leased under operating and capital lease agreements. Tallan recorded an impairment charge totaling approximately $0.6 million resulting from the carrying value of certain other intangible assets, specifically the workforce in place as of the acquisition date, exceeding their estimated fair value at January 31, 2002. The Company also recorded an impairment charge of approximately $2.3 million resulting from a write-off of certain assets which are no longer being utilized by the Company, primarily software and consulting fees capitalized in the development of software for internal use, computer equipment and furniture and fixtures, at the Company's headquarters.

During the third quarter of fiscal year 2002, the Company recorded impairment charges totaling approximately $3.4 million. During the quarter, the Company recorded an asset impairment charge of approximately $2.8 million related to leasehold improvements that were deemed impaired as a result of AltaVista's renegotiation of a real estate lease. Under the renegotiated terms, AltaVista reduced the amount of square footage under the lease and forfeited certain leasehold improvements that were located in the leased building. AltaVista deemed these forfeited leasehold improvements to be permanently impaired as the leasehold improvements would not provide any future economic benefit to AltaVista. Additionally, Tallan recorded an impairment of long-lived assets charge of approximately $0.6 million resulting from the carrying value of certain other intangible assets, specifically the workforce in place and the customer list as of the acquisition date, exceeding their estimated fair value at April 30, 2002.

During the fourth quarter of fiscal year 2002, the Company recorded impairment charges totaling approximately $56.4 million. Due to the continued decline in operating and financial metrics, management determined that the carrying value of goodwill and other intangible assets exceeded their estimated fair value. Accordingly, the Company recorded impairment charges of approximately $31.2 million and $23.4 million related to Engage and Tallan, respectively, to adjust the carrying value of their goodwill and intangible balances.

During the first quarter of fiscal 2001, the Company recorded an impairment charge of approximately $69.6 million. Subsequent to October 31, 2000, CMGI announced its decisions to exit the businesses conducted by its subsidiaries iCAST and 1stUp. In connection with these decisions, management determined that the carrying value of certain intangible assets, principally goodwill, were permanently impaired and recorded impairment charges of approximately $3.6 million and $23.3 million related to iCAST and 1stUp, respectively. The Company also recorded other impairment charges during the first quarter of fiscal 2001 totaling approximately $42.7 million, consisting primarily of $16.8 million related to intangible assets of Engage, $8.9 million related to intangible assets of MyWay, and $10.1 million related to intangible assets of ProvisionSoft.

During the second quarter of fiscal 2001, the Company recorded impairment charges totaling approximately $2.0 billion. Each of the companies for which impairment charges were recorded in the second quarter had experienced declines in operating and financial metrics over the previous several quarters in comparison to the metrics forecasted at the time of their respective acquisitions. The impairment analysis considered that these companies were recently acquired during the time period from August 1999 to March 2000 and that the intangible assets recorded upon acquisition of these companies were generally being amortized over a three-year useful life. Sufficient monitoring was performed over the course of the prior several quarters and this monitoring process culminated with impairment charges for these companies in the second quarter. The amount of the impairment charge was determined by comparing the carrying value of goodwill and certain other intangible assets to fair value at January 31, 2001. The discount rates used as of January 31, 2001 ranged from 20% to 25%. These discount rates were determined by an analysis of the risks associated with certain goodwill and other intangible assets. The resulting net cash flows to which the discount rates were applied were based on management’s estimates of revenues, operating expenses and income taxes from the assets with identified impairment indicators.

As a result of sequential declines in operating results, primarily due to the continued weak overall demand for on-line advertising and marketing services and changes in business strategies, management determined that the carrying value of goodwill and certain other intangible assets of Engage, Yesmail, ProvisionSoft’s subsidiary, AdForce, and AltaVista should be adjusted. Accordingly, the Company recorded an impairment charge of approximately $524.1 million, $350.6 million, $241.8 million and $862.6 million, respectively, totaling $1.98 billion during the second quarter of fiscal 2001 to adjust the carrying value of these intangible assets.

Also during the second quarter of fiscal 2001, CMGI announced its decision to cease funding of ExchangePath. In connection with this decision, management determined that the carrying value of certain intangible assets of ExchangePath, principally goodwill, were permanently impaired and recorded impairment charges in the quarter ended January 31, 2001 of approximately $5.7 million. The Company also recorded other impairment charges during the second quarter of fiscal 2001 totaling approximately $13.8 million primarily related to certain intangible assets of Tallan.

During the third quarter of fiscal 2001, the Company recorded impairment charges totaling approximately $609.5 million. As a result of a decline in operating and financial metrics at Tallan over the few quarters preceding the third quarter in comparison to the metrics forecasted at the time of acquisition, management determined that the carrying value of certain intangible assets, principally goodwill, were permanently impaired and recorded impairment charges of $497.0 million during the third quarter of fiscal year 2001. In addition, CMGI announced its decision to explore strategic alternatives for the businesses conducted by its subsidiaries, Activate, and AdForce. In connection with these decisions, management determined that the carrying value of certain intangible assets, principally goodwill, were permanently impaired and recorded impairment charges of approximately $30.4 million and $81.4 million related to Activate and AdForce, respectively, during the third quarter of fiscal year 2001.

During the fourth quarter of fiscal year 2001, the Company recorded impairment charges totaling approximately $685.3 million. As a result of the continued decline in operating and financial metrics at certain of the Company's subsidiaries, management determined that the carrying value of the goodwill and other intangible assets exceeded the estimated fair value. Accordingly, the Company recorded impairment charges of approximately $384.4 million, $123.5 million, $96.0 million, $75.5 million, $4.2 million and $3.6 million related to Engage, AltaVista, MyWay, Tallan, Yesmail and uBid, respectively, to adjust the carrying value of the goodwill and intangible balances.

The impairment factors evaluated by management may change in subsequent periods, given that the Company operates in a volatile business environment. This could result in additional material impairment charges in future periods.

(10) Restructuring Charges

The following tables summarize the activity in the restructuring accrual for fiscal 2000, 2001 and 2002:

	Employee Related Expenses	Contractual Obligations	Asset Impairments	Total
		(in thousands)		
Fiscal 2000 activity:				
Q4 Restructuring	$ 157	$ 14,613	$ —	$ 14,770
Cash charges	—	—	—	—
Non-cash charges	—	(1,087)	—	(1,087)
Accrued restructuring balance at July 31, 2000	$ 157	$ 13,526	—	13,683
Q1 Restructuring	$ 4,667	$ 3,678	$ 496	$ 8,841
Q2 Restructuring	13,282	67,121	19,628	100,031
Q3 Restructuring	1,732	10,173	2,805	14,710
Q4 Restructuring	6,286	59,591	15,933	81,810
Restructuring adjustments	92	1,293	2,431	3,816
Cash charges	(23,087)	(47,301)	924	(69,464)
Non-cash charges	—	(20,894)	(42,217)	(63,111)
Accrued restructuring balance at July 31, 2001	$ 3,129	$ 87,187	$ —	$ 90,316
Q1 Restructuring	5,916	13,621	18,589	38,126
Q2 Restructuring	1,140	235	662	2,037
Q3 Restructuring	918	3,456	400	4,774
Q4 Restructuring	3,965	6,732	1,858	12,555
Restructuring adjustments	(132)	(31,151)	—	(31,283)
Cash charges	(9,688)	(46,478)	—	(56,166)
Non-cash charges	—	(10,121)	(21,509)	(31,630)
Accrued restructuring balance at July 31, 2002	$ 5,248	$ 23,481	$ —	$ 28,729

The Company anticipates that the remaining restructuring accruals will be settled by March 2004. It is expected that the payments of employee-related expenses will be substantially complete within three months. The remaining contractual obligations primarily relate to facilities and equipment lease obligations.

The net restructuring charges (benefits) for the fiscal years ended July 31, 2002, 2001 and 2000 would have been allocated as follows had the Company recorded the expense and adjustments within the functional department of the restructured activities:

	Years Ended July 31,		
	2002	2001	2000
		(in thousands)	
Cost of revenue	$ (12,585)	$ 96,703	$ 2,071
Research and development	4,520	16,894	44
Selling	10,017	31,070	12,304
General and administrative	24,257	64,541	351
	$ 26,209	$ 209,208	$ 14,770

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

During the fiscal year ended July 31, 2002, the Company recorded net restructuring charges totaling approximately $26.2 million in accordance with EITF Issue No. 94-3 and SAB No. 100.

The Company's restructuring initiatives involved strategic decisions to exit certain businesses and to reposition certain core businesses. Restructuring charges consisted primarily of contract terminations, severance charges and equipment charges incurred as a result of the cessation of operations of certain subsidiaries and actions taken at several remaining subsidiaries to increase operational efficiencies, improve margins and further reduce expenses. Severance charges include employee termination costs as a result of a reduction in workforce, and salary expense for certain employees involved in the restructuring efforts. Employees affected by the restructuring were notified both through direct personal contact and by written notification. The contract terminations primarily consisted of costs to exit facility and equipment leases and to terminate bandwidth and other vendor contracts. The asset impairment charges primarily related to the write-off of property and equipment.

During the first quarter of fiscal year 2002, Engage incurred approximately $12.5 million of restructuring charges, which were primarily a result of the closing of its media operations and its implementation of a restructuring plan designed to reduce its corporate overhead costs through reductions in the size of its staff. The closing of the media business resulted in severance costs for approximately 232 employees and contract termination costs to exit facility and equipment leases. Also during the first quarter of fiscal year 2002, AltaVista incurred restructuring charges of approximately $10.0 million, which were primarily a result of a change in its business strategy from a portal-based business model to an Internet and enterprise search business model. The restructuring charges were primarily related to severance costs for a workforce reduction of approximately 120 employees, costs associated with the closing of its Irvine, California office location, and the write-off of an information systems software package. As part of its lease renegotiation, AltaVista transferred approximately 275,000 CMGI shares, that were held by AltaVista, to the landlord. In addition, MyWay incurred approximately $5.9 million in restructuring charges primarily related to the write-off of property and equipment, as well as the termination of customer and vendor contracts. Tallan incurred restructuring charges of approximately $4.0 million that primarily related to severance costs associated with a reduction in its workforce of approximately 72 persons, as well as costs associated with the closing of five office locations. NaviPath, incurred restructuring charges of approximately $3.1 million that primarily related to severance costs and legal and other professional fees incurred in connection with the cessation of its operations. The Company also recorded approximately $2.2 million in restructuring charges related to the write-off of property and equipment, and costs to exit facility leases in Europe.

Also during the first quarter of fiscal year 2002, the Company settled certain vendor and customer contractual obligations for amounts less than originally estimated. As a result, the Company recorded a restructuring adjustment of approximately $20.5 million to the accrued restructuring balance at July 31, 2001, primarily related to payments by NaviPath to terminate purchase commitments and service contracts for amounts less than originally estimated.

During the second quarter of fiscal year 2002, the Company recorded approximately $2.0 million in restructuring expenses primarily related to AltaVista, MyWay and its corporate headquarters. AltaVista incurred restructuring charges of approximately $0.8 million primarily related to the write-off of fixed assets resulting from AltaVista's decision to shut-down its European data center. MyWay incurred restructuring expenses of $0.4 million related to the termination of certain customer and vendor contracts in connection with the cessation of its operations. The restructuring charge incurred at the Company's headquarters of approximately $0.6 million related to severance costs from the termination of approximately 70 employees as part of a plan to reduce Corporate overhead costs.

Also during the second quarter of fiscal year 2002, the Company settled certain vendor and customer contractual obligations for amounts less than originally anticipated and recorded a reduction of previously recorded restructuring estimates. This resulted in restructuring adjustments of approximately $7.4 million primarily related to settlements negotiated by NaviPath, Engage, Tribal Voice, Inc., MyWay and CMGI @Ventures with their respective customers and vendors for amounts less than originally estimated.

During the third quarter of fiscal year 2002, the Company recorded approximately $4.8 million in restructuring expenses primarily related to AltaVista, MyWay and its corporate headquarters. AltaVista recorded restructuring charges of approximately $3.6 million primarily related to an adjustment of a previously recorded restructuring charge for vacant space in a facility, as a result of AltaVista's decision to move from a portal-based business model to an Internet and enterprise search business model. During the third quarter of fiscal year 2002, AltaVista recorded a restructuring charge in connection with its renegotiation of a real estate lease. MyWay incurred restructuring expenses of $0.5 million primarily related to severance costs resulting from the termination of remaining employees. The restructuring charge at the Company's headquarters in the third quarter of fiscal year 2002, totaled approximately $0.6 million, and primarily related to severence costs associated with the termination of employees.

These restructuring charges recorded were partially offset by a reversal of approximately $0.2 million at Engage. During the third quarter of fiscal year 2002, Engage settled certain vendor and customer contractual obligations for amounts less than originally anticipated and recorded a reversal of previously recorded restructuring expense.

During the fourth quarter of fiscal year 2002, the Company recorded approximately $12.6 million in restructuring expenses primarily related to Engage, AltaVista and the Company's European headquarters. Engage incurred approximately $2.5 million of restructuring charges, as a result of its restructuring plan to reduce its corporate overhead costs through reductions in the size of its staff. This resulted in severance costs from the termination of approximately 70 employees. AltaVista incurred approximately $4.0 million of restructuring charges, which were primarily related to additional costs associated with the closing of its Irvine office location, severance costs in connection with a reduction in its workforce of approximately 42 employees, and the write-off of unutilized fixed assets due to restructuring activities. The Company also recorded approximately $4.1 million of restructuring charges primarily related to severance costs, the write-off of property and equipment; and costs incurred to exit facility leases in Europe.

Also during the fourth quarter of fiscal year 2002, the Company settled certain vendor and customer contractual obligations for amounts less than originally estimated and recorded an adjustment to its previously recorded restructuring expense of approximately $2.8 million, primarily related to settlements negotiated by Engage, AltaVista and the Company's European headquarters with their respective customers and vendors for amounts less than originally estimated.

During the fiscal year ended July 31, 2001, the Company recorded net restructuring charges totaling approximately $209.2 million.

During the first quarter of fiscal year 2001, Engage incurred approximately $4.1 million of restructuring charges, as a result of efforts to bring costs in line with revenue and improve overall financial performance. In connection with this effort, Engage incurred severance costs from the termination of approximately 170 employees, accrued future lease costs for unutilized office space and wrote-off leasehold improvements at closed office locations. Also during the first quarter of fiscal year 2001, AltaVista incurred restructuring charges of approximately $4.7 million, which were primarily related to severance costs in connection with a reduction in workforce, costs related to the termination of a contract with a significant customer, as well as other contracts due to the transition of its business strategy from a portal-based business model to an Internet and enterprise search business model.

During the second quarter of fiscal year 2001, Engage incurred approximately $16.8 million of restructuring charges, primarily related to severance costs associated with a reduction in its workforce of approximately 275 persons, accrued future lease costs and the write-off of leasehold improvements and furniture and fixtures for closed office locations. Also during the second quarter of fiscal year 2001, AltaVista incurred restructuring charges of approximately $30.3 million, primarily related to severance costs in connection with a reduction in workforce, contract terminations costs to exit facility and equipment leases and to terminate bandwidth and other vendor contracts. In addition, MyWay incurred approximately $17.3 million in restructuring charges primarily related to the write-off of property and equipment, as well as the termination of customer and vendor contracts. Navipath incurred approximately $8.2 million in restructuring charges in connection with the termination of bandwidth agreements. The Company also recorded restructuring charges of approximately $12.3 million, $8.1 million, $2.4 million and $4.5 million, respectively (totaling $27.3 million) during the second quarter of fiscal 2001, as a result of its decision to close the operations at iCAST, AdForce, ExchangePath and 1stUp.

During the third quarter of fiscal year 2001, Engage incurred approximately $5.6 million of restructuring charges, primarily related to severance costs associated with a reduction in its workforce of approximately 90 persons, accrued future lease costs and the write-off of leasehold improvements and furniture and fixtures related to closing additional office locations. Also, during the third quarter of fiscal year 2001, AltaVista incurred restructuring charges of approximately $7.9 million, primarily related to severance costs for a reduction in its workforce, and contract terminations costs to exit facility leases. In addition, Tallan incurred approximately $0.7 million of restructuring charges, primarily related to severance costs associated with a reduction in its workforce.

During the third quarter of fiscal 2001, the Company settled certain employee related expenses and contractual obligations for amounts greater than originally anticipated. As a result, the Company recorded a restructuring adjustment of approximately $3.8 million to the second quarter of fiscal 2001 restructuring, primarily related to an additional payment made by AltaVista to a third party to terminate a service contract.

During the fourth quarter of fiscal year 2001, Engage incurred approximately $4.4 million of restructuring charges, primarily related to severance costs associated with a reduction in its workforce, accrued future lease costs and the write-off of leasehold fixed assets for closed office locations. Also, during the fourth quarter of fiscal year 2001, AltaVista incurred restructuring charges of approximately $2.2 million, primarily related to the shut-down of its European data center. Tallan incurred approximately $0.5 million of restructuring charges, primarily related to severance costs associated with a reduction in its workforce, accrued future lease costs and the write-off of furniture and fixtures for closed office locations. Navipath incurred approximately $52.3 million of restructuring charges, primarily related to severance costs associated with a reduction in its workforce, accrued future lease costs, the write-off of fixed assets, and the termination of customer and vendor contracts, principally telco commitments. AdForce incurred additional restructuring charges, primarily related to severance costs and the write down of fixed assets. The Company also recorded approximately $7.6 million and $3.5 million, related to severance costs and future lease commitments of the Company’s European corporate operations and CMGI @Ventures, respectively.

(11) CMGI @Ventures Investments

The Company's first Internet venture fund, CMG@Ventures I was formed in February 1996. The Company owns 100% of the capital and is entitled to approximately 77.5% of the cumulative net profits of CMG@Ventures I. The Company completed its $35 million commitment to this fund during fiscal year 1997. The Company's second Internet venture fund, CMG@Ventures II, was formed during fiscal year 1997. The Company owns 100% of the capital and is entitled to approximately 80% of cumulative net profits of CMG@Ventures II. The remaining interest in these investments are attributed to profit members, including David Wetherell, the Company's Chairman and former Chief Executive Officer. The Company is responsible for all operating expenses of CMG@Ventures I and CMG@Ventures II. CMG@Ventures II invested a total of approximately $7.3 million in four companies during fiscal year 2000, approximately $1.8 million in two companies during fiscal year 2001 and did not invest in any companies during fiscal year 2002.

In fiscal year 1999, CMGI formed the @Ventures III venture capital fund (@Ventures III Fund). The @Ventures III Fund secured capital commitments from outside investors, and CMGI, to be invested in emerging Internet service and technology companies. The @Ventures III Fund consists of four entities, which co-invest in each investment made by the @Ventures III Fund. Approximately 78% of each investment made by the @Ventures III Fund is made by two entities, @Ventures III, L.P. and @Ventures Foreign Fund III, L.P. CMGI does not have a direct ownership interest in either of these entities, but CMGI is entitled to approximately 2% of the cumulative net capital gains realized by both entities (after return of certain priority amounts to the investors in such entities) as a result of its ownership of an approximately 10% interest in the general partner of each of such entities, @Ventures Partners, III, LLC (@Ventures Partners III). The Company has committed to contribute up to $56 million to its limited liability company subsidiary, CMG@Ventures III, equal to 19.9% of total amounts committed to the @Ventures III Fund, of which approximately $54.6 million has been funded as of July 31, 2002. CMGI owns 100% of the capital and is entitled to approximately 80% of the cumulative net capital gains realized by CMG@Ventures III. @Ventures Partners III is entitled to the remaining 20% of the net capital gains realized by CMG@Ventures III. The remaining 2% invested in each @Ventures III Fund investment is provided by a fourth entity, @Ventures Investors, LLC, in which CMGI has no interest. The Company's Chairman and former Chief Executive Officer has an individual ownership interest in @Ventures Investors and, as a member of @Ventures Partners III, is entitled to a portion of net gains distributed to @Ventures Partners III. CMG@Ventures III invested a total of approximately $29.7 million in 25 companies during fiscal year 2000, approximately $300,000 in one company during fiscal 2001, and did not invest in any companies during fiscal year 2002.

During fiscal year 2000, CMGI formed an expansion fund to the @Ventures III Fund to provide follow-on financing to existing @Venture III Fund investee companies pursuant to which CMGI's commitment increased by $38.2 million through its limited liability company subsidiary CMG@Ventures Expansion. In fiscal year 2002 this amount was reduced to $20.1 million, of which $15.6 million has been funded as of July 31, 2002. CMG@Ventures Expansion has a structure that is substantially identical to the @Ventures III Fund, and CMGI's interests in said fund are comparable to its interests in the @Ventures III Fund. CMG@Ventures Expansion invested a total of approximately $9.3 million in fourteen companies during fiscal year 2000, approximately $4.3 million in nine companies in fiscal year 2001, and approximately $.4 million in two companies during fiscal year 2002.

Also during fiscal year 2000, CMGI announced the formation of three new venture capital funds: CMGI@Ventures IV, CMGI @Ventures B2B, LLC (the B2B Fund) and CMGI @Ventures Technology Fund, LLC (the Tech Fund). CMGI owns 100% of the capital and is entitled to a percentage (ranging from approximately 80% to approximately 92.5%) of the net capital gains realized by CMGI@Ventures IV, the B2B Fund and the Tech Fund. During fiscal year 2000, CMGI@Ventures IV, the B2B Fund, and the Tech Fund invested approximately $28.9 million, $155.0 million and $37.3 million in three, eleven and six companies, respectively.

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

During fiscal year 2001, the B2B Fund and the Tech Fund were merged with and into CMGI @Ventures IV, creating a single evergreen fund. During fiscal year 2001, CMGI@Ventures IV invested $43.7 million in nine companies. During fiscal year 2002, CMGI@Ventures IV invested $7.8 million in four companies.

(12) Gains on Issuance of Stock by Subsidiaries and Affiliates

The following schedule reflects the components of “Gains on issuance of stock by subsidiaries and affiliates”:

	Years ended July 31,		
	2002	2001	2000
		(in thousands)	
Gain on stock issuance by NaviSite	$ —	$ 198	$ 51,279
Gain on stock issuance by Vicinity	—	695	20,903
Gain on stock issuance by Engage	—	120,901	8,205
	$ —	$ 121,794	$ 80,387

For the fiscal year ended July 31, 2001, gain on issuance of stock by Engage primarily related to the issuance of approximately 14.9 million shares of common stock by Engage valued at approximately $225.6 million in its acquisitions of Space and MediaBridge. The Company’s ownership interest in Engage decreased from approximately 86% to approximately 78% primarily as a result of these stock issuances. The Company provided for deferred income taxes resulting from the gains on issuance of stock by Engage.

For the fiscal year ended July 31, 2000, gain on issuance of stock by NaviSite related primarily to the issuance of approximately 12.8 million shares of NaviSite’s common stock in its initial public offering at a price of $7 per share, raising approximately $80.4 million in net proceeds for NaviSite. The Company recorded a pre-tax gain of approximately $51.9 million as a result of the initial public offering. As a result, the Company’s ownership interest in NaviSite was reduced from approximately 89% to approximately 69%. The Company provided for deferred income taxes resulting from the gain on issuance of stock by NaviSite.

Also during the fiscal year ended July 31, 2000, the Company’s affiliate, Vicinity, completed its initial public offering of common stock, issuing approximately 8.0 million shares at a price of $17 per share, raising approximately $126.1 million in net proceeds for Vicinity. As a result of the initial public offering, the Company’s ownership interest in Vicinity was reduced from approximately 29% to approximately 21%. The Company recorded a pre-tax gain of approximately $20.9 million as a result of this initial public offering. The gain was recorded net of the interests attributable to CMG@Ventures I’s and CMG@Ventures II’s profit members. The Company provided for deferred income taxes resulting from the gain on issuance of stock by Vicinity.

Also during the fiscal year ended July 31, 2000, gain on issuance of stock by Engage, related primarily to the issuance of approximately 1.7 million shares of its common stock to Compaq at a price of $15 per share, raising approximately $24.2 million in net proceeds for Engage. The Company recorded a pre-tax gain of approximately $12.6 million as a result of the issuance of stock by Engage to Compaq. The Company’s ownership interest in Engage remained approximately 87% as a result of the Compaq transaction. The Company provided for deferred income taxes resulting from the gain on issuance of stock by Engage.

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(13) Other Gains (Losses), Net

The following schedule reflects the components of “Other gains (losses), net”:

	Years ended July 31, 2002	2001	2000
		(in thousands)	
Gain (loss) on sales of marketable securities	$ (31,945)	$ 288,491	$ 505,965
Gain on derivative and sale of hedged Yahoo!, Inc. shares	53,897	48,234	—
Gain on sale of investment in eGroups, Inc.	—	8,114	—
Gain on sale of @ Ventures investments	—	—	53,641
Loss on impairment of marketable securities	(2,526)	(498,313)	(35,000)
Loss on impairment of investments in affiliates	(44,650)	(148,919)	(3,332)
Loss on sale of Activate.Net Corporation, Inc.	(21,444)	—	—
Loss on sale of Raging Bull, Inc.	—	(95,896)	—
Loss on sale of Signatures SNI, Inc.	—	(18,499)	—
Gain on sale of real estate holding	—	19,801	—
Loss on mark-to-market adjustment for trading security	(20,683)	—	—
Other, net	(1,152)	(12,108)	3,991
	$ (68,503)	$ (409,095)	$ 525,265

During fiscal year 2002, the Company sold marketable securities for total proceeds of approximately $20.6 million and recorded a net pre-tax loss of approximately $31.9 million on these sales. These sales primarily consisted of approximately 7.1 million shares of Primedia, Inc. stock for proceeds of approximately $15.9 million, approximately 356,000 shares of MKTG Services Group, Inc. stock for total proceeds of approximately $1.1 million, approximately 3.7 million shares of Divine stock for total proceeds of approximately $2.8 million and approximately 3.2 million shares of NexPrise, Inc. (NexPrise, formerly Ventro Corporation) stock for total proceeds of approximately $0.8 million.

On August 1, 2001, the Company settled the final tranche of its borrowing arrangement that hedged a portion of the Company’s investment in Yahoo! stock. The Company delivered 581,499 shares of Yahoo! stock and recognized a pre-tax gain of approximately $53.9 million. (See note 14)

During the fiscal year ended July 31, 2002, the Company recorded net impairment charges of approximately $44.7 million for other-than-temporary declines in the carrying value of certain investments in affiliates. These charges were primarily associated with investments made by CMGI@Ventures IV.

In September 2001, the Company completed the sale of its majority-owned subsidiary, Activate.Net Corporation (Activate), to Loudeye Technologies, Inc. and recorded a pre-tax loss of approximately $21.4 million.

During fiscal year 2002, the Company recorded a $20.7 million loss on the mark-to-market adjustment of a trading security. (See note 16).

During fiscal year 2001, the Company sold marketable securities for total proceeds of approximately $973.7 million and recorded a net pre-tax gain of approximately $288.5 million on these sales. These sales primarily consisted of approximately 8.4 million shares of Lycos stock for proceeds of approximately $394.7 million, approximately 241.0 million shares of PCCW stock for proceeds of approximately $190.2 million, approximately 3.7 million shares of Kana stock for proceeds of approximately $137.6 million, approximately 6.8 million shares of Terra Networks stock for proceeds of approximately $78.3 million and approximately 1.3 million shares of Critical Path stock for proceeds of approximately $72.8 million.

During the fiscal year ended July 31, 2001, the Company recorded impairment charges related to its available-for-sale securities and other marketable securities. These charges primarily consisted of approximately $187.5 million, $145.7 million, $49.3 million, $40.5 million, $29.6 million and $25.4 million of impairment charges related to the Company's holdings of shares of PCCW, Primedia, Hollywood Entertainment, MSGI, Netcentives and Divine, respectively.

During the fiscal year ended July 31, 2001, the Company recorded an impairment charge of approximately $148.9 million for other than temporary declines in the carrying value of certain investments in affiliates. These charges were primarily associated with investments made by CMGI@Ventures IV.

During the fiscal year ended July 31, 2001, AltaVista, a majority-owned subsidiary of the Company, sold its subsidiary, Raging Bull, and recorded a net pre-tax loss of approximately $95.9 million. Also during fiscal year 2001, AltaVista recorded a pre-tax gain of approximately $19.8 million on the sale of a real estate holding.

During the fiscal year ended July 31, 2001 the Company also completed the sale of a majority interest in Signatures. As a result of the sale, the Company recorded a loss of approximately $18.5 million and retained a minority interest in Signatures. The Company accounts for its remaining investment under the equity method of accounting.

During fiscal year 2000, the Company sold approximately 9.1 million shares of Yahoo! stock on the open market for proceeds of approximately $1.1 billion and recorded a pre-tax gain of approximately $499.5 million on these sales. In addition, the Company recorded a pre-tax gain of approximately $53.6 million on the sale of its investment in Half.com to eBay and a pre-tax loss of approximately $35.0 million on the write-down of the carrying value of an available-for-sale security. The Company's subsidiary, CMGI@Ventures IV converted its holdings in Half.com into approximately 1.5 million shares of eBay stock valued at a total of approximately $61.2 million. This gain was recorded net of the 20% interest attributable to CMGI@Ventures IV's profit members.

(14) Borrowing Arrangements

At July 31, 2002, notes payable totaling approximately $94.3 million consisted of an obligation incurred in conjunction with the retirement of the Series C Convertible Preferred Stock (see note 16). At July 31, 2001, notes payable totaling approximately $33.6 million consisted of a borrowing arrangement entered into in connection with a hedge of the Company's investment in Yahoo! common stock discussed below.

In August 1999, the Company issued two three-year notes totaling $220.0 million to Compaq (now HP) as consideration for the Company's acquisition of AltaVista. The notes bore interest at an annual rate of 10.5% and were due and payable in full in August 2002. Interest was due and payable semiannually on each February 18 and August 18 until the notes were paid in full. Principal and interest payments due on the notes were payable in cash, shares of the Company's common stock, other marketable securities, or any combination thereof at the option of CMGI.

In March 2000, the Company issued three short-term promissory notes totaling approximately $376.9 million as consideration for the Company's acquisition of Tallán. During fiscal year 2001, the Company issued approximately 30.2 million shares of its common stock as payment of the principal and interest associated with these notes.

In April 2000, the Company entered into a borrowing arrangement that hedges a portion of the Company's investment in common stock of Yahoo!. Under the terms of the contract, the Company agreed to deliver, at its discretion, either cash or Yahoo! common stock in three separate tranches, with maturity dates ranging from August 2000 to February 2001. The Company executed the first tranche in April 2000 and received approximately $106.4 million. The Company subsequently settled this tranche through the delivery of 581,499 shares of Yahoo! common stock in August 2000. In May 2000, the Company received approximately $68.5 million and $5.7 million upon the execution of the second and third tranches, respectively. The Company settled the second tranche for cash totaling approximately $33.6 million in October 2000. The Company settled the third tranche through the delivery of 47,684 shares of Yahoo! common stock in February 2001. In November 2000, the Company entered into a new agreement to hedge the Company's investment in 581,499 shares of Yahoo! common stock. The Company received approximately $31.5 million of cash in connection with this agreement. On August 1, 2001, the Company settled its remaining hedge arrangement on its shares of Yahoo! common stock through the delivery of 581,499 shares of Yahoo! common stock.

In October 2001, the Company and its majority-owned subsidiaries, AltaVista and NaviSite, entered into agreements with HP, a significant stockholder of CMGI, and its wholly owned subsidiary, Hewlett-Packard Financial Services (HPFS), formerly Compaq Financial Services. NaviSite purchased and recorded equipment from HPFS effective August 1, 2001, with a fair market value of $9.6 million, previously leased by NaviSite under operating lease agreements expiring through 2003, in exchange for a note payable of approximately $35.0 million. Accordingly, as the fair value of the equipment, based on an independent appraisal, was less than the associated debt obligation, NaviSite recorded an impairment charge on long-lived assets in the first quarter of fiscal 2002 of approximately $27.4 million. The $35.0 million due to HPFS was executed in the form of a convertible note payable to HPFS in the total amount of $55.0 million on November 8, 2001, as described below.

Additionally, under the terms of these agreements, AltaVista agreed to purchase certain equipment that it had previously leased from HPFS under operating and capital lease agreements in exchange for a cash payment of $20.0 million. Based on an independent appraisal, the fair market value of the equipment was determined to be $7.9 million. As the fair market value of the equipment was less than the sum of the cash payment and the carrying value of the equipment under capital lease agreements, net of the remaining obligations, AltaVista recorded an impairment charge on long-lived assets in fiscal year 2002 of approximately $7.6 million. On November 8, 2001, AltaVista completed and recorded the purchase of this equipment.

In November 2001, as part of the agreement with HPFS, NaviSite received $20.0 million in cash from HPFS in exchange for a six-year convertible note payable. This note, which also relates to the $35.0 million equipment purchase described above, bears interest at 12% and requires payment of interest only for the first three years from the date of issuance. A portion of the interest payable to HPFS in the first two years may be paid in NaviSite common stock. Principal and interest payments are due on a straight-line basis commencing in year four until maturity on the sixth anniversary from the issuance date. The convertible note payable is secured by substantially all assets of NaviSite and cannot be prepaid. The principal balance may be converted into NaviSite common stock at the option of the holder at any time prior to maturity at a conversion rate of $0.26 per share. The conversion rate of $0.26 results in beneficial conversion rights for HPFS. The intrinsic value of the beneficial conversion rights amounted to approximately $36.0 million, which has been reflected as a reduction of the carrying value of the convertible notes payable and will be amortized into interest expense over the life of the notes. As of July 31, 2002, approximately $4.3 million has been amortized into interest expense.

In November 2001, as part of these agreements, HP agreed to deem the Company's $220.0 million in face amounts of notes payable, plus the accrued interest thereon, paid in full in exchange for $75.0 million in cash, approximately 4.5 million shares of CMGI common stock and CMGI's 49% ownership interest in its affiliate, B2E Solutions, LLC, of which HP had previously owned the remaining 51%. As a result, the Company recorded an extraordinary gain of approximately $131.3 million, net of income taxes million related to the extinguishment of the Company's $220.0 million in face amounts of notes payable to HP. The gain was calculated as the difference between the carrying value of the notes payable plus accrued interest thereon, less the carrying value of the consideration exchanged. The carrying value of the consideration approximated fair market value at the date of the transaction.

SalesLink has a revolving credit agreement with a bank. The revolving credit agreement provides for the option of interest at LIBOR or Prime, plus in either case, an applicable margin based on SalesLink's leverage ratio. The effective interest rates were 3.875% and 7.25% at July 31, 2002 and 2001, respectively.

At July 31, 2002 and 2001, SalesLink's revolving line of credit availability totaled $13.0 million and $9.0 million, respectively, of which approximately $2,130,000 and $500,000 had been reserved in support of outstanding letters of credit for operating leases. Approximately $10.9 million and $8.5 million of the line of credit was available at July 31, 2002 and 2001, respectively.

SL Supply Chain has a mortgage arrangement with a bank in Ireland. The mortgage provides for interest at the One Month EURIBOR, plus 1.75%. The effective interest rate was approximately 5.10% at July 31, 2002. The mortgage arrangement matures in 2015 and is secured by the mortgaged property as well as the borrower's assets.

SalesLink's term notes payable to a bank provide for the option of interest at LIBOR or Prime, plus in either case, an applicable margin based on SalesLink's leverage ratio (3.875% and 7.25% effective rates at July 31, 2002 and 2001, respectively). The bank term notes outstanding at July 31, 2002 provide for repayment in quarterly installments through October 2005.

In fiscal year 2001, the obligations of SalesLink, under its bank line of credit and bank term loans were guaranteed by CMGI. SalesLink had no violations of its debt covenants as of July 31, 2002. As of July 31, 2001, SalesLink was not in compliance with a certain covenant of its borrowing arrangements.

Maturities of long-term debt are approximated as follows: 2003, $95.6 million; 2004, $1.9 million; 2005, $1.6 million; 2006, $3.4 million; 2007, $0.1 million; and thereafter, $0.9 million.

Long-term debt consists of the following:

	July 31,	
	2002	2001
	(in thousands)	
Notes payable to Hewlett-Packard Company	$ —	$ 220,000
Term notes payable to a bank issued by SalesLink	7,363	7,363
Mortgage arrangement to a bank issued by SL Supply Chain	1,646	—
Other	251	664
	9,260	228,027
Less: Current portion	1,370	6,213
	$ 7,890	$ 221,814

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(15) Commitments and Contingencies

The Company leases facilities and certain other machinery and equipment under various non-cancelable operating leases and executory contracts expiring through December 2013. Future minimum contractual payments as of July 31, 2002 are as follows:

	Operating Leases	Stadium	Other Contractual Obligations	Total
	(in thousands)			
For the fiscal years ended July 31:				
2003	$ 37,113	$ 1,600	$ 3,778	$ 42,491
2004	22,701	1,600	1,100	25,401
2005	20,674	1,600	250	22,524
2006	18,241	1,600	—	19,841
2007	13,735	1,600	—	15,335
Thereafter	39,613	12,800	—	52,413
	$ 152,077	$20,800	$ 5,128	$178,005

Total future minimum lease payments have been reduced by future minimum sublease rentals of approximately $10.3 million.

The Company leases facilities and certain machinery and equipment under non-cancelable capital lease arrangements, which are not included in the table above. The present value of net minimum capital lease obligations were $1.8 million and $23.6 million as of July 31, 2002 and 2001, respectively.

Total rent and equipment lease expense charged to continuing operations was approximately $41.0 million, $108.4 million, and $60.5 million for the years ended July 31, 2002, 2001 and 2000, respectively.

In August 2000, the Company announced it had acquired the exclusive naming and sponsorship rights to the New England Patriots' new stadium, for a period of fifteen years. Under the terms of the original sponsorship agreement, the Company was scheduled to pay $7.6 million per year for the first ten years, with consumer price index adjustments for years eleven through fifteen, in return for the naming and sponsorship rights. In August 2002, the Company agreed with the owner of the stadium to amend the sponsorship agreement. Under the terms of the amended agreement, the Company relinquished the stadium naming rights and retained more limited marketing rights in exchange for a series of annual payments of $1.6 million per year beginning in 2003 and ending in 2015.

From time to time the Company provides guarantees of payment to vendors doing business with certain of the Company's subsidiaries. These guarantees require that in the event that the CMGI subsidiary company cannot satisfy its obligations with certain of its vendors, the Company will be required to settle the obligation. As of July 31, 2002 and 2001, the Company had outstanding guarantees of subsidiary indebtedness to vendors totaling approximately $15.2 million and $20.7 million, respectively.

Other contractual obligations primarily consist of an agreement between AltaVista and DoubleClick, Inc. (DoubleClick). Under this agreement, AltaVista is contractually obligated to use a portion of DoubleClick's ad-serving technology through December 31, 2004. AltaVista estimates its remaining contractual obligation to DoubleClick from the period August 1, 2002 through December 31, 2004 will not exceed $3.3 million.

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Company and its subsidiaries are subject to legal proceedings and claims, which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the Company.

In December 1999, Neil Braun, a former officer of iCAST Corporation, a wholly owned subsidiary of the Company ("iCAST"), filed a complaint in United States District Court, Southern District of New York naming the Company, iCAST and David S. Wetherell as defendants. In the complaint, Mr. Braun alleged breach of contract regarding his termination from iCAST and claimed that he was entitled to acceleration of options to purchase CMGI common stock and iCAST common stock, upon his termination, under contract and promissory estoppel principles. Mr. Braun also claimed that, under quantum meruit principles, he was entitled to lost compensation. Mr. Braun sought damages of approximately $50 million and requested specific performance of the acceleration and exercise of options. In August 2001, the Court (i) granted summary judgment dismissing Mr. Wetherell as a defendant and (ii) granted summary judgment, disposing of Mr. Braun's contract claim. In February 2002, the Court granted summary judgment disposing of Mr. Braun's promissory estoppel claim. Trial on the quantum meruit claim was held in March 2002 and the jury returned a verdict in favor of Mr. Braun and against the Company in the amount of $113,482.24. As to iCAST, the jury found that Mr. Braun had not proven his claim. The Company filed a motion for directed verdict, which motion sought to set aside the jury verdict against the Company. Such motion was denied. In May 2002, Mr. Braun appealed the Court's dismissal of his contract and promissory estoppel claims against iCAST and the Company. Full briefing on the appeal is not yet complete and no argument date has yet been set.

In August 2001, Jeffrey Black, a former employee of AltaVista, filed a complaint in Superior Court of the State of California (Santa Clara County) in his individual capacity as well as in his capacity as a trustee of two family trusts against the Company and AltaVista alleging certain claims arising out of the termination of Mr. Black's employment with AltaVista. As set forth in the complaint, Mr. Black is seeking monetary damages in excess of $70 million. The Company and AltaVista each believes that these claims are without merit and plans to vigorously defend against these claims. In March 2002, the court ordered the entire case to binding arbitration in California. In June 2002, Mr. Black petitioned the California Court of Appeal for a writ prohibiting enforcement of the order compelling arbitration of his cause of action for wrongful termination in violation of public policy. In July 2002, the Court of Appeal denied Mr. Black's petition. In August 2002, Mr. Black submitted the matter before the American Arbitration Association. The arbitrator was appointed on October 7, 2002. A date for the arbitration has not yet been set.

On January 28, 2002, Mark Nutritionals, Inc. ("MNI") filed suit against AltaVista in the United States District Court for the Western District of Texas, San Antonio Division. The claims against AltaVista include unfair competition and trademark infringement and dilution, under both federal law and the laws of the State of Texas. MNI is seeking compensatory damages in the amount of $10,000,000 and punitive damages. AltaVista believes that these claims are without merit and plans to vigorously defend against these claims. AltaVista filed its answer on March 1, 2002, denying the allegations. AltaVista is entitled to indemnification by a third party with respect to this matter.

On April 16, 2002, NCR Corporation filed a complaint in the United States District Court for the Northern District of Illinois against uBid. The complaint alleges that uBid has infringed four patents held by NCR and seeks unspecified monetary damages and injunctive relief. uBid believes that these claims are without merit and plans to vigorously defend against these claims. On May 28, 2002, uBid filed its answer to the complaint, denying the allegations.

On February 26, 2002, a purported class action lawsuit was filed in the Court of Chancery of the State of Delaware against the Company, Engage and the individual members of the Board of Directors of Engage (David S. Wetherell, George A. McMillan, Christopher M. Cuddy, Edward M. Bennett and Peter J. Rice). The complaint alleges, among other things, breaches of fiduciary duties by the Company and the individual defendants, and violations of Delaware law. The complaint requests, among other things, that the court (i) enjoin Engage from effecting a proposed reverse stock split, (ii) enjoin the issuance of shares of Engage common stock to the Company upon conversion of promissory notes previously issued by Engage to the Company, (iii) award rescissory relief if the reverse stock split and stock issuances are consummated, and (iv) award the plaintiff compensatory damages, attorneys' fees and expenses. On February 28, 2002, the Delaware Court of Chancery denied a request by the plaintiffs for the scheduling of a preliminary injunction hearing, and denied a request to allow expedited discovery in the lawsuit. In May 2002, the plaintiffs filed an amended complaint. In addition to the requests stated in the original complaint, the amended complaint requests that the court (i) enjoin a proposed merger by and among the Company, a wholly owned subsidiary of the Company and Engage (the "Merger"), and (ii) declare the Merger not to be entirely fair to the plaintiffs. On August 2, 2002, this matter was consolidated with the related matters set forth in the following two paragraphs. In light of the September 9, 2002 transaction in which the Company divested all of its equity and debt ownership interests in Engage, on October 18, 2002, all parties submitted to the Court a stipulated order agreeing to dismiss, with prejudice as to the named plaintiffs only, this matter as moot. The stipulated order further provides that the Court shall retain jurisdiction over the matter to consider any application for attorney's fees and expenses submitted by plaintiffs or their counsel.

On May 21, 2002, a purported class action lawsuit was filed with the Court of Chancery of the State of Delaware against the Company, Engage and the individual members of the Board of Directors of Engage (David S. Wetherell, George A. McMillan, Christopher M. Cuddy, Edward M. Bennett and Peter J. Rice). The complaint alleges, among other things, breaches of fiduciary duties. The complaint requests, among other things, that the Court (i) enjoin, preliminarily and permanently, the Merger, (ii) rescind the Merger (in the event it is consummated) or grant the plaintiffs rescissory damages, (iii) direct that the defendants account to plaintiffs for all damages caused to the plaintiffs and any special benefits obtained as a result of alleged unlawful conduct, and (iv) award the plaintiffs the costs and disbursements (including attorneys' fees) relating to this action. On August 2, 2002, this matter was consolidated with the related matters set forth in the following and preceding paragraphs. In light of the September 9, 2002 transaction in which the Company divested all of its equity and debt ownership interests in Engage, on October 18, 2002, all parties submitted to the Court a stipulated order agreeing to dismiss, with prejudice as to the named plaintiffs only, this matter as moot. The stipulated order further provides that the Court shall retain jurisdiction over the matter to consider any application for attorney's fees and expenses submitted by plaintiffs or their counsel.

On May 21, 2002, another purported class action lawsuit was filed with the Court of Chancery of the State of Delaware against the Company, Engage and Robert W. Bartlett, Jr., Edward A. Bennett, Christopher M. Cuddy, George A. McMillan, Peter M. Rice, David S. Wetherell and Andrew J. Zimmon (officers and directors of Engage). The complaint alleges, among other things, breaches of fiduciary duties. The complaint requests, among other things, that the Court (i) enjoin, preliminarily and permanently, the Merger, (ii) rescind the Merger (in the event it is consummated) or grant the plaintiffs rescissory damages, (iii) direct that the defendants account to plaintiffs for all profits and any special benefits obtained as a result of alleged unlawful conduct, and (iv) award the plaintiffs the costs and disbursements (including attorneys' and experts' fees) relating to this action. On August 2, 2002, this matter was consolidated with the related matters set forth in the preceding two paragraphs. In light of the September 9, 2002 transaction in which the Company divested all of its equity and debt ownership interests in Engage, on October 18, 2002, all parties submitted to the Court a stipulated order agreeing to dismiss, with prejudice as to the named plaintiffs only, this matter as moot. The stipulated order further provides that the Court shall retain jurisdiction over the matter to consider any application for attorney's fees and expenses submitted by plaintiffs or their counsel.

The Company is also a party to litigation which it considers routine and incidental to its business. Management does not expect the results of any of these actions to have a material adverse effect on the Company's business, results of operation or financial condition.

(16) Retirement of Series C Convertible Preferred Stock

On June 29, 1999, CMGI completed a $375 million private placement of 375,000 shares of newly issued Series C Redeemable, Convertible Preferred Stock (Series C Preferred Stock). Each share of Series C Preferred Stock had a stated value of $1,000 per share. The Company paid a semi-annual dividend of 2% per annum, in arrears, on June 30 and December 30 of each year at the Company's option, in cash or through an adjustment to the liquidation preference of the Series C Preferred Stock. Such adjustments, also increased the number of shares into which the Series C Preferred Stock is convertible into common stock. The Series C Preferred Stock was segregated into three separate tranches of 125,000 shares each. The shares in each tranche had identical rights and preferences to shares in other tranches except as to conversion price. The three tranches were convertible into common stock at prices of $45.72, $37.58 and $37.66 per share prior to June 30, 2002. The conversion price calculated for each tranche was also subject to adjustment for certain actions taken by the Company. The Series C Preferred Stock was convertible into common stock by the holders any time and would automatically convert into common stock on June 30, 2002 at a conversion price equal to the average of the closing bid prices of the common stock on the ten consecutive trading days ending on the trading day prior to June 30, 2002. The Series C Preferred Stock was redeemable at the option of the holders upon the occurrence of certain events.

In November 2001, the Company repurchased all of the outstanding shares of its Series C Convertible Preferred Stock pursuant to privately negotiated stock exchange agreements with the holders of the Series C Preferred Stock. Under these agreements, the Company repurchased all of the outstanding shares of its Series C Preferred Stock for aggregate consideration consisting of approximately $100.3 million in cash, approximately 34.7 million shares of the Company's common stock, and an obligation to deliver, no later than December 2, 2002, approximately 448.3 million shares of PCCW stock.

In addition, due to the delayed delivery obligation with respect to the PCCW shares, the Company agreed to make cash payments to the former holders of the Series C Preferred Stock, on the dates and in the aggregate amounts as follows: approximately $3.7 million on February 19, 2002, approximately $3.5 million on May 17, 2002, approximately $3.8 million on August 19, 2002, approximately $3.7 million on November 19, 2002 and approximately $0.5 million on December 2, 2002. The obligation to make payments ceases upon delivery of the PCCW shares and any payment due for the period during which the PCCW shares are delivered to the former holders of the Series C Preferred Stock will be reduced on a pro rata basis. The Company has made the first three cash payments to the former shareholders as scheduled.

As a result of this transaction, the Company recognized an increase in the stockholders' equity section of the accompanying Consolidated Balance Sheets of approximately $63.5 million. The gain was calculated as the difference between the carrying value of the Series C Preferred Stock less the carrying value of the consideration exchanged at the date of the transaction. The carrying value of the consideration exchanged approximated fair market value at the date of the transaction. Additionally, the Company has reclassified its investment in PCCW shares from "Other assets" to "Trading security" and, in accordance with SFAS No. 115, recognized a pre-tax gain in the Consolidated Statements of Operations of approximately $19.6 million. The liability related to the obligation to deliver the PCCW stock is carried at market value and has been classified as a current note payable in the accompanying Consolidated Balance Sheets. Changes in market value of this note payable are recorded through "Interest expense" and offset any changes in the market value of the PCCW stock, which are reflected in "Other gains (losses), net," resulting in no net impact to the accompanying Consolidated Statements of Operations.

(17) Stockholders' Equity

In May 2000, stockholders of CMGI approved an amendment to the Company's Restated Certificate of Incorporation to increase the number of authorized shares of capital stock from 405,000,000 to 1,405,000,000 shares.

In January 2000, the Company effected a 2-for-1 common stock split in the form of a stock dividend. Accordingly, all data shown in the accompanying consolidated financial statements have been retroactively adjusted to reflect these events.

Effect of subsidiaries' equity transactions during fiscal 2000 was primarily related to the equity transactions of Engage, AltaVista, ProvisionSoft and NaviSite. In April 2000, Engage completed its acquisition of Flycast and Adsmart from CMGI. As a result of this transaction, CMGI received approximately 64.3 million shares of Engage stock and the Company's ownership percentage in Engage increased from approximately 81% to 87%. A decrease of approximately $54.0 million has been recorded in the accompanying Consolidated Statements of Stockholders' Equity to reflect the decrease in the Company's net equity in Engage as a result of Engage's purchase of Flycast and Adsmart. In June 2000, CMGI invested $50.0 million in Engage in exchange for approximately 3.3 million shares of Engage common stock. As a result of the transaction, the Company's ownership percentage in Engage remained approximately 87%. A decrease of approximately $5.1 million has been recorded in the accompanying Consolidated Statement of Stockholders' Equity as a result of the transaction. During the third quarter of fiscal 2000, AltaVista acquired Raging Bull and Transium in exchange for AltaVista common stock. In addition, during the third quarter, AltaVista also issued shares of its stock to CMGI and HPFS to satisfy AltaVista's borrowings from CMGI and HPFS. As a result of these transactions, CMGI's ownership in AltaVista decreased from approximately 82% to 78%. An increase of approximately $38.8 million has been recorded in the accompanying Consolidated Statements of Stockholders' Equity as a result of these transactions. During April and May 2000, ProvisionSoft completed a private placement of approximately 2.7 million preferred shares raising approximately $60.0 million in net proceeds. With these transactions, the Company's ownership percentage in ProvisionSoft decreased from 100% to approximately 85%. An increase of approximately $30.0 million, net of deferred income taxes, has been recorded in the accompanying Consolidated Statements of Stockholders' Equity as a result of ProvisionSoft's private placement of its stock. In May 2000, CMGI invested $50.0 million in NaviSite in exchange for approximately 981,000 shares of NaviSite common stock. As a result of the transaction, the Company's ownership percentage in NaviSite remained approximately 70%. A decrease of approximately $14.7 million, net of deferred income taxes, has been recorded in the accompanying Consolidated Statements of Stockholders' Equity as a result of the transaction.

During fiscal 2000, the Company completed stock exchanges with four companies. In November 1999, the Company received approximately 448.3 million shares of PCCW common stock in exchange for approximately 8.2 million shares of CMGI common stock. In April 2000, the Company received approximately 1.7 million shares of Netcentives common stock in exchange for approximately 425,000 shares of CMGI common stock. In May 2000, the Company received approximately 8.0 million shares of Primedia common stock in exchange for approximately 1.5 million shares of CMGI common stock. In July 2000, the Company received approximately 1.7 million shares of Divine common stock in exchange for approximately 372,000 shares of CMGI common stock.

During fiscal 2001, CMGI received approximately 241.0 million shares of PCCW stock in exchange for approximately 13.4 million shares of the Company's common stock. During fiscal 2001, the Company issued approximately 30.2 million shares of its common stock as payment of principal and interest totaling approximately $391.6 million related to notes payable that had been issued in the Company's acquisition of

Tallán. Also during fiscal 2001, the Company issued approximately 2.3 million shares of its common stock, valued at approximately $23.0 million, to HPFS to satisfy interest due on the Company's notes payable related to its acquisition of AltaVista.

During fiscal 2002, the Company repurchased all of the outstanding shares of its Series C Convertible Preferred Stock for approximately 34.7 million shares of the Company's common stock as well as additional consideration. The Company issued approximately 5.4 million shares of its common stock as payment for the first quarter interest due on the HP note payable. Also during fiscal 2002, the company reached an agreement with HP, in which HP agreed to deem the Company's $220.0 million in face amounts of notes payable, plus the accrued interest thereon, paid in full in exchange for approximately 4.5 million shares of CMGI common stock as well as additional consideration.

(18) Stock Option Plans

The Company currently awards stock options under three plans: the 2002 Non-Officer Employee Stock Incentive Plan (2002 Plan), the 2000 Stock Incentive Plan (2000 Plan) which had replaced the 1986 Stock Option Plan (1986 Plan) and the 1999 Stock Option Plan For Non-Employee Directors (1999 Directors' Plan), which replaced the 1995 Directors' Plan (1995 Directors' Plan). No options granted under the 1995 Directors' Plan remain in effect. Options granted under the 2002 Plan and the 2000 Plan are generally exercisable in equal cumulative installments over a four-to-ten year period beginning one year after the date of grant.

In addition, the Company assumed several stock option plans of companies which were acquired during fiscal 2000. Options to purchase a total of approximately 10.2 million shares of CMGI common stock were assumed. The terms and conditions of these assumed options were consistent with the terms of the plans under which they were initially granted by the acquired companies.

In March 2002, the Board of Directors adopted the 2002 Plan, pursuant to which 4,150,000 shares of common stock are reserved for issuance (subject to adjustment in the event of stock splits and other similar events). In May 2002, the Board of Directors approved an amendment to the 2002 Plan in which the total shares available under the plan were increased to 19,150,000.

Under the 2002 Plan, non-statutory stock options or restricted stock awards may be granted to the Company's or its subsidiaries' employees, other than those who are also officers or directors, as defined. The Board of Directors administers this plan, approves the individuals to whom options will be granted, and determines the number of shares and exercise price of each option. Outstanding options under the 2002 Plan at July 31, 2002 expire through 2009.

In October 2000, the Board of Directors adopted the 2000 Plan, pursuant to which 15,500,000 shares of common stock are reserved for issuance (subject to adjustment in the event of stock splits and other similar events). No further option grants will be made under the 1986 Plan, however all outstanding options under the 1986 Plan remain in effect.

Under the 2000 Plan, non-qualified stock options or incentive stock options may be granted to the Company's or its subsidiaries' employees, consultants, advisors or directors, as defined. The Board of Directors administers this plan, approves the individuals to whom options will be granted, and determines the number of shares and exercise price of each option. Outstanding options under the 2000 Plan at July 31, 2002 expire through 2009.

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The 1999 Directors' Plan, approved in fiscal year 2000, replaces the Company's 1995 Directors' Plan. Pursuant to the 1999 Directors' Plan, 2,000,000 shares of the Company's common stock were initially reserved. Each eligible director who is elected to the Board for the first time will be granted an option to acquire 200,000 shares of common stock (the "Initial Option"). Each Affiliated Director who ceases to be an Affiliated Director and is not otherwise an employee of the Company or any of its subsidiaries or affiliates will be granted, on the date such director ceases to be an Affiliated Director but remains as a member of the Board of Directors, an Initial Option to acquire 200,000 shares of common stock under the plan. Each Initial Option will vest and become exercisable as to 1/36th of the number of shares of common stock originally subject to the option on each monthly anniversary of the date of grant, provided that the optionee serves as a director on such monthly anniversary date. On each anniversary of the grant of the Initial Option to an eligible director, each eligible director will automatically be granted an option to purchase 24,000 shares of common stock (an "Annual Option"), provided that such eligible director serves as a director on the applicable anniversary date. Each Annual Option will vest and become exercisable on a monthly basis as to 1/12th of the number of shares originally subject to the option commencing on the 37th month after the grant date, provided that the optionee then serves as a director on such monthly anniversary date. Outstanding options under the 1999 Directors' Plan at July 31, 2002 expire through 2012.

The status of the plans during the three fiscal years ended July 31, was as follows:

	2002		2001		2000	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	(in thousands, except exercise price data)					
Options outstanding, beginning of year	28,252	$ 22.02	33,927	$ 30.09	20,829	$ 7.29
Granted	18,579	.85	9,097	3.95	23,727	40.63
Exercised	(454)	1.16	(3,307)	2.29	(8,152)	4.43
Canceled	(7,868)	26.78	(11,465)	37.32	(2,477)	28.46
Options outstanding, end of year	38,509	$ 11.08	28,252	$ 22.02	33,927	$ 30.09
Options exercisable, end of year	12,114	$ 20.28	11,302	$ 21.80	8,974	$ 10.21
Options available for grant, end of year	12,544		10,465		8,713	

Included in the options granted during fiscal year 2000 are approximately 10.2 million shares assumed from acquired companies.

The following table summarizes information about the Company's stock options outstanding at July 31, 2002:

	Options Outstanding			Options Exercisable	
Range of exercise prices	Number of shares	Weighted average remaining contractual life	Weighted average exercise price	Number of shares	Weighted average exercise price
	(number of shares in thousands)				
$0.00–$1.00	16,234	5.3 years	$ 0.39	3,854	$ 0.18
$1.01–$2.50	8,493	5.0	1.44	1,196	1.41
$2.51–$5.00	6,187	4.1	2.95	2,266	3.50
$5.01–$25.00	992	3.8	8.41	924	8.22
$25.01–$50.00	2,411	2.7	40.67	1,473	40.79
$50.01–$100.00	3,523	2.8	56.79	1,958	56.81
$100.01–$150.00	641	3.1	119.61	417	120.34
$150.01–$511.00	28	5.4	237.00	26	243.11
	38,509	4.6 years	$ 11.08	12,114	$ 20.28

SFAS No. 123 sets forth a fair-value based method of recognizing stock-based compensation expense. As permitted by SFAS No. 123, the Company has elected to continue to apply APB No. 25 to account for its stock-based compensation plans. Had compensation cost for awards in fiscal 2002, 2001 and 2000 under the Company's stock-based compensation plans been determined based on the fair value method set forth under SFAS No. 123, the pro forma effect on the Company's net loss and net loss per share would have been as follows:

	Years Ended July 31,		
	2002	2001	2000
	(in thousands, except per share data)		
Pro forma net loss	$ (829,306)	$ (5,896,632)	$ (2,108,145)
Pro forma net loss per share:			
Basic	$ (2.18)	$ (17.89)	$ (8.06)
Diluted	$ (2.18)	$ (17.89)	$ (8.06)

The fair value of each stock option grant has been estimated on the date of grant using the Black-Scholes option pricing model, assuming no expected dividends and the following weighted average assumptions:

	Years Ended July 31,		
	2002	2001	2000
Volatility	97.1%	126.9%	103.4%
Risk-free interest rate	3.6%	4.2%	6.3%
Expected life of options (in years)	5.9	4.4	3.1

The weighted average fair value per share of options granted during fiscal years 2002, 2001, and 2000 was $0.66, $2.34, and $33.85, respectively.

The effect of applying SFAS No. 123 as shown in the above pro forma disclosure is not likely to be representative of the pro forma effect on reported income or loss for future years as SFAS No. 123 does not apply to awards made prior to fiscal 1996.

(19) Employee Stock Purchase Plan

On October 4, 1994, the Board of Directors of the Company adopted the 1995 Employee Stock Purchase Plan (the Plan). The purpose of the Plan is to provide a method whereby all eligible employees of the Company and its subsidiaries may acquire a proprietary interest in the Company through the purchase of shares of common stock. Under the Plan, employees may purchase the Company's common stock through payroll deductions. During fiscal year 2001, the Plan was amended to reserve 1.0 million shares for issuance thereunder.

During fiscal year 2002, the Plan was further amended to increase the aggregate number of shares to 3.0 million.

At the beginning of each of the Company's fiscal quarters, commencing with February 1, 1995, participants are granted an option to purchase shares of the Company's common stock at an option price equal to 85% of the fair market value of the Company's common stock on either the first business day or last business day of the applicable quarterly period, whichever is lower.

Employees purchased 614,229, 752,705, and 118,719 shares of common stock of the Company under the Plan during fiscal years 2002, 2001, and 2000, respectively.

(20) Income Taxes

The total income tax benefit was allocated as follows:

	Years Ended July 31,		
	2002	2001	2000
		(in thousands)	
Loss from continuing operations	$ (7,431)	$ (184,404)	$ (116,198)
Discontinued operations	—	—	(4,975)
Extraordinary gain associated with the early extinguishment of debt	1,794	—	—
Unrealized holding gain (loss) included in comprehensive income (loss), but excluded from net income	(10,317)	(352,077)	167,020
Subsidiaries' equity transactions charged directly to stockholders' equity	—	(20,498)	(43,230)
Compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes charged directly to stockholders' equity and reduction in previously recorded benefits	—	29,587	(189,943)
Total tax benefit	$ (15,954)	$ (527,392)	$ (187,326)

The income tax expense (benefit) from continuing operations consists of the following:

	Current	Deferred	Total
		(in thousands)	
July 31, 2000:			
Federal	$ 141,482	$ (209,903)	$ (68,421)
State	22,770	(70,547)	(47,777)
	$ 164,252	$ (280,450)	$ (116,198)
July 31, 2001:			
Federal	$ 20,005	$ (154,869)	$ (134,864)
State	24,332	(73,872)	(49,540)
	$ 44,337	$ (228,741)	$ (184,404)
July 31, 2002:			
Federal	$ (18,434)	$ 10,481	$ (7,953)
State	(1,622)	2,144	522
	$ (20,056)	$ 12,625	$ (7,431)

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Deferred income tax assets and liabilities have been classified on the accompanying Consolidated Balance Sheets in accordance with the nature of the item giving rise to the temporary differences. The components of deferred tax assets and liabilities are as follows:

	July 31, 2002			July 31, 2001		
	Current	Non-current	Total	Current	Non-current	Total
	(in thousands)					
Deferred tax assets:						
Accruals and reserves	$ 101,317	$ —	$ 101,317	$ 201,853	$ —	$ 201,853
Tax basis in excess of financial basis of available-for-sale securities	14,757	—	14,757	30,626	—	30,626
Tax basis in excess of financial basis of investments in subsidiaries and affiliates	—	110,415	110,415	—	116,574	116,574
Net operating loss carryforwards	—	541,850	541,850	—	469,408	469,408
Tax basis in excess of financial basis for intangible assets	—	436,304	436,304	—	498,888	498,888
Total gross deferred tax assets	116,074	1,088,569	1,204,643	232,479	1,084,870	1,317,349
Less: valuation allowance	(115,554)	(1,079,174)	(1,194,728)	(232,479)	(1,084,870)	(1,317,349)
Net deferred tax assets	520	9,395	9,915	—	—	—
Deferred tax liabilities:						
Financial basis in excess of tax basis of investments in subsidiaries and affiliates	—	—	—	—	—	—
Financial basis in excess of tax basis of available-for-sale securities	(520)	—	(520)	(18,860)	—	(18,860)
Financial basis in excess of tax basis for intangible assets and fixed assets	—	(9,395)	(9,395)	—	(20,795)	(20,795)
Total gross deferred tax liabilities	(520)	(9,395)	(9,915)	(18,860)	(20,795)	(39,655)
Net deferred tax liability	$ —	$ —	$ —	$ (18,860)	$ (20,795)	$ (39,655)

Subsequently reported tax benefits relating to the valuation allowance for deferred tax assets as of July 31, 2002 will be allocated as follows:

	(in thousands)
Income tax benefit recognized in the Consolidated Statement of Operations	$ 1,156,451
Goodwill and other intangible assets	28,372
Additional paid in capital	9,905
	$ 1,194,728

The net change in the total valuation allowance for the year ended July 31, 2002 was a decrease of $122.6 million. A full valuation allowance has been recorded against the gross deferred tax asset since management believes that after considering all the available objective evidence, both positive and negative, historical and prospective, with greater weight given to historical evidence, it is more likely than not that these assets will not be realized.

The Company has net operating loss carryforwards for federal and state tax purposes of approximately $1.1 billion and $959.5 million, of which, approximately $799.2 million and $661.3 million, respectively, are subject to significant limitations. The federal net operating losses will expire from 2009 through 2022 and the state net operating losses will expire from 2003 through 2017. A portion of the federal and state net operating loss carryforwards is subject to significant limitation, including losses of majority owned subsidiaries not included in the Company's consolidated tax return group, losses that are subject to limitations under the separate return limitation year rules and will only be available to offset future income of the subsidiaries that generated the losses, and losses attributable to the pre-acquisition periods of acquired subsidiaries. The utilization of net operating losses attributable to the pre-acquisition periods of acquired subsidiaries may be limited by Internal Revenue Code Section 382 as a result of prior ownership changes. An ownership change occurs when the ownership percentage of 5% or greater stockholders changes by more than 50% over a three-year period. As described in the Subsequent Events (note 23) CMGI divested of its interest in Engage, NaviSite and Equilibrium. These transactions severely limit the net operating losses attributable to these companies. Furthermore, pre-acquisition net operating losses may not be utilizable in future years in the event of a substantial discontinuation of the acquired business within two years of the acquisition date.

Income tax expense attributable to income (loss) from continuing operations differs from the computed expense computed by applying the U.S. federal income tax rate of 35 percent to pre-tax income (loss) from continuing operations as a result of the following:

	Years Ended July 31,		
	2002	2001	2000
		(in thousands)	
Computed "expected" tax benefit	$ (208,072)	$ (1,985,313)	$ (505,192)
Increase (decrease) in income tax expense resulting from:			
Non-deductible goodwill amortization and impairment charges	93,441	1,290,251	250,797
Losses not benefited	114,961	467,274	133,779
Non-deductible in-process research and development charge related to acquisition of Subsidiaries		512	22,989
State income taxes, net of federal benefit	(10,600)	41,302	(30,758)
Other	2,839	1,570	12,187
Actual income tax benefit	$ (7,431)	$ (184,404)	$ (116,198)

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(21) Selected Quarterly Financial Information (unaudited)

The following table sets forth selected quarterly financial information for the years ended July 31, 2002 and 2001. The operating results for any given quarter are not necessarily indicative of results for any future period. On November 1, 2002, the Company's common stock will commence trading on the Nasdaq SmallCap Market under the symbol CMGI. Prior to such date, the common stock traded on the Nasdaq National Market under the same symbol. Included below are the high and low sales prices (adjusted for 2-for-1 stock split effected on January 11, 2000) during each quarterly period for the shares of common stock as reported by Nasdaq.

	Fiscal 2002 Quarter ended				Fiscal 2001 Quarter ended			
	Oct. 31	Jan. 31	Apr. 30	Jul. 31	Oct. 31	Jan. 31	Apr. 30	Jul. 31
	(in thousands except market price data)							
Net revenue	$ 186,639	$ 198,543	$ 177,454	$ 145,134	$ 343,422	$ 317,575	$ 271,196	$ 238,060
Cost of revenue	165,397	161,452	157,780	123,399	304,802	287,247	235,480	211,365
Research and development expenses	16,818	12,283	12,457	12,180	48,773	42,296	31,484	22,333
In-process research and development expenses	—	—	—	—	1,462	—	—	—
Selling expenses	40,204	33,649	32,257	47,164	123,193	108,158	74,760	55,306
General and administrative expenses	37,705	32,544	35,876	22,230	78,666	65,641	56,526	47,966
Amortization of intangible assets and stock-based compensation	65,814	63,648	63,476	63,074	581,790	549,073	247,422	178,624
Impairment	9,263	4,052	3,438	56,361	69,606	1,998,966	609,491	685,254
Restructuring expenses	17,608	(5,378)	4,216	9,763	8,841	100,031	18,526	81,810
Operating loss	(166,170)	(103,707)	(132,046)	(189,037)	(873,711)	(2,833,837)	(1,002,493)	(1,044,598)
Interest income (expense), net	(670)	16,668	301	19,787	(10,394)	9,314	5,227	823
Non-operating gains (losses), net	(8,631)	(18,084)	(8,080)	(33,708)	323,927	(80,511)	(48,581)	(482,136)
Equity in losses of affiliates	(12,249)	(1,144)	(2,003)	(12)	(15,872)	(13,556)	(9,948)	(6,285)
Minority interest	17,258	8,030	5,239	13,768	81,600	240,819	44,289	127,106
Income tax benefit (expense)	(12,579)	1,794	15,000	3,216	(126,282)	160,912	42,130	107,644
Loss from continuing operations	(183,041)	(96,443)	(121,589)	(185,986)	(620,732)	(2,516,859)	(969,376)	(1,297,446)
Discontinued operations, net of income taxes	(41,763)	(19,635)	(3,623)	(4,119)	(15,832)	(20,815)	(17,263)	(29,597)
Extraordinary gain on retirement of debt, net of income tax	—	131,281	—	—	—	—	—	—
Net income (loss)	$ (224,804)	$ 15,203	$ (125,212)	$ (190,105)	$ (636,564)	$ (2,537,674)	$ (986,639)	$ (1,327,043)
Market Price:								
High	$ 2.50	$ 3.15	$ 1.83	$ 1.30	$ 49.13	$ 24.81	$ 6.94	$ 6.50
Low	$ .60	$ 1.46	$ 1.22	$ .38	$ 12.88	$ 3.63	$ 1.75	$ 1.95

(22) COMPREHENSIVE LOSS

The components of comprehensive loss, net of income taxes, are as follows:

	For the Year Ended July 31,		
	2002	2001	2000
		(in thousands)	
Net loss	$ (524,918)	$ (5,487,920)	$ (1,364,693)
Net unrealized holding gain (loss) arising during period	(54,575)	(794,446)	496,304
Reclassification adjustment for realized (gain) loss in net loss	37,672	316,457	(308,987)
Comprehensive loss	$ (541,821)	$ (5,965,909)	$ (1,177,376)

(23) Subsequent Events

On September 9, 2002, the Company divested all of its equity and debt ownership interests in Engage. Under the terms of the Transaction Agreement, the Company transferred to Engage approximately 148.4 million shares of common stock of Engage held by the Company, representing approximately 76% of the issued and outstanding shares of Engage, and cancelled approximately $60 million of debt, including all convertible debt, owed to the Company by Engage. In consideration of the equity transfer and debt cancellation, Engage, among other things, (i) paid to the Company $2.5 million in cash, (ii) agreed to pay the Company up to an additional $6.0 million, comprised of a senior secured promissory note due in September 2006 and earnout payments commencing in fiscal year 2004, and (iii) issued to the Company a warrant for the purchase of up to 9.9% of the issued and outstanding shares of Engage common stock, at an exercise price of $.048 per share.

On September 11, 2002, the Company sold all of its equity and debt ownership interests in NaviSite to ClearBlue. Under the terms of the Note and Stock Purchase Agreement, the Company sold to ClearBlue (i) approximately 71.0 million shares of common stock of NaviSite held by the Company, (ii) warrants to purchase approximately 5.0 million shares of common stock of NaviSite, and (iii) the 12% Convertible Note issued to the Company by NaviSite, representing $10.0 million aggregate principal amount plus all accrued interest thereon. In consideration thereof, the Company received, among other things, 131,579 shares of common stock of ClearBlue.

On October 17, 2002, the Company sold all of its equity ownership interests in Equilibrium, to a group (the “Buyer”) led by the current management of Equilibrium. Under the terms of the Transaction Agreement, the Company sold to the Buyer 100% of the issued and outstanding shares of Equilibrium. In consideration thereof, the Company received, among other things, (i) a senior secured promissory note due in October 2005 in the principal amount of $1.5 million made by the Buyer, (ii) a warrant for the purchase of 19.9% of the issued and outstanding shares of Equilibrium common stock, at an exercise price of $.01 per share, and (iii) a royalty-free, perpetual worldwide license to Equilibrium’s MediaRich software.

As a result of the Company’s divestiture of its interest in Engage, NaviSite and Equilibrium, tax loss carryforwards existing at the time of the transactions will be severely limited under IRC Section 382 (see note 20).

On November 1, 2002 the Company’s common stock will commence trading on the Nasdaq SmallCap Market under the symbol “CMGI”. Prior to such date, the Common Stock traded on the Nasdaq National Market under the same symbol.

ITEM 9.—CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10.—DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Incorporated by reference to the portions of the Definitive Proxy Statement entitled "Proposal 1—Election of Directors," "Additional Information—Management," and "Additional Information—Section 16(a) Beneficial Ownership Reporting Compliance."

ITEM 11.—EXECUTIVE COMPENSATION

Incorporated by reference to the portions of the Definitive Proxy Statement entitled "Additional Information—Executive Compensation," "Additional Information—Director Compensation," "Additional Information—Human Resources and Compensation Committee Report," "Additional Information—Stock Performance Graph," and "Additional Information—Employment Agreements and Severance and Change of Control Arrangements."

ITEM 12.—SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information regarding the security ownership of certain beneficial owners and management is incorporated by reference to the portion of the Definitive Proxy Statement entitled "Security Ownership of Certain Beneficial Owners and Management."

Equity Compensation Plan Information as of July 31, 2002

The following table sets forth certain information regarding the Company's equity compensation plans as of July 31, 2002.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities available for future issuance under equity compensation plans (excluding securities reflected in column (a)
Equity compensation plans approved by security holders	27,741,753	$ 15.19	6,056,808(1)
Equity compensation plans not approved by security holders	10,767,600	$ 0.49	8,382,400
Total	38,509,353	$ 11.08	14,439,208

(1) Includes 1,822,813 shares available for issuance under the Company's Amended and Restated 1995 Employee Stock Purchase Plan, as amended.

ITEM 13.—CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Incorporated by reference to the portion of the Definitive Proxy Statement entitled "Additional Information—Certain Relationships and Related Transactions."

ITEM 14.—CONTROLS AND PROCEDURES

Not applicable.

PART IV

ITEM 15.—EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(A) Financial Statements, Financial Statement Schedule, and Exhibits

1. Financial Statements.

The financial statements listed in the Index to Consolidated Financial Statements are filed as part of this report.

2. Financial Statement Schedule.

Financial Statement Schedule II of the Company and the corresponding Report of Independent Auditors on Financial Statement Schedule are filed as part of this report.

All other financial statement schedules have been omitted as they are either not required, not applicable, or the information is otherwise included.

3. Exhibits.

The Exhibits listed in the Exhibit Index immediately preceding such Exhibits are filed with or incorporated by reference in this report.

(B) Reports on Form 8-K

On July 1, 2002, the Company filed a Current Report on Form 8-K dated June 28, 2002 to report under Item 5 (Other Events) that the Company had entered into a definitive agreement to acquire substantially all of the worldwide assets and operations of Software Logistics Corporation, a California corporation doing business as iLogistix. No financial statements were filed with such report.

On July 12, 2002, the Company filed a Current Report on Form 8-K dated July 11, 2002 to report under Item 5 (Other Events) that the Company had acquired substantially all of the worldwide assets and operations of Software Logistics Corporation, a California corporation doing business as iLogistix. No financial statements were filed with such report.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CMGI, INC.

Date: October 29, 2002

By: /s/ GEORGE A. MCMILLAN

George A. McMillan
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been duly signed below by the following persons on behalf of the Registrant and in the capacities and on the date set forth above.

Signature	Title
/s/ DAVID S. WETHERELL **David S. Wetherell**	Chairman of the Board of Directors
/S/ GEORGE A. MCMILLAN **George A. McMillan**	President and Chief Executive Officer and Director (Principal Executive Officer)
/S/ THOMAS OBERDORF **Thomas Oberdorf**	Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)
Anthony J. Bay	Director
/S/ VIRGINIA G. BONKER **Virginia G. Bonker**	Director
/S/ JONATHAN KRAFT **Jonathan Kraft**	Director
/S/ PETER MCDONALD **Peter McDonald**	Director

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CERTIFICATIONS

I, George A. McMillan, certify that:

1. I have reviewed this annual report on Form 10-K of CMGI, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report; and
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report.

Date: October 29, 2002 By: /s/ GEORGE A. MCMILLAN

George A. McMillan
President and Chief Executive Officer

I, Thomas Oberdorf, certify that:

1. I have reviewed this annual report on Form 10-K of CMGI, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report; and
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report.

Date: October 29, 2002 By: /s/ THOMAS OBERDORF

Thomas Oberdorf
Chief Financial Officer and Treasurer

EXHIBIT INDEX

2.1	Transaction Agreement dated as of October 29, 2001 by and among the Registrant, NaviSite, Inc., AltaVista Company, Compaq Computer Corporation, Compaq Financial Services Corporation, Compaq Financial Services Company and Compaq Financial Services Canada Corporation is incorporated herein by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K dated October 29, 2001 (File No. 000-23262).
2.2	Purchase Agreement dated as of October 29, 2001 by and among the Registrant, Compaq Computer Corporation and B2E Solutions, LLC, relating to the purchase and sale of 34,490,140 Units of B2E Solutions, LLC is incorporated herein by reference to Exhibit 10.2 to the Registrant’s Current Report on Form 8-K dated October 29, 2001 (File No. 000-23262).
2.3	Note Purchase Agreement dated as of October 29, 2001 by and among the Registrant, NaviSite, Inc. and Compaq Financial Services Corporation is incorporated herein by reference to Exhibit 10.3 to the Registrant’s Current Report on Form 8-K dated October 29, 2001 (File No. 000-23262).
2.4	Form of Stock Exchange Agreement, dated November 20, 2001 by and between the Registrant and the Stockholders is incorporated herein by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K dated November 20, 2001 (File No. 000-23262).
2.5	Form of Stock Exchange Agreement, dated November 20, 2001 by and among the Registrant, Maktar Limited, a wholly owned subsidiary of the Registrant organized under the laws of Ireland, and the Stockholders is incorporated herein by reference to Exhibit 10.2 to the Registrant’s Current Report on Form 8-K dated November 20, 2001 (File No. 000-23262).
2.6	Pledge Agreement, dated November 20, 2001, by and among Maktar Limited, a wholly owned subsidiary of the Registrant organized under the laws of Ireland, the Stockholders and AIB International Financial Services Limited, a limited liability company organized under the laws of Ireland, as agent for the Stockholders is incorporated herein by reference to Exhibit 10.3 to the Registrant’s Current Report on Form 8-K dated November 20, 2001 (File No. 000-23262).
2.7	Transaction Agreement, dated as of September 9, 2002, by and among the Registrant, CMGI (UK) Limited and Engage, Inc. is incorporated herein by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K dated September 9, 2002 (File No. 000-23262).
2.8	Note and Stock Purchase Agreement, dated as of September 11, 2002, by and between the Registrant and ClearBlue Technologies, Inc. is incorporated herein by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K dated September 11, 2002 (File No. 000-23262).
3.1	Restated Certificate of Incorporation of the Registrant is incorporated herein by reference to Exhibit 4.1 to the Registrant’s Registration Statement on Form S-3 (File No. 333-85047).
3.2	Certificate of Designations, Preferences and Rights of Series D Preferred Stock of the Registrant is incorporated herein by reference to Exhibit 4.1 to the Registrant’s Current Report on Form 8-K dated August 18, 1999 (File No. 000-23262).
3.3	Amendment of Restated Certificate of Incorporation of the Registrant, dated May 5, 2000 is incorporated herein by reference to Exhibit 3.1 to the Registrant’s Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2000 (File No. 000-23262).
3.4	Certificate of Elimination of Series C Convertible Preferred Stock of the Registrant is incorporated herein by reference to Exhibit 3.1 to the Registrant’s Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 2002 (File No. 000-23262).
3.5	Restated By-Laws of the Registrant, as amended, are incorporated herein by reference to Exhibit 3.3 of the Registrant’s Registration Statement on Form S-4 (File No. 333-92107).
4.1	Specimen stock certificate representing the Registrant’s Common Stock is incorporated herein by reference to Exhibit 4.1 of the Registrant’s Annual Report on Form 10-K for the fiscal year ended July 31, 1999 (File No. 000-23262).

4.2	Form of senior indenture is incorporated herein by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-3 (File No. 333-93005).
4.3	Form of subordinated indenture is incorporated herein by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form S-3 (File No. 333-93005).
10.1*	2000 Stock Incentive Plan is incorporated herein by reference to Appendix II to the Registrant's Definitive Schedule 14A filed November 17, 2000 (File No. 000-23262).
10.2*	1986 Stock Option Plan, as amended, is incorporated herein by reference to Appendix IV to the Registrant's Definitive Schedule 14A filed November 17, 1999 (File No. 000-23262).
10.3*	Amended and Restated 1995 Employee Stock Purchase Plan, as amended, is incorporated herein by reference to Appendix II to the Registrant's Definitive Schedule 14A filed November 16, 2001 (File No. 000-23262).
10.4*	Amended and Restated 1999 Stock Option Plan For Non-Employee Directors is incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2001 (File No. 000-23262).
10.5*	FY 2001 CMGI Executive Bonus Plan is incorporated herein by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 2001 (File No. 000-23262).
10.6*	FY 2002 Bonus Plan for Operating Companies is incorporated herein by reference to Exhibit 10.70 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2001 (File No. 000-23262).
10.7*	FY 2002 Bonus Plan for CMGI Corporate is incorporated herein by reference to Exhibit 10.71 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2001 (File No. 000-23262).
10.8*	2002 Non-Officer Employee Stock Incentive Plan, as amended, is incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2002 (File No. 000-23262).
10.9*	Employment Agreement, dated August 1, 1993, between the Registrant and David S. Wetherell is incorporated herein by reference to Exhibit 10.10 of the Registrant's Registration Statement on Form S-1 (File No. 33-71518).
10.10*	Amendment No. 1 to Employment Agreement, dated January 20, 1994, between the Registrant and David S. Wetherell is incorporated herein by reference to Exhibit 10.18 of the Registrant's Registration Statement on Form S-1 (File No. 33-71518).
10.11*	Amendment No. 2 to Employment Agreement, dated October 25, 1996, between the Registrant and David S. Wetherell is incorporated herein by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 1996 (File No. 000-23262).
10.12*	Amendment No. 3 to Employment Agreement, dated August 3, 2001, between the Registrant and David S. Wetherell is incorporated herein by reference to Exhibit 10.10 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2001 (File No. 000-23262).
10.13*	Executive Retention Agreement, dated July 9, 2001, between the Registrant and David Andonian is incorporated herein by reference to Exhibit 10.11 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2001 (File No. 000-23262).
10.14*	Offer Letter from the Registrant to George A. McMillan, dated June 11, 2001 is incorporated herein by reference to Exhibit 10.12 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2001 (File No. 000-23262).

10.15*	CEO Offer Letter from the Registrant to George A. McMillan, dated February 18, 2002, is incorporated herein by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2002 (File No. 000-23262).
10.16*	Amended and Restated Executive Severance Agreement, dated as of March 1, 2002, by and between the Registrant and George A. McMillan is incorporated herein by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2002 (File No. 000-23262).
10.17*	Offer Letter from the Registrant to Thomas Oberdorf, dated March 1, 2002, is incorporated herein by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2002 (File No. 000-23262).
10.18*	Executive Severance Agreement, dated as of March 4, 2002, by and between the Registrant and Thomas Oberdorf is incorporated herein by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2002 (File No. 000-23262).
10.19*	Offer Letter from AltaVista Company to James Barnett, dated November 15, 2001 is incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 2002 (File No. 000-23262).
10.20*	First Amendment to Offer Letter from AltaVista Company to James Barnett, dated as of June 24, 2002.
10.21*	Indemnification Agreement, dated as of February 1, 2002, by and between the Registrant and James Barnett is incorporated herein by reference to Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2002 (File No. 000-23262).
10.22*	Indemnification Agreement, dated as of February 1, 2002, by and between AltaVista Company and James Barnett is incorporated herein by reference to Exhibit 10.7 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2002 (File No. 000-23262).
10.23*	Offer Letter from uBid, Inc. to Christian Feuer, dated April 12, 2002, is incorporated herein by reference to Exhibit 10.8 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2002 (File No. 000-23262).
10.24*	Executive Severance Agreement, dated as of April 15, 2002, by and between uBid, Inc. and Christian Feuer is incorporated herein by reference to Exhibit 10.9 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2002 (File No. 000-23262).
10.25*	Form of Executive Retention Agreement by and between NaviSite, Inc. and Patricia Gilligan, is incorporated herein by reference to Exhibit 10.5 to NaviSite's Quarterly Report on Form 10-Q for the period ended April 30, 2001 (File No. 000-27597).
10.26*	Form of Indemnification Agreement by and between NaviSite, Inc. and Patricia Gilligan, is incorporated herein by reference to Exhibit 10.6 to NaviSite's Quarterly Report on Form 10-Q for the period ended April 30, 2001 (File No. 000-27597).
10.27*	Executive Retention Agreement, dated as of August 28, 2002, by and between the Registrant and Peter L. Gray.
10.28*	Form of Director Indemnification Agreement (executed by the Registrant and each of David S. Wetherell, George A. McMillan, Anthony J. Bay, Virginia G. Bonker, Jonathan Kraft and Peter McDonald) is incorporated herein by reference to Exhibit 10.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1998 (File No. 000-23262).
10.29	Share Exchange Agreement, dated as of September 22, 1999, by and between the Registrant and Pacific Century CyberWorks Limited is incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 1999 (File No. 000-23262).

10.30 Registration Rights Agreement, dated as of November 29, 1999, by and between the Registrant and Pacific Century CyberWorks Limited is incorporated herein by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 1999 (File No. 000-23262).

10.31 Securities Purchase Agreement, dated as of June 29, 1999, by and among the Registrant and the investors named therein is incorporated herein by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K dated June 29, 1999 (File No. 000-23262).

10.32 Registration Rights Agreement, dated as of June 29, 1999 by and among the Registrant and the investors named therein is incorporated herein by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K dated June 29, 1999 (File No. 000-23262).

10.33 Loan and Security Agreement, dated as of October 30, 2001, by and among SalesLink Corporation, InSolutions Incorporated, On-Demand Solutions, Inc., Pacific Direct Marketing Corp. and SalesLink Mexico Holding Corp., as Borrowers, and LaSalle Bank National Association and Citizens Bank of Massachusetts, as Lenders is incorporated herein by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2001 (File No. 000-23262).

10.34 Lease dated as of April 12, 1999 between Andover Mills Realty Limited Partnership and the Registrant for premises located at 100 Brickstone Square, Andover, Massachusetts is incorporated herein by reference to Exhibit 10.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1999 (File No. 000-23262).

10.35 Amendment No. 1 to Lease dated as of July 19, 1999 between Andover Mills Realty Limited Partnership and the Registrant for premises located at 100 Brickstone Square, Andover, Massachusetts is incorporated herein by reference to Exhibit 10.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1999 (File No. 000-23262).

10.36 Amendment No. 2 to Lease, dated as of November 12, 1999, between Andover Mills Realty Limited Partnership and the Registrant for premises located at 100 Brickstone Square, Andover, Massachusetts is incorporated herein by reference to Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 1999 (File No. 000-23262).

10.37 Amendment No. 3 to Lease dated as of March 28, 2000 between Andover Mills Realty Limited Partnership and the Registrant for premises located at 100 Brickstone Square, Andover, Massachusetts is incorporated herein by reference to Exhibit 10.13 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2000 (File No. 000-23262).

10.38 Amendment No. 4 to Lease, dated as of May 11, 2000 between Andover Mills Realty Limited Partnership and the Registrant for premises located at 100 Brickstone Square, Andover, Massachusetts is incorporated herein by reference to Exhibit 10.14 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2000 (File No. 000-23262).

10.39 Amendment No. 5 to Lease, dated as of December 18, 2000 between Andover Mills Realty Limited Partnership and the Registrant for premises located at 100 Brickstone Square, Andover, Massachusetts is incorporated herein by reference to Exhibit 10.20 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2001 (File No. 000-23262).

10.40 Amendment No. 6 to Lease, dated as of April 17, 2001 between Andover Mills Realty Limited Partnership and the Registrant for premises located at 100 Brickstone Square, Andover, Massachusetts is incorporated herein by reference to Exhibit 10.21 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2001 (File No. 000-23262).

10.41 Amendment No. 7 to Lease, dated as of April 18, 2001 between Andover Mills Realty Limited Partnership and the Registrant for premises located at 100 Brickstone Square, Andover, Massachusetts is incorporated herein by reference to Exhibit 10.22 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2001 (File No. 000-23262).

10.42 Lease dated as of September 13, 1999 between Arastradero Property and AltaVista Company for premises located at 1070 Arastradero Road, Palo Alto, California is incorporated herein by reference to Exhibit 10.3 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1999 (File No. 000-23262).

10.43 First Amendment to Lease, dated as of May 24, 2002, between Arastradero Property and AltaVista Company for the premises located at 1070 Arastradero Road, Palo Alto, California.

10.44 Lease, dated January 6, 1998, between the Medford Nominee Trust and SalesLink Corporation for premises located at 425 Medford Street, Boston, Massachusetts is incorporated herein by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 1998 (File No. 000-23262).

10.45 Lease, dated September 1, 1998, between Cabot Industrial Properties, L.P. and SalesLink Corporation for premises at 6112 West 73rd Street, Bedford Park, Illinois is incorporated herein by reference to Exhibit 10.6 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1999 (File No. 000-23262).

10.46 Lease, dated June 30, 1995, between Windy Pacific Partners and Pacific Mailing Corporation for premises located at Lot #2, Dumbarton Business Center, Central Ave., Newark, California is incorporated herein by reference to Exhibit 10.7 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1999 (File No. 000-23262).

10.47 First Amendment to Lease Between Windy Pacific Partners and Pacific Mailing Corporation, dated May 28, 1996 for premises located at Lot #2, Dumbarton Business Center, Central Ave., Newark, California is incorporated herein by reference to Exhibit 10.8 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1999 (File No. 000-23262).

10.48 Lease, dated July 30, 1995, between Windy Pacific Partners and Pacific Mailing Corporation for premises located at Lot #3, Dumbarton Business Center, Central Ave., Newark, California is incorporated herein by reference to Exhibit 10.9 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1999 (File No. 000-23262).

10.49 First Amendment to Lease Between Windy Pacific Partners and Pacific Mailing Corporation, dated December 22, 1995 for premises located at Lot #3, Dumbarton Business Center, Central Ave., Newark, California is incorporated herein by reference to Exhibit 10.10 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1999 (File No. 000-23262).

10.50 Second Amendment to Lease Between Windy Pacific Partners and Pacific Mailing Corporation, dated May 28, 1996 for premises located at Lot #3, Dumbarton Business Center, Central Ave., Newark, California is incorporated herein by reference to Exhibit 10.11 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1999 (File No. 000-23262).

10.51 Third Amendment to Lease Between Windy Pacific Partners and Pacific Mailing Corporation, dated September 25, 1996 for premises located at Lot #3, Dumbarton Business Center, Central Ave., Newark, California is incorporated herein by reference to Exhibit 10.12 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1999 (File No. 000-23262).

10.52 Lease, dated September 25, 1996, between Windy Pacific Partners and Pacific Direct Marketing Corp. DBA Pacific Link for premises at Lot #4 Dumbarton Business Center, Central Ave., Newark, California is incorporated herein by reference to Exhibit 10.13 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1999 (File No. 000-23262).

10.53 Lease made as of August 31, 2000 by and between Industrial Developments International (Tennessee), L.P. and SalesLink Corporation for premises located at 6100 Holmes Road, Suite 101, Memphis, Tennessee is incorporated herein by reference to Exhibit 10.35 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2000 (File No. 000-23262).

10.54	Lease dated March 14, 2000 by and between CMGI (UK) Limited and Britel Fund Trustees Limited for premises (third floor) located at Prospect House, 80 to 110 New Oxford Street London WC1 is incorporated herein by reference to Exhibit 10.36 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2000 (File No. 000-23262).
10.55	Lease dated March 14, 2000 by and between CMGI (UK) Limited and Britel Fund Trustees Limited for premises (fourth floor) located at Prospect House, 80 to 110 New Oxford Street London WC1 is incorporated herein by reference to Exhibit 10.37 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2000 (File No. 000-23262).
10.56	Lease dated March 14, 2000 by and between CMGI (UK) Limited and Britel Fund Trustees Limited for premises (fifth floor) located at Prospect House, 80 to 110 New Oxford Street London WC1 is incorporated herein by reference to Exhibit 10.38 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2000 (File No. 000-23262).
10.57	Lease dated as of February 4, 2000 by and between the Registrant and TST 555/575 Market, L.L.C. for premises located at 575 Market Street, San Francisco, California is incorporated herein by reference to Exhibit 10.40 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2000 (File No. 000-23262).
10.58	First Amendment to Lease dated as of February 29, 2000 by and between the Registrant and TST 555/575 Market, L.L.C. for premises located at 575 Market Street, San Francisco, California is incorporated herein by reference to Exhibit 10.41 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2000 (File No. 000-23262).
10.59*	CMG @Ventures, Inc. Deferred Compensation Plan is incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 1997 (File No. 000-23262).
10.60*	CMG @Ventures I, LLC Limited Liability Company Agreement, dated December 18, 1997 is incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 1998 (File No. 000-23262).
10.61*	CMG @Ventures II, LLC Operating Agreement, dated as of February 26, 1998 is incorporated herein by reference to Exhibit 10.69 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1998 (File No. 000-23262).
10.62*	Limited Liability Company Agreement of CMG @Ventures III, LLC, dated August 7, 1998 is incorporated herein by reference to Exhibit 10.46 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1999 (File No. 000-23262).
10.63*†	Amendment No. 1 to Limited Liability Company Agreement of CMG @Ventures III, LLC, dated June 7, 2002.
10.64*	Agreement of Limited Partnership of @Ventures III, L.P., dated August 7, 1998 is incorporated herein by reference to Exhibit 10.47 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1999 (File No. 000-23262).
10.65*	Amendment No. 1 to Agreement of Limited Partnership of @Ventures III, L.P., dated August 7, 1998 is incorporated herein by reference to Exhibit 10.48 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1999 (File No. 000-23262).
10.66*†	Amendment No. 5 to Agreement of Limited Partnership of @Ventures III, L.P., dated June 7, 2002.
10.67*	Agreement of Limited Partnership of @Ventures Foreign Fund III, L.P., dated December 22, 1998 is incorporated herein by reference to Exhibit 10.49 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1999 (File No. 000-23262).
10.68*	Amendment No. 1 to Agreement of Limited Partnership of @Ventures Foreign Fund III, L.P., dated December 22, 1998 is incorporated herein by reference to Exhibit 10.50 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1999 (File No. 000-23262).

10.69*†	Amendment No. 2 to Agreement of Limited Partnership of @Ventures Foreign Fund III, L.P., dated June 7, 2002.
10.70	Amended and Restated CMGI @ Ventures IV, LLC Limited Liability Company Agreement, dated as of July 27, 2001 is incorporated herein by reference to Exhibit 10.69 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2001 (File No. 000-23262).
10.71	Amendment No. 8 to Lease, dated as of November 6, 2001 between Andover Mills Realty Limited Partnership and the Registrant for premises located at 100 Brickstone Square, Andover, Massachusetts.
10.72*	Limited Liability Company Agreement of @Ventures Partners III, LLC, dated as of June 30, 1999.
10.73*	First Amendment to Limited Liability Company Agreement of @Ventures Partners III, LLC, dated as of October 15, 2000.
10.74*	Limited Liability Company Agreement of @Ventures Investors, LLC, dated as of July 31, 1999.
10.75*	Limited Liability Company Agreement of @Ventures Management, LLC, dated as of May 27, 1998.
10.76*	Management Contract, dated as of August 7, 1998, by and between @Ventures Management, LLC and @Ventures III, L.P.
10.77*	Management Contract, dated as of December 22, 1998, by and between @Ventures Management, LLC and @Ventures Foreign Fund III, L.P.
10.78*	Management Contract, dated as of September 4, 1998, by and between @Ventures Management, LLC and CMG @Ventures III, LLC.
10.79*†	Amendment to Management Contract, dated as of June 7, 2002, by and between @Ventures Management, LLC and @Ventures III, L.P.
10.80*†	Amendment to Management Contract, dated as of June 7, 2002, by and between @Ventures Management, LLC and @Ventures Foreign Fund III, L.P.
21	Subsidiaries of the Registrant.
23	Consent of Independent Auditors.

* Management contract or compensatory plan or arrangement filed in response to Item 15(a)(3) of the instructions to Form 10-K.
† Confidential treatment requested with respect to certain portions.

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENT SCHEDULE

The Board of Directors and Stockholders
CMGI, Inc.:

Under the date of October 28, 2002 we reported on the consolidated balance sheets of CMGI, Inc. and subsidiaries as of July 31, 2002 and 2001, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended July 31, 2002, which are included in the Form 10-K for the year ended July 31, 2002. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule of Valuation and Qualifying Accounts in the Form 10-K. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

Boston, Massachusetts
October 29, 2002

CMGI, INC.

SCHEDULE II
Valuation and Qualifying Accounts
For the years ended July 31, 2002, 2001 and 2000

Accounts Receivable, Allowance for Doubtful Accounts	Balance at beginning of period	Additions: Acquisitions	Additions: Additions Charged to Costs and Expenses (Bad Debt Expense)	Deductions: Deductions (Charged against Accounts Receivable)	Deductions: (a) Deconsolidation/ Dispositions	Balance at end of period
2002	$ 29,316,000	$ 1,244,000	$ 13,059,000	$ 27,706,000	$ 66,000	$ 15,847,000
2001	$ 33,398,000	$ 1,786,000	$ 48,515,000	$ 53,920,000	$ 463,000	$ 29,316,000
2000	$ 2,778,000	$ 12,010,000	$ 31,155,000	$ 12,380,000	$ 165,000	$ 33,398,000

(a) Amount of $463,000 in fiscal 2001 relates to the effect of the deconsolidation of Signatures SNI, Inc. in February 2001. Amount of $165,000 in fiscal 2000 relates to the effect of the deconsolidation of Blaxxun, Inc. on March 31, 2000.

EXHIBIT 10.20

FIRST AMENDMENT TO OFFER LETTER

THIS FIRST AMENDMENT ("First Amendment") to the Offer Letter dated November 15, 2001 by and between AltaVista Company, a Delaware corporation (the "Company"), and James Barnett is entered into as of this 24th day of June, 2002 (the "Original Offer Letter").

WHEREAS, the parties hereto wish to amend the Original Offer Letter to provide Mr. Barnett with a special incentive to maximize the value of the Company;

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged and agreed, the parties hereto agree as follows:

1. The Original Offer Letter is hereby amended by adding the following new provisions.

"In the event the Company experiences a Change of Control, you will have the right (subject to the conditions set forth below) to receive a cash payment equal to 2% of the total proceeds (subject to the terms and conditions set forth below) received by the Company or its stockholders. Proceeds placed in escrow for indemnification or other such purposes will be valued when released from escrow and you will be entitled to receive a cash payment equal to 2% of the amount released from escrow, subject to the vesting and other terms and conditions described below) (the "Barnett Special Bonus"). The value of any securities traded on a nationally recognized stock exchange which are received by the Company or its stockholders as part of a Change of Control transaction will be determined at the time the securities are received by the Company or its stockholders. The Barnett Special Bonus shall be due and payable at the closing of the transaction giving rise to the Change of Control, except for any portion of the Barnett Special Bonus from proceeds placed in escrow, which shall be due and payable concurrently with the release of such proceeds. Contingent proceeds, commonly referred to as an "earn out", will not be deemed to be part of the Barnett Special Bonus and you will not be entitled to receive a percentage of any such amounts, unless you are employed by the Company or its successor at the time such contingent proceeds are earned (the "Earn Out Date"). This right to receive the Barnett Special Bonus shall vest as follows: beginning on your original hire date of September 1, 2001, 1/36 of the Barnett Special Bonus shall vest for each month of service until fully vested on September 1, 2004. Notwithstanding the immediately prior sentence, the vesting of this right shall automatically accelerate in full if you are employed by the Company at the time of any Change of Control or if, during the 180 days preceding any Change of Control, your employment should be terminated for any reason other than for Cause, or if you should terminate your employment for Good Reason. This right to receive the Barnett Special Bonus shall terminate on the fifth anniversary of the date you were originally hired as an employee by the Company (the "Special Bonus Expiration Date"). Your vested portion, if any, of the Barnett Special Bonus shall continue to be outstanding until the Special Bonus Expiration Date if, prior to a Change of Control (x) your employment is terminated for any reason other than for Cause or (y) you should terminate your employment for any reason including Good Reason. The Barnett Special Bonus shall be based on the gross amount of proceeds received by the Company or its stockholders, net of amounts owed to investment bankers and attorneys in connection with the Change of Control transaction. You shall not be permitted to assign the Barnett Special Bonus, except that you may assign the Barnett Special Bonus to a revocable trust of which you are the grantor, and you may make a testamentary disposition of the Barnett Special Bonus to your spouse. Notwithstanding any of the foregoing, the Barnett Special Bonus shall automatically terminate if you are terminated for Cause."

2. The Company agrees to use its best efforts to ensure that the rights granted under the Original Offer Letter and this First Amendment to Offer Letter are effective and that you enjoy the benefits thereof and hereof to the extent that you are entitled to them. The Company will not, by any voluntary action, avoid or seek to avoid the observance or performance of any of the terms required to be performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all of the provisions of the Original Offer Letter and this First Amendment to Offer Letter and in the taking of all such actions as may be necessary, appropriate or reasonably requested in order to protect your rights thereunder and hereunder against impairment.

3. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Original Offer Letter.

4. Except as expressly modified by this First Amendment, the Original Offer Letter shall remain in full force and effect. This First Amendment and the Original Offer Letter (and those documents and agreements referenced herein and therein) constitute the entire agreement relating to the subject matter hereof.

IN WITNESS WHEREOF, the parties have executed this First Amendment as of the date first written above.

ALTAVISTA COMPANY

/s/ David S. Wetherell
- ----------------------
Name: David S. Wetherell
Title: Chairman of the Board

/s/ James Barnett
- ------------------
James Barnett

EXHIBIT 10.27

EXECUTIVE RETENTION AGREEMENT

THIS EXECUTIVE RETENTION AGREEMENT ("Agreement") by and between CMGI, Inc., a Delaware corporation (the "Company") headquartered 100 Brickstone Square, Andover, Massachusetts and Peter L. Gray (the "Executive"), is made as of August 28, 2002.

WHEREAS, the Board of Directors of the Company (the "Board") has determined that Executive plays a critical role in the operations of the Company; and

WHEREAS, the Board has determined that appropriate steps should be taken to reinforce and encourage the continued employment and dedication of the Executive.

NOW, THEREFORE, as an inducement for and in consideration of the Executive remaining in its employ, the Company agrees that the Executive shall receive the severance benefits set forth in this Agreement in the event the Executive's employment with the Company is terminated under the circumstances described below.

1. Not an Employment Contract. The Executive acknowledges that this Agreement does not constitute a contract of employment or impose on the Company any obligation to retain the Executive as an employee and that this Agreement does not prevent the Executive from terminating his employment. Executive understands and acknowledges that he is an employee at will and that either he or the Company may terminate the employment relationship between them at any time and for any reason.

2. Severance Pay.

(a) Severance Pay Following a Change in Control. In the event a Change in Control (as defined below) occurs and, within one (1) year thereafter, the employment of the Executive is terminated by the Company for a reason other than for Cause (as defined below) or by the Executive for Good Reason (as defined below), then the Company shall pay to the Executive (as severance pay) a lump sum payment equal to his then current base salary multiplied by two (2), within 30 days after the Termination Date (as defined below). The Company shall also pay to the Executive as severance pay (as soon as practicable after determination of the level of payouts under the Company's bonus plan for the fiscal year in which the Termination Date occurs) an amount equal to the Bonus (as defined below) multiplied by a fraction, the numerator of which shall be the number of complete months that the Executive was employed by the Company during the fiscal year in which the Termination Date occurs and the denominator of which shall be twelve (12). Additionally, on the Executive's last day of employment, the vesting of each of the stock options to purchase shares of common stock of the Company set forth on Exhibit A hereto shall be accelerated in full, such that the Executive shall be entitled to exercise such stock options (in accordance with the exercise terms and conditions set forth in the option agreement and/or plan pursuant to which such stock options were granted) to the same extent as he would have been entitled had he been continuously employed by the Company until the end of the vesting period related to each such stock option. The Executive agrees that after the Termination Date, but prior to payment of the severance pay, bonus and acceleration of stock options called for by this paragraph, he shall execute a release, based on the Company's standard form severance agreement, of any and all claims he may have against the Company and its officers, employees, directors, parents and affiliates.

Executive understands and agrees that the payment of the severance pay, bonus and the acceleration of options called for by this paragraph are contingent on his execution of the previously described release of claims. In the event of any termination of employment giving rise to a severance payment pursuant to this Section 2(a), with respect to the options set forth on Exhibit A, the Executive shall have the right to exercise any vested options within a 12-month time period following such termination of employment, unless the options terminate sooner by the terms of the underlying option agreement.

(b) Severance Pay Absent a Change in Control. In the event the employment of the Executive is terminated by the Company for a reason other than for Cause (as defined below), then the Company shall continue to pay to the Executive (as severance pay), his regular bi-weekly base salary as in effect on the Executive's last day of employment (exclusive of bonus or any other compensation), for one (1) year following the Termination Date (as defined below). If in connection with such termination, the Executive receives WARN notice which entitles him to 60 days of salary continuance and benefits ("WARN Benefits") and the Company does not require the Executive to work during such 60 day time period, in addition to the WARN Benefits the Executive will be entitled to ten (10 months) of severance pay at his then-current base salary (which shall be a total of 1 year of base salary in total). The Company shall also pay to the Executive as severance pay (as soon as practicable after determination of the level of payouts under the Company's bonus plan for the fiscal year in which the Termination Date occurs) an amount equal to the Bonus (as defined below) multiplied by a fraction, the numerator of which shall be the number of complete months that the Executive was employed by the Company during the fiscal year in which the Termination Date occurs and the denominator of which shall be twelve (12). Unless the parties agree otherwise, the severance pay provided for in the first sentence of this Section 2(b) shall be paid in installments, in accordance with the Company's regular payroll practices. The Executive agrees that after the Termination Date, but prior to payment of the severance pay and bonus called for by this paragraph, he shall execute a release, based on the Company's standard form severance agreement, of any and all claims he may have against the Company and its officers, employees, directors, parents and affiliates. Executive understands and agrees that the payment of the severance pay and bonus called for by this paragraph are contingent on his execution of the previously described release of claims. In the event of any termination of employment giving rise to a severance payment pursuant to this Section 2(b), with respect to the options set forth on Exhibit A, the Executive shall have the right to exercise any vested options within a 12-month time period following such termination of employment, unless the options terminate sooner by the terms of the underlying option agreement.

(c) Sole Remedy. The payment to the Executive of the amounts payable under this Section 2 (and applicable acceleration of options) shall constitute the sole remedy of the Executive in the event of a termination of the Executive's employment by the Company or a resignation by the Executive that results in payment of benefits under this Section 2.

3. Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

(a) "Bonus" shall mean the amount that the Executive would have been entitled to receive under the Company's bonus plan in effect for the fiscal year in which the Termination Date occurred, if the Termination Date had not occurred and the Executive had been employed for the entire fiscal year, determined in accordance with the terms of such bonus plan.

(b) "Cause" shall mean a good faith finding by the Board of Directors of the Company after giving the Executive an opportunity to be heard, of: (i) gross negligence or willful misconduct by

Executive in connection with his employment duties, (ii) failure by Executive to perform his duties or responsibilities required pursuant to his employment, after written notice and an opportunity to cure, (iii) mis-appropriation by Executive for his personal use of the assets or business opportunities of the Company, or its affiliates, (iv) embezzlement or other financial fraud committed by Executive, (v) the Executive knowingly allowing any third party to commit any of the acts described in any of the preceding clauses (iii) or (iv), or (vi) the Executive's indictment for, conviction of, or entry of a plea of no contest with respect to, any felony.

(c) "Good Reason" shall mean: (i) the unilateral relocation by the Company of the Executive's principal work place for the Company to a site more than 60 miles from Andover, Massachusetts; (ii) a reduction in the Executive's then current base salary, without the Executive's consent; or (iii) the Executive's assignment to a position where the duties of the position are outside his area of professional competence.

(d) "Change in Control" shall mean the consummation of any of the following events during the Employment Period: (i) a sale, lease or disposition of all or substantially all of the assets of the Company, or (ii) a sale, merger, consolidation, reorganization, recapitalization, sale of assets, stock purchase, contribution or other similar transaction (in a single transaction or a series of related transactions) of the Company with or into any other corporation or corporations or other entity, or any other corporate reorganization, where the stockholders of the Company immediately prior to such event do not retain (in substantially the same percentages) beneficial ownership, directly or indirectly, of more than fifty percent (50%) of the voting power of and interest in the successor entity or the entity that controls the successor entity, provided, however, that no Change in Control shall be deemed to have occurred due to the conversion or payment of any equity or debt instrument of the Company which is outstanding on the date hereof.

(e) "Termination Date" shall mean the Executive's last day on the payroll of the Company.

4. Miscellaneous.

(a) Notices. Any notices delivered under this Agreement shall be deemed duly delivered four business days after it is sent by registered or certified mail, return receipt requested, postage prepaid, or one business day after it is sent for next-business day delivery via a reputable nationwide overnight courier service, in each case to the address of the recipient set forth in the introductory paragraph hereto. Either party may change the address to which notices are to be delivered by giving notice of such change to the other party. All notices to the Company shall also be addressed to the Company's General Counsel, or if the Executive holds the position of General Counsel as of the Termination Date, the Company's Chief Financial Officer.

(b) Pronouns. Whenever the context may require, any pronouns used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular forms of nouns and pronouns shall include the plural, and vice versa.

(c) Entire Agreement. This Agreement constitutes the entire agreement between the parties and supersedes all prior agreements and understandings, whether written or oral, relating to the subject matter of this Agreement.

(d) Amendment. This Agreement may be amended or modified only by a written instrument executed by both the Company and the Executive.

(e) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts. Any action, suit or other legal arising under or relating to any provision of this Agreement shall be commenced only in a court of the Commonwealth of Massachusetts (or, if appropriate, a federal court located within Massachusetts), and the Company and the Executive each consents to the jurisdiction of such a court. The Company and the Executive each hereby irrevocably waive any right to a trial by jury in any action, suit or other legal proceeding arising under or relating to any provision of this Agreement.

(f) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of both parties and their respective successors and assigns, including any corporation with which or into which the Company may be merged or which may succeed to its assets or business, provided, however, that the obligations of the Executive are personal and shall not be assigned by him or her.

(g) Waivers. No delay or omission by the Company in exercising any right under this Agreement shall operate as a waiver of that or any other right. A waiver or consent given by the Company on any one occasion shall be effective only in that instance and shall not be construed as a bar or waiver of any right on any other occasion.

(h) Captions. The captions of the sections of this Agreement are for convenience of reference only and in no way define, limit or affect the scope or substance of any section of this Agreement.

(i) Severability. In case any provision of this Agreement shall be invalid, illegal or otherwise unenforceable, the validity, legality and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

THE EXECUTIVE ACKNOWLEDGES THAT HE HAS CAREFULLY READ THIS AGREEMENT AND UNDERSTANDS AND AGREES TO ALL OF THE PROVISIONS IN THIS AGREEMENT.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year set forth above.

CMGI, Inc.

By: /s/ Jeffrey Yanagi

Title: EVP HR

/s/ Peter L. Gray

Peter Gray

EXHIBIT A

Options to purchase CMGI Common Stock granted on:

March 4, 2002

EXHIBIT 10.43

FIRST AMENDMENT TO LEASE

THIS FIRST AMENDMENT TO LEASE (this "Amendment") is made this 24th day of May, 2002 by and between ARASTRADERO PROPERTY, a California general partnership ("Landlord") and ALTAVISTA COMPANY, a Delaware corporation ("Tenant").

R E C I T A L S

A. Tenant currently leases from Landlord approximately seventy-five thousand four hundred twenty (75,420) square feet of space located at 1070 Arastradero Road, Palo Alto, California (the "Current Premises") pursuant to that certain Lease dated September 17, 1999 (the "Lease"). The Current Premises are shown on Exhibit A attached hereto.

B. The Lease currently provides for a termination date of December 15, 2009. Tenant desires to reduce the term of the Lease. Tenant also desires to reduce the size of the Premises by subtracting (i) that certain space consisting of approximately twenty thousand four hundred twenty (20,420) rentable square feet (the "Third Floor Reduction Space") and those portions of the second and third floors consisting of the main lobbies, mechanical rooms, common halls, stairways and other Common Areas, all as shown on Exhibit A (which shall become part of the Common Area) (collectively, the "Common Area Space"), and (ii) if Landlord enters into a lease with Ingenuity Systems, Inc., a Delaware corporation ("Ingenuity") for space on the second floor, that certain space consisting of approximately eight thousand forty-nine (8,049) rentable square feet (the "Second Floor Reduction Space") and the additional restroom core on the second floor as shown on Exhibit B attached hereto which restroom core shall become part of the Common Area (collectively, the "Additional Common Area Space"). The Third Floor Reduction Space and the Common Area Space and, subject to the condition specified in the preceding sentence, the Second Floor Reduction Space and the Additional Common Area Space are together referred to herein as the "Reduction Space".

C. Landlord is willing to reduce the term of the Lease and reduce the size of the Premises on the terms and conditions specified herein.

NOW, THEREFORE, in consideration of the above recitals and the mutual covenants and agreements contained herein, the parties hereto agree to amend the Lease as follows:

1. Term. The term of the Lease shall expire on August 31, 2005.

2. Premises. Commencing on June 1, 2002, the Third Floor Reduction Space and the Common Area Space shall be subtracted from the Current Premises and thereafter, the Premises shall include only the space on the first and second floors (excluding the Common Area Space), consisting of approximately fifty-five thousand (55,000) rentable square feet, as shown on Exhibit B. If, on or before June 30, 2002, Landlord enters into a lease with Ingenuity for the Second Floor Reduction Space, the Premises shall be further reduced by subtracting the Second Floor Reduction Space and the Additional Common Area Space as of the later of (i) June 1, 2002 or (ii) the date of execution of the lease with Ingenuity, and thereafter the Premises shall include only the first floor and the remaining space on the second floor together consisting of approximately forty-six thousand nine hundred fifty-one (46,951) rentable square feet as shown on Exhibit B. The parties hereby stipulate as to the rentable square footage of the Modified Premises as stated above, and agree that the Modified Premises shall not be subject to remeasurement by either party. The Premises as modified above is referred to herein as the "Modified Premises".

3. Basic Rent. The amount of basic rent payable by Tenant pursuant to paragraphs 4(a) and 5 of the Lease shall be modified as follows:

(a) If the Modified Premises consists of 55,000 square feet, then:

Commencing on June 1, 2002 through August 31, 2002	$110,000 per month

If Tenant has not filed bankruptcy and no involuntary bankruptcy proceeding has been commenced against Tenant on or before ninety (90) days after the payment of the Modification Fee, then:

Commencing on September 1, 2002 through August 31, 2003	$ 110,000 per month
September 1, 2003 through August 31, 2004	$ 113,850 per month
September 1, 2004 through August 31, 2005	$ 117,835 per month

(b) If the Modified Premises consists of 46,951 square feet, then:

Commencing on June 1, 2002 through August 31, 2002	$ 93,902 per month

If Tenant has not filed bankruptcy and no involuntary bankruptcy proceeding has been commenced against Tenant on or before ninety (90) days after payment of the Modification Fee, then:

Commencing on September 1, 2002 through August 31, 2003	$ 93,902 per month
September 1, 2003 through August 31, 2004	$ 97,189 per month
September 1, 2004 through August 31, 2005	$ 100,590 per month

(c) In either case under (a) or (b) above, if Tenant has filed bankruptcy or an involuntary bankruptcy proceeding has been commenced against Tenant on or before ninety (90) days after payment of the Modification Fee, then the basic rent shall continue to be due and payable as set forth in the lease without modification, as follows:

September 1, 2002 through December 15, 2002	$ 276,307.92 per month
December 16, 2002 through December 15, 2003	$ 285,978.70 per month
December 16, 2003 through December 15, 2004	$ 306,347.53 per month
December 16, 2004 through	

the Modified Lease Expiration Date	$ 317,069.69 per month

4. Surrender of Reduction Space. On or before May 31, 2002, Tenant will vacate and surrender the Third Floor Reduction Space and the Common Area Space and if Landlord enters into a lease with Ingenuity, upon five (5) days advance written notice from Landlord, Tenant shall also vacate and surrender the Second Floor Reduction Space and the Additional Common Area Space, in accordance with the terms of paragraph 23 of the Lease. Tenant shall indemnify Landlord for any loss or expense resulting from Tenant's failure to so surrender the Reduction Space, including any claims made by any succeeding tenants. If Tenant fails to surrender the applicable Reduction Space on or before the applicable dates, Tenant shall be deemed a holdover tenant without Landlord's consent with respect to the unsurrendered Reduction Space and the provisions of paragraph 25 of the Lease regarding holding over shall apply on a pro rata basis.

5. Common Area Charges. Commencing on June 1, 2002, Paragraph 16 shall be amended to provide that Tenant's percentage share of common area charges shall be adjusted based on the reduced square footage of the Modified Premises as follows: (i) seventy-two and nine-tenths percent (72.9%) if the square footage of the Modified Premises is reduced to 55,000 square feet, and (ii) sixty-two and two-tenth percent (62.2%) if the square footage of the Modified Premises is reduced to 46,951 square feet. Commencing as of June 1, 2002, Tenant's estimated monthly payment of its percentage share of common area charges shall be (i) $44,905.24 per month if the square footage of the Modified Premises is reduced to 55,000 square feet, and (ii) $38,333.56 per month if the square footage of the Modified Premises is reduced to 46,951 square feet, subject to adjustment in accordance with Paragraph 16 of the Lease.

6. Premises Taken "As Is". Tenant accepts the Modified Premises "as is" in their current condition and Landlord shall have no obligation to alter, modify or improve the Modified Premises in any way, except that Landlord shall, at Tenant's sole cost and as reasonably pre-approved by Tenant, finish out the demising wall between the Reduction Space and the Modified Premises as shown on Exhibit C attached hereto.

7. Repair and Maintenance. From and after June 1, 2002, paragraph 9 of the Lease is hereby amended and restated in its entirety as follows:

"Tenant has inspected the Premises and accepts the Premises in its current condition and acknowledges that the Premises are in good and sanitary order, condition and repair. Except as expressly provided below, Tenant shall at its sole cost keep and maintain the entire Premises and every part thereof including, without limitation, the windows, window frames, plate glass, glazing, elevators within the Premises, truck doors, doors and all door hardware, the interior walls and partitions, lighting and the electrical, mechanical, and plumbing systems.

Subject to the provisions of paragraph 17, Landlord shall keep and maintain the roof, structural elements, exterior walls of the building constituting the Project, the heating and air conditioning systems, the building access/security system, the fire-life safety system and the Common Area (including, without limitation, the parking areas, landscaping and all amenities located outside the building and the Common Areas in the building) in good order and repair.

Tenant waives all rights under and benefits of California Civil Code Sections 1932(1), 1941, and 1942 and under any similar law, statute or ordinance now or hereafter in effect. The cost of the repairs and maintenance which are the obligation of Landlord hereunder, including without limitation, maintenance contracts and supplies, materials, equipment and tools used in such repairs and maintenance shall be a common area charge and Tenant shall pay its percentage share of such costs to Landlord as provided in paragraph 16; provided, however, that if any repairs or maintenance is required because of the negligence or willful misconduct of Tenant, or its agents, employees or invitees, Tenant shall pay to Landlord upon demand the full cost of such repairs or maintenance. Notwithstanding the above, the cost of roof replacement and structural repairs to the building shall be amortized over its useful life (including interest at a rate of two percent (2%) over the then current Prime Rate as published by the Wall Street Journal) and the amortized cost shall be included within common area charges and Tenant shall pay its proportionate share thereof as provided in paragraph 16 of this lease."

8. Utilities and Services. From and after June 1, 2002, Paragraph 12 of the Lease is hereby amended and restated in its entirety as follows:

"Landlord shall furnish to the Premises and to the Project, the following utilities and services: (i) water, gas and electricity reasonably suitable for the intended use of the Premises and the Project, twenty-four (24) hours every day of the week, (ii) heat and air conditioning reasonably suitable for the comfortable use and occupation of the Premises and the Project during business hours, and (iii) refuse collection and janitorial services. Tenant agrees that at all times it will cooperate fully with Landlord and abide by all reasonable regulations and requirements that Landlord may prescribe for the proper functioning and protection of the heating, ventilating and air conditioning systems. Landlord shall cooperate with Tenant to provide heating, ventilating and air conditioning to all or any portion of the Premises outside of Business Hours if requested by Tenant, and Tenant shall reimburse Landlord for its actual costs in so providing such service as reasonably estimated by Landlord. Business Hours shall mean: Monday through Friday, excluding generally observed national holidays, from 7:00 a.m. to 7:00 p.m. Tenant shall arrange for and pay for all telephone, and all other services supplied to or consumed on the Premises and not provided by Landlord. In the event that any service is not separately metered or billed to the Premises, the cost of such utility service or other service shall be a common area charge and Tenant shall pay its percentage share of such cost to Landlord as provided in paragraph 16. In addition, the cost of all utilities and services furnished by Landlord to the Premises and to the Project shall be a common area charge and Tenant shall pay its percentage share of such costs to Landlord as provided in paragraph 16, except as such costs may be specifically allocated otherwise herein. Tenant shall pay directly to Landlord (and such amount shall not be included as a common area charge) for any water, gas, electricity or HVAC usage that is separately metered to the Premises or any part thereof.

If Tenant's use of any such utility or service is materially in excess of the average furnished to the other tenants of the Project, and such utility or service is not separately metered, then Tenant shall pay to Landlord upon demand, as additional rent, the full cost of such excess use, as reasonably determined by Landlord, or Landlord may cause such utility or service to be separately metered, in which case Tenant shall pay the full cost of such utility or service and reimburse Landlord upon demand for the cost of installing the separate meter.

Notwithstanding any provision to the contrary, (i) the Palo Alto utility bill will be transferred into Landlord's name on June 1, 2002; (ii) the existing separate electric meter for the third floor will be segregated into a separate electricity bill [this meter will track the electricity consumption on the third floor (excluding the air conditioning unit) and none of this bill will be charged to Tenant]; (iii) Landlord will cause to be installed, at Landlord's expense, a private meter measuring the kilowatt-hours used by the air conditioning unit serving the third floor; (iv) Landlord will cause to be installed, at Landlord's expense, a private meter measuring the kilowatt-hours used for the outside lights; (v) the cost of electricity used by the third floor air conditioning unit (to be charged to the third floor tenants) and the outside lights (to be charged as a common area charge on a percentage basis) will be deducted from the main electricity bill and the remaining balance after such deductions will be allocated to Tenant; (vi) if Ingenuity enters into a lease with Landlord for a portion of the second floor, a monthly amount for electrical usage shall be established based on a standard usage of electricity for office space of $.15/sf/mo of rentable area, based on Business Hours of 7:00 a.m. to 7:00 p.m., plus an after hours charge of $25/hr. and such amount shall be charged to Ingenuity with a corresponding deduction from the main electricity bill for which Tenant is responsible in clause (v) above. Landlord may revise the estimated utility charges from time to time, as reasonably required to fully cover such costs in advance.

Landlord shall not be liable for, and Tenant shall not be entitled to any abatement or reduction of rent by reason of, the failure of any person or entity to furnish any of the foregoing services when such failure is caused by accident, breakage, repairs, strikes, lockouts or other labor disturbances or labor disputes of any character, governmental moratoriums, regulations or other governmental actions, or by any other cause, similar or dissimilar, beyond the reasonable control of Landlord. In addition, Tenant shall not be relieved from the performance of any covenant or agreement in this lease because of any such failure, and no eviction of Tenant shall result from such failure.

Notwithstanding anything to the contrary in this lease, if: (a) any services or utilities are interrupted or discontinued due to Landlord's negligence or willful misconduct and the Premises are untenantable as a result of such interruption or discontinuance, and (b) Tenant shall have given written notice respecting such interruption or discontinuance to Landlord, and Landlord shall have failed to cure such interruption or discontinuance within three (3) business days after receiving such notice, then Tenant shall be entitled to an equitable abatement of rent to the extent that Tenant's use of the Premises is thereafter prevented by such interruption or discontinuance."

9. Common Area; Parking. Paragraph 15 of the Lease is hereby amended to add the Common Area Space (and the Additional Common Area Space if the square footage is reduced to 46,951 square feet) as Common Area under the Lease.

From and after June 1, 2002, the first sentence of the third subparagraph of paragraph 15 of the Lease is hereby amended to read as follows:

"Tenant shall have the non exclusive use of (i) one hundred seventy-nine (179) parking spaces in the common area of the Project if the Modified Premises consist of 55,000 square feet, and (ii) one hundred fifty-three (153) parking spaces in the common area of the Project if the Modified Premises consist of 46,951 square feet, as designated by Landlord from time to time; provided that Landlord and Landlord's agents, contractors and employees shall have the right to use such parking areas as reasonably necessary to fulfill Landlord's obligations under this lease."

10. Common Area Charges. A new subparagraph is added to the end of paragraph 16 as follows:

"If the occupancy of the Project, during any part of any calendar year is less than one hundred percent (100%), Landlord may make an appropriate adjustment of the variable components of common area charges for that year, as reasonably determined by Landlord using sound accounting and management principles, to determine the amount of common area charges that would have been incurred had the Project been one hundred percent (100%) occupied. This amount shall be considered to have been the amount of common area charges for that calendar year. For purposes of this subparagraph, "variable components" include only those component expenses that are affected by variations in occupancy levels."

11. Security Deposit. Commencing on June 1, 2002 the amount of the Letter of Credit required under paragraph 4(e) of the Lease shall be reduced to: (i) Eight Hundred Ninety-Three Thousand Two Hundred Seventy-Nine and 16/100 Dollars ($893,279.16) if the Modified Premises consist of 55,000 square feet, and (ii) Seven Hundred Sixty-Two Thousand Five Hundred Fifty-One and 82/100 Dollars ($762,551.82) if the Modified Premises consist of 46,951 square feet.

12. Lease Modification Fee. Tenant acknowledges and agrees that Landlord's entering into this Amendment, reducing the lease term, reducing the size of the Premises and terminating future rent obligations for the period after the Modified Lease Termination Date shall result in a significant financial benefit to Tenant in excess of the consideration specified below. As consideration therefor, Tenant shall:

(a) Concurrent with Tenant's execution of this Amendment:

(1) Pay to Landlord the sum of Six Million Dollars ($6,000,000) (consisting of the $4,000,000 cash security deposit currently held by Landlord and an additional $2,000,000 in immediately available funds);

(2) Transfer to Landlord 275,412 shares of CMGI stock (subject to existing restrictions) at no cost or charge to Landlord;

(3) Issue and deliver a common stock purchase warrant for 1,000,000 shares of stock in AltaVista Company in substantially the form attached hereto as Exhibit D;

(4) Transfer title to and ownership of any and all furniture, fixtures and data cabling in the Current Premises (i.e., the entire building) as listed on Exhibit E attached hereto to Landlord free of all liens by Bill of Sale in substantially the form attached hereto as Exhibit F;

(b) Pay to Landlord within five (5) days after Landlord's request (i) the costs incurred by Landlord to demise the space leased to Ingenuity on the second floor (excluding specific tenant improvements for Ingenuity within the Ingenuity leased space) and (ii) brokers' commissions/fees payable in connection with the Ingenuity lease.

13. Cancellation of Option to Extend Term. Tenant's option to extend the term of the Lease pursuant to paragraph 57 of the Lease is hereby cancelled and deleted in its entirety and of no further force or effect. Tenant has no right to extend the term of the Lease.

14. Brokers' Commissions. Each party represents and warrants to the other party that it has not had dealings in any manner with any real estate broker, finder or other person with respect to the Premises and the negotiation and execution of this Amendment except CRF Partners and CB Richard Ellis ("Tenant's Brokers") and McCandless Management Corporation ("Landlord's Broker"). Except for the commissions and fees to be paid to Tenant's Broker by Tenant pursuant to separate agreement, each party shall indemnify and hold harmless the other party from all damage, loss, liability and expense (including attorneys' fees and related costs) arising out of or resulting from any claims for commissions or fees that have been or may be asserted against the other party by any broker,

finder or other person representing or purporting to represent Tenant or Landlord, respectively, in connection with the Premises and the negotiation and execution of this Amendment. Tenant shall be responsible for and pay any and all broker commissions payable to Tenant's Broker. Landlord's Broker is not receiving a commission in connection with this transaction.

15. Use of Personal Property. Tenant shall have the right to use the personal property currently located in the Modified Premises and listed on Exhibit E attached ("Personal Property") and such Personal Property is deemed part of the Premises leased to Tenant hereunder. Tenant shall maintain the Personal Property in good condition and repair and Tenant's insurance obligations under paragraph 11 of the Lease shall apply to and over the Personal Property and Tenant's use thereof.

16. Building Systems. Commencing June 1, 2002, Landlord shall own, control and operate the existing building security system, provided that each Tenant will have the ability to control access to its Premises. Secured doors with alarm monitoring and controlled by access card readers and panic hardware alarms (as shown on Exhibit G) will be installed by Landlord (as part of demising the Premises), at Tenant's cost. Each Tenant will pay for their own access cards. Tenant shall deliver any surplus cards to Landlord. Commencing on June 1, 2002, Landlord will be responsible for the RFI fire monitoring contracts and maintenance of the fire monitoring system. All costs incurred by Landlord to maintain and operate the building systems, including without limitation, the security system, panic hardware alarm system and fire monitoring system shall be included in common area charges and Tenant shall pay its percentage share thereof.

17. Waiver of Prior Rent Payment Defaults. Landlord hereby waives any rights or remedies it may have against Tenant for the defaults in payment of rent and failure to restore security deposit that occurred prior to June 1, 2002.

18. Signage. The face of the existing monument sign is to be replaced giving 50% of the signage to other tenant(s) in the Project as determined by Landlord, in a configuration and method reasonably approved by Landlord. Tenant shall pay for the cost of the site and monument sign alterations related to its own signage. Other tenants in the Project will pay for the costs of their own signage. The lobby sign reading "AltaVista" shall be removed by Tenant and all damage to the wall shall be repaired and the wall shall be restored by Tenant, at Tenant's expense. Tenant may add a

new sign on the first level of the main lobby in a location and with a design approved by Landlord subject to paragraph 50 of the Lease. If Ingenuity occupies a portion of the second floor, Tenant shall not install its sign by Ingenuity's second floor entry door. Landlord may allow an additional sign for Ingenuity on the first level of the main lobby. Any site signage and window signage shall be altered to accommodate a new tenant(s) in the building. Landlord will have the right to install a leasing sign on the property for any available space. Tenant will not be allowed to install a sub-lease sign on the Project during any period that Landlord has space available for lease in the Project.

19. Food Service. Tenant shall continue to retain, at its expense, the existing or comparable quality food service operator to provide a menu similar to the currently existing operation. Such service shall include breakfast service (8:00 a.m. - 10:00 a.m.) and lunch service (11:00 a.m. - 2:00 p.m.) at a minimum. The food services shall be available to all other tenants in the building (including their employers, clients, guests and invitees) at the same prices charged to Tenant's employees and on a non-discriminatory basis.

20. Corporate Authority. If any party hereto is a corporation, (i) each individual executing this Amendment on behalf of the corporation represents and warrants that he/she is duly authorized to execute and deliver this Amendment on behalf of the corporation in accordance with a duly adopted resolution of the Board of Directors of said corporation and that this Amendment is binding upon said corporation in accordance with its terms, and (ii) upon Landlord's request, Tenant shall deliver to Landlord, within ten (10) days of the execution of this Amendment, a copy of the resolution of the Board of Directors of Tenant authorizing the execution of this Amendment and naming the officers that are authorized to execute this Amendment on behalf of Tenant, which copy shall be certified by Tenant's President or Secretary as correct and in full force and effect.

21. Counterparts. This Amendment may be executed in any number of counterparts and each of such counterparts shall, for all purposes, be deemed to be an original; and all such counterparts shall together constitute but one and the same amendment.

22. Acceptance of Facsimile Signatures. The parties agree that this Amendment, agreements ancillary to this Amendment, and related documents to be entered into in connection with this Amendment, will be considered signed when the signature of a party

is delivered by facsimile transmission. Such facsimile signature shall be treated in all respects as having the same effect as an original signature.

23. Restatement of Other Lease Terms. Except as specifically modified herein, all terms, covenants and conditions of the Lease shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto execute this Amendment as of the date first set forth above.

Landlord:

ARASTRADERO PROPERTY,
a California general
partnership

By: McCandless-Triad, a
California general
partnership, a General
Partner

By: /s/ Birk S. McCandless

Date: May 24, 2002
Birk S. McCandless,
as Trustee under the
Birk S. McCandless
and Mary McCandless
Inter Vivos Trust
Agreement dated
February 17, 1982,
a General Partner

Date: May 29, 2002

Tenant:

ALTAVISTA COMPANY,
a Delaware corporation

By: /s/ James J. Barnett

Name: James J. Barnett
Title: President

By: /s/ Thomas B. Rosedale

Name: Thomas B. Rosedale

Title: Assistant Secretary

Date: May 24, 2002

CERTAIN INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS. ASTERISKS DENOTE OMISSIONS.

EXHIBIT 10.63

EXECUTION COPY

CMG @VENTURES III, LLC

AMENDMENT TO LIMITED LIABILITY COMPANY AGREEMENT

THIS AMENDMENT, dated as of the 7th day of June, 2002, to the Limited Liability Company Agreement of CMG @Ventures III, LLC (the "Company"), dated as of August 7, 1998 (as amended to date, the "Agreement"), is among CMG@Ventures Capital Corp., a Delaware corporation (the "Capital Member"), and @Ventures Partners III, LLC, a Delaware limited liability company (the "Managing Member" and together with the Capital Member, the "Members"). Capitalized terms used herein, and not otherwise defined herein, shall have the respective meanings ascribed thereto in the Agreement.

WHEREAS, on the date hereof, the Managing Member, in its capacity as the general partner of each of the Funds, entered into an amendment to each of the Fund Agreements; and

WHEREAS, in connection with such amendments, the Capital Member and the Managing Member desire to modify certain provisions of the Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Members hereby agree as follows:

1. Amendment to Section 4.4. Section 4.4.2 of the Agreement is hereby amended to add, at the end thereof, the following sentence:

> "Notwithstanding anything to the contrary in this Agreement or the Management Contract, in no event shall the Management Fee be reduced in the event that either the Domestic Fund or the Foreign Fund (or both) is in the Continuity Mode (i.e., the contemplated 50% reduction of the Management Fee in such event is hereby waived)."

The corresponding provisions of the Management Contract between the Company and the Management Company are hereby deemed to be amended in the manner described herein, and the Management Company and the Company, and the Capital Member (by its signature below), hereby consent to such amendment.

2. Addition of Section 4.5. Article IV of the Agreement is hereby amended by inserting, at the end thereof, the following Section 4.5:

> "Section 4.5 LP Advisory Board. In connection with the amendments to the Fund Agreements made on or about June __, 2002, there has been established an "LP Advisory

Board" for the Domestic Fund and the Foreign Fund. As provided in such amendments, (i) the LP Advisory Board shall be invited to participate (in person at the principal place of business of the Funds, or by means of telephone conference call) once per month in the regularly scheduled weekly meeting of the general partner of the Funds (i.e., the Managing Member), at which meeting such general partner shall report on Fund activities, and (ii) a representative of the Company shall be entitled to attend and participate in all such meetings, but shall not be a member of the LP Advisory Board. Any such representative shall be designated, and may be removed (with or without cause, for any reason or no reason) or replaced, by the Capital Member."

3. Amendment to Section 8.1. Section 8.1 of the Agreement is hereby amended to read in its entirety as follows:

"Section 8.1 Events Causing Dissolution.

The Company shall dissolve and its affairs shall be wound upon the earliest to occur of the following:

8.1.1 the Consent of all of the Members;

8.1.2 the sale or other disposition by the Company of all or substantially all of its assets;

8.1.3 the entry of a decree of judicial dissolution under Section 18-802 of the Act; and

8.1.4 on [***], provided that the term of the Company may be extended beyond [***] at the request of the Managing Member, for up to three one-year terms, provided that any such extension shall be effective only if approved by the Capital Member."

4. In all other respects, the Agreement is hereby ratified and confirmed.

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the date first above written.

MANAGING MEMBER:	CAPITAL MEMBER:
@VENTURES PARTNERS III, LLC	CMG@VENTURES CAPITAL CORP.
By: /s/ Peter H. Mills	By: /s/ Thomas Oberdorf
Name: Peter H. Mills	Name: Thomas Oberdorf
Title: Managing Member	Title: Chief Financial Officer

The Management Company and the Company hereby consent to the amendment to the Management Contract contemplated by Section 1 of this Amendment, as of the date first written above.

@VENTURES MANAGEMENT, LLC

By: /s/ Peter H. Mills

Authorized Member

CMG @VENTURES III, LLC
By @Ventures Partners III, LLC,
Managing Member

By: /s/ Peter H. Mills

Authorized Managing Member

CERTAIN INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS. ASTERISKS DENOTE OMISSIONS.

EXHIBIT 10.66

EXECUTION COPY

AMENDMENT NO. 5 TO THE AGREEMENT OF LIMITED PARTNERSHIP OF @VENTURES III, L.P.

This Amendment, dated as of June 7, 2002 (this "Amendment"), to the Agreement of Limited Partnership dated as of August 7, 1998 (as amended by a certain Amendment No. 1 dated as of August 7, 1998, an Amendment dated as of October 1, 1999 (reflecting a transfer of a limited partnership interest), an Amendment dated as of December 31, 1999 (reflecting a transfer of a limited partnership interest), and an Amendment dated as of September 30, 2001 (reflecting a transfer of a limited partnership interest), the "Agreement") of @Ventures III, L.P., a Delaware limited partnership (the "Partnership"), is by and among @Ventures Partners III, LLC, the general partner of the Partnership (the "General Partner"), and the Limited Partners of the Partnership signing this Amendment below. Capitalized terms used herein but not otherwise defined herein shall have the respective meanings ascribed to them in the Agreement.

WHEREAS, the General Partner has represented that the Partnership made distributions to the Partners, in accordance with the Agreement, in respect of the Partnership's investments in MCA Health Pages, Inc. (which was acquired by Promedix Corp., which was in turn acquired by Ventro Corporation (formerly known as Chemdex Corporation)) and ONElist Inc. (which was merged into eGroups, Inc., which was subsequently acquired by Yahoo! Inc.), which distributions consisted of shares of capital stock of Ventro Corporation and Yahoo! Inc. (the "Distributed Securities"); and

WHEREAS, the undersigned Partners desire to amend the Agreement to (i) compensate the Limited Partners for certain excess distributions to the General Partner arising out of the distributions of the Distributed Securities and to modify certain of the General Partner's obligations to the Partnership which relate to the General Partner's receipt of a portion of the Distributed Securities, (ii) reflect that the General Partner and the Management Company have agreed to waive certain Incentive Distributions and Management Fees, respectively, with respect to the conduct of the business of the Partnership from and after February 1, 2002, (iii) establish an advisory board consisting of representatives selected by the Limited Partners and the limited partners of the Foreign Fund and (iv) modify certain other provisions of the Agreement, as more fully set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned Partners agree as follows:

1. Effective Date of Amendment. This Amendment shall become effective on the date on which (a) this Amendment has been signed and delivered by the General Partner and at least 80% in Interest of the Limited Partners, (b) the Management Contract

has been effectively amended in the form attached hereto as Exhibit 3 and (c) an LP Release (as defined in Section 5.2E of the Agreement (as amended by this Amendment)) has been signed and delivered by each of such Limited Partners and each of said Limited Partners has received its Pro Rata Share of the Settlement Amount (as each of such terms are defined below in said Section 5.2E of the Agreement, as amended by this Amendment) and of the Operating Receipts as provided in Section 5.10 of the Agreement (as amended by this Amendment) (such date, the "Amendment Effective Date").

2. Representation by General Partner. The General Partner hereby represents and warrants that (i) the audited annual financial statements of the Partnership for the Partnership's fiscal years ended December 31, 1999 and December 31, 2000, as audited by the Partnership's independent certified public accountants and heretofore furnished to the Limited Partners, are complete and correct in all material respects and fairly present the financial condition and results of operations of the Partnership, at the dates and for the periods indicated; (ii) the informational schedules entitled (A) "Summary - Incentive Distributions of @Ventures Partners III, LLC from @Ventures III, LP and from @Ventures Foreign Fund III, LP," (B) "[***] Calculation - @Ventures III, LP and @Ventures Foreign Fund III, LP, " (C) "Financial Impact by Fund," and (D) "Limited Partners and Capital Commitments," as prepared by the General Partner and attached hereto as Exhibit 2, are complete and correct and fairly present the distributions to the Partners with respect to the Distributable Securities, the calculation of the "carried interest" to the General Partner entity (including the Escrow Amounts), fund cash to be returned, the Limited Partners and the respective amounts of their original Capital Commitments, and the other amounts set forth therein; (iii) the amounts specified on the Partnership's unaudited balance sheet as of March 31, 2002, which is included in Exhibit 2, for "Cash and cash equivalents" and "Restricted cash" are correct in all material respects as of such date (and include amounts held in the Defaulting Partners' escrow account contemplated by Section 3.4C of the Agreement); and (iv) in the case of each of clauses (i), (ii) and (iii) above such information does not contain any untrue statements of material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading. Notwithstanding the foregoing, no claim for a breach of the representation and warranty in clause (i) above may be asserted based on the omission from the Partnership's financial statements of any reference to the failure to establish or fund the escrow account with respect to the Distributed Securities contemplated by Section 5.2F of the Agreement.

3. Amendment to Section 2.5. Section 2.5 of the Agreement is hereby amended to read in its entirety as follows:

> "2.5 Term.
>
> The Partnership shall continue in full force and effect until [***], unless extended or earlier terminated pursuant to Section 11.1."

4. Amendment to Section 3.1. The following paragraph is hereby added at the end of Section 3.1:

"Notwithstanding the foregoing, or any other provision of this Agreement, from and after the effective date (the "Amendment Effective Date") of Amendment No. 5 to the Agreement of Limited Partnership of the Partnership dated as of June 7, 2002 (the "Fifth Amendment"), the General Partner on behalf of the Partnership will not be authorized (a) to call for additional contributions from the Partners in respect of their unfunded Capital Commitments for any purpose, or (b) to use Operating Receipts or Investment Receipts for any purpose other than (I) payment of Partnership expenses, including without limitation, permitted debts, and establishment of reasonable reserves for such expenses and debts, but excluding Management Fees, except with respect to periods after [***] (if the term of the Partnership is extended pursuant to Section 11.1(1)(x)) and except to the extent provided in Section 11.1(1)(y)(II)), or (II) distributions to the Partners. Without limiting the foregoing, the General Partner will not call for additional Capital Contributions or use Operating Receipts or Investment Receipts, for the purpose of enabling the Partnership (i) to make any investments (whether Bridge Financings, new investments, Committed Investments or Follow-on Investments) or (ii) to pay Management Fees in respect of any period prior to [***] (except to the extent provided in Section 11.1(1)(y)(II)). If pursuant to Section 6.5C and 11.1(1)(y), the term of the Partnership is extended and a Management Fee is due, the Partners shall determine at that time the source of payment for such Management Fee in accordance with Section 11.1(1)(y). The Partnership is not hereby releasing any rights it may have against each of [***] and [***] (as defined in Section 3.4G) as a Defaulting Partner in respect of amounts which were required to be contributed by such Limited Partner to the Partnership in respect of periods prior to the Amendment Effective Date."

5. Amendment to Section 3.4. The following subsection G is hereby inserted at the end of Section 3.4:

"G. [***] Partners and [***] Partners, each a Limited Partner ("[***]" and "[***]," respectively), defaulted in their obligation to contribute the installment of their Capital Commitments to the Partnership which were due and payable on August 1, 2001 (the "Default Date"), which installments were in the aggregate amount of $170,000 (the "Default Amount"). Provided that [***] and [***], on or before the Amendment Effective Date, (I) execute and deliver the Fifth Amendment and the LP Release contemplated by Section 5.2E of this Agreement (as amended by the Fifth Amendment), (II) pay (in the manner described below) to the Partnership the Default Amount plus interest thereon from the Default Date through the Amendment Effective Date at a rate of interest equal to 4.0% per annum (noncompounded), the Partnership will restore [***] and [***] to the status of non-Defaulting Partners, and release to [***] and [***] all amounts held for them in the escrow accounts established for Defaulting Partners pursuant to

Section 3.4C (after deducting the amounts contemplated by the following sentence). On the Amendment Effective Date (and provided that [***] and [***] have delivered the items described in clause (I) above), the Partnership shall withdraw from the escrow accounts established for [***] and [***] pursuant to Section 3.4C of the Agreement, their respective shares of the Default Amount plus interest thereon (as described above), and such withdrawn amounts shall be distributed to the Limited Partners as contemplated by Section 5.2E (as amended by the Fifth Amendment). Following such withdrawal from such escrow accounts, [***] and [***] shall be deemed to have paid to the Partnership the amounts due pursuant to this Section 3.4G, and the Partnership shall be deemed to have released it rights described in the last sentence of Section 3.1 (as amended by this Fifth Amendment)."

6. Amendment to Section 5.2E. Section 5.2E of the Agreement is hereby amended by adding, at the end thereof, the following paragraph:

"Notwithstanding the foregoing, or any other provision of this Agreement (including without limitation, Section 5.3), in full satisfaction of the General Partner's liability under this Section 5.2E with respect to the distribution of Distributed Securities, the General Partner has contributed to the capital of the Partnership, in cash, $[***], which amount is held in the Escrow Account contemplated by Section 5.2F below, and which amount shall be distributed to the Limited Partners together with the Default Amount and interest thereon, if any, paid to the Partnership pursuant to Section 3.4G above (collectively, the "Settlement Amount"), in accordance with their Pro Rata Shares, at the times provided in the following sentence, provided that interest paid on the Default Amount pursuant to Section 3.4G shall be distributed to the Limited Partners other than [***] and [***]. Each Limited Partner shall be entitled to his, her or its Pro Rata Share of such Settlement Amount on (i) the Amendment Effective Date, if such Limited Partner has signed and returned to the Partnership a release in the form and on the terms attached hereto as Exhibit 1 the ("LP Release") on or prior to such date, (ii) at the General Partner's discretion, on such date within 60 days after the Amendment Effective Date as a Limited Partner signs and returns to the Partnership an LP Release, or (iii) with respect to a Limited Partner who declines to sign an LP Release, upon the liquidation of the Partnership following its termination, provided that distributions under this clause (iii) may be made to a Limited Partner at such earlier time after the Amendment Effective Date as the General Partner may determine to be prudent and in the best interests of the Partnership in connection with the settlement of pending or Imminent litigation brought by such Limited Partner. For purposes of this Agreement, "Pro Rata Share" shall mean, in the case of each Limited Partner, the Capital Contributions of such Limited Partner divided by the sum of the Capital Contributions of all Limited Partners, provided that in the case of calculations with respect to interest paid on the Default Amount, the denominator shall be the Capital Contributions of all Limited Partners other than [***] and [***]. In all other respects, this Section 5.2E shall remain in full force and effect."

7. Amendment to Section 5.2F. Section 5.2F of the Agreement is hereby amended by adding, at the end thereof, the following language:

> "Immediately prior to the Amendment Effective Date, the General Partner deposited $[***] in cash into the Escrow Account, and such amount shall be distributed at the times and in the manner described in Section 5.2E (as amended by the Fifth Amendment). Notwithstanding the foregoing or any other provision of the Agreement, from and after the Amendment Effective Date, the General Partner shall have no further obligations under this Section 5.2F with respect to the Distributed Securities. In all other respects, this Section 5.2F shall remain in full force and effect."

8. Amendment to Section 5.3. Section 5.3 of the Agreement is hereby amended by adding, at the end thereof, the following sentence:

> "Notwithstanding any other provision of this Section 5.3, for purposes of calculating the balance in the General Partner's Capital Account pursuant to the third sentence of this Section, there shall be added to the General Partner's Capital Account an amount equal to $[***] (solely to offset previous allocations relating to the Distributed Securities, which resulted in the General Partner's obligations under Section 5.2E)."

9. Amendment to Section 5.6B. Section 5.6B of the Agreement is hereby amended to read in its entirety as follows:

> "B. From and after the Amendment Effective Date, Marketable Securities shall (i) if traded on a national securities exchange, be valued at the last sale price for such Marketable Securities on such exchange on the date of distribution (or if no distribution, as of the date of determination), or (ii) if the trading of such Marketable Securities is reported through the National Association of Securities Dealers Automated Quotation System, such Marketable Securities shall be valued at the last closing "bid" price for such Marketable Securities as shown by the National Association of Securities Dealers Automated Quotation System on the date of distribution (or if no distribution, as of the date of determination)."

10. Addition of Section 5.10. The following Section 5.10 is hereby added to the Agreement, immediately following Section 5.9:

> "5.10 General Partner Distributions and Payments; Amendment Effective Date Distributions.
>
> > A. From and after the Amendment Effective Date, the General Partner hereby waives its right to receive (i) any Incentive Distributions until such time as (x) the Limited Partners have received aggregate distributions from the Partnership pursuant to Article V, including distributions contemplated by Sections 5.2E and F (as amended hereby) and Section 5.10C, equal to the

aggregate amount of their Capital Contributions to the Partnership (determined for this purpose, as if all amounts deposited into the escrow account established for Defaulting Partners pursuant to Section 3.4 had been distributed to the Defaulting Partners), and (y) it has waived, pursuant to this Section 5.10A, receipt of a total of $[***] of Incentive Distributions (the date on which the conditions in both clauses (x) and (y) have occurred, the "Waiver Date"), (ii) any associated allocations of Operating Income or Loss and Investment Gain or Loss to the extent attributable to the amounts waived pursuant to clause (i) of this Section 5.10A and (iii) any distributions upon liquidation in respect of its positive Capital Account to the extent of any portion of such Capital Account balance which is attributable to amounts waived pursuant to clauses (i) and (ii) of this Section 5.10A. From and after the Waiver Date, Incentive Distributions may be made to the General Partner, but only after (A) the LP Advisory Board (as defined in Section 6.6 below) has reviewed the proposed distribution and determined that it is in accordance with the provisions of this Agreement, as amended hereby and giving effect to the foregoing waiver, and (B) such distribution has been approved by Two-Thirds in Interest of the Limited Partners.

B. From and after the date that the Limited Partners have received aggregate distributions from the Partnership which are equal to their aggregate Capital Contributions (determined, for this purpose, as if all amounts deposited into the escrow account established for Defaulting Partners pursuant to Section 3.4 had been distributed to such Defaulting Partners), the Partnership, upon the recommendation of the LP Advisory Board and with the prior approval of Two-Thirds in Interest of the Limited Partners, shall be authorized to cause the Partnership to pay, out of Partnership receipts, a bonus to the Principals (as defined in Section 6.4(a)), in such amounts as such Two-Thirds in Interest of the Limited Partners may determine.

C. As soon as practicable following the Amendment Effective Date, the Partnership will distribute Operating Receipts, to the Limited Partners in accordance with their Pro Rata Shares and otherwise in accordance with Section 5.2A, in an amount equal to the excess of (i) $[***] over (ii) the reasonably estimated fees and expenses of a single counsel to the Limited Partners and the out-of-pocket conference call charges incurred by one or more Limited Partners in connection with the transactions contemplated by the Fifth Amendment. The Partnership shall pay the fees and expenses described in clause (ii) in connection with the transactions contemplated by the Fifth Amendment, up to the amount of the estimate contemplated by the preceding sentence."

11. Amendments to Section 6.4. Section 6.4 of the Agreement is hereby amended and restated in its entirety to read as follows:

"If, on or before [***], any of [***], or any person who has been substituted for any of the foregoing individuals upon the recommendation of the LP Advisory Board and with the prior approval of Two

Thirds in Interest of the Limited Partners (individually, a "Principal" and collectively, the "Principals") (x) cease to be members of either the General Partner or the Management Company or otherwise cease to be actively involved on a substantially full time basis in the business of the Partnership, the Foreign Fund, the CMGI Funds, the Management Company, @Ventures Expansion Management LLC, @Ventures Expansion Fund, L.P., @Ventures Foreign Expansion Fund, L.P., CMGI @Ventures IV, LLC and any other future @Ventures investment entities of which CMGI is the sole investor, or (y) breach the covenant of the Principals contained in Section 7.1 (as amended by this Fifth Amendment) (any such event hereinafter referred to as a "Triggering Event"), prompt notice of such Triggering Event shall be given to all Limited Partners. At any time within ninety (90) days after receipt of notice of a Triggering Event, Two-Thirds in Interest of the Limited Partners may by an election in writing determine to put the Partnership into Continuity Mode. While in Continuity Mode, the General Partner shall continue to act on behalf of the Partnership to perform the functions of the General Partner with respect to the existing investments of the Partnership. At any time after commencement of the Continuity Mode (or such shorter period of time as may be agreed to by Two-Thirds in Interest of the Limited Partners), Two-Thirds in Interest of the Limited Partners may by an election in writing remove the General Partner or dissolve the Partnership.

Each of [***] agrees that, during the period from the Amendment Effective Date through [***], he shall be engaged in the activities contemplated by the second sentence of Section 7.1 (as amended by this Fifth Amendment), and, unless the Management Company becomes entitled [***], he shall not be entitled to receive out of amounts paid by the Partnership to the Management Company as management fees (or otherwise), [***], and that the Partnership [***] or any other person during such period (except pursuant to Section 5.10B). If a Triggering Event occurs as a result of (x) the Resignation (as hereinafter defined) of any of [***] from the management of the Partnership and the Foreign Fund on or before [***] (other than a Resignation following a termination of the Partnership or removal of the General Partner for reasons other than for cause relating to acts or omissions of such Principal), or (y) a breach by such Principal of his obligations under the second sentence of Section 7.1 of this Agreement (as amended by this Fifth Amendment), the applicable Principal shall pay, to the Partnership, as liquidated damages, within 30 days following the occurrence of such Triggering Event, an amount equal to (aa) $[***] multiplied by (bb) [***], and the denominator of which is 22, provided that Two-Thirds in Interest of the Limited Partners may waive in any instance the payment of any such amount. Any amount so paid shall promptly be distributed to the Limited Partners in proportion to their Percentages of Contributed Capital. If any Principal fails to pay any such amount when due, such Principal shall also be responsible for the payment of the Partnership's reasonable costs of collection with respect to such amount. As used herein, "Resignation" means a voluntary or involuntary termination of the applicable Principal's activities related to the management of the Partnership and the Foreign Fund, other than by reason of his death or ill health or as a result of the terminal illness of a spouse that causes such Principal to cease working in any professional capacity (including without limitation all work for the Partnership, any other @Ventures entity and otherwise)."

12. Amendment to Section 6.5C.

(a) Section 6.5C of the Agreement is hereby amended by adding at the end thereof, the following language:

"Notwithstanding the foregoing or any provision of the Management Contract to the contrary, with respect to all periods from and after February 1, 2002 through [***], the General Partner shall cause the Management Company to waive, and the Management Company by signing below hereby does waive, [***] Management Fees; provided however, that if, pursuant to Section 11.1(1)(y), the term of the Partnership is extended by the Limited Partners through [***] following a termination of @Ventures Expansion Fund, L.P. ("Expansion Fund") prior to [***], the Partnership shall pay to the Management Company a Management Fee equal to the amount of the management fee which would have been payable by Expansion Fund to @Ventures Expansion Management LLC for the period between the date of the termination of Expansion Fund and [***] (i.e., fees at an annualized rate of $[***], but reduced by amounts paid by Expansion Fund on account of periods preceding the date of termination of the Expansion Fund), any such fee to be payable in advance, in a lump sum, at the time specified in Section 11.1(1)(y), and @Ventures Expansion Management LLC shall refund to Expansion Fund any previously paid portion of the management fee in respect of the period following the date of termination of Expansion Fund for distribution to the limited partners of Expansion Fund in accordance with the Expansion Fund partnership agreement, as amended. If, pursuant to Section 11.1(1)(x), the term of the Partnership is extended, the Management Fee for any such extension period payable to the Management Company shall be an amount mutually acceptable to the Management Company and the Partnership (any such Partnership approval to require the consent of Two-Thirds in Interest of the Limited Partners), but in no event shall such fees exceed $[***] per year, and any such Management Fee shall be payable in semi-annual installments on January 1 and July 1 of each year during the extension period. Notwithstanding any provision of this Agreement or the Management Contract to the contrary, the Management Contract shall automatically terminate on the last day of the Partnership term determined in accordance with Section 2.5."

(b) Section 6.5E of the Agreement is hereby amended by adding at the end thereof, the following sentence:

"Notwithstanding the foregoing, any amount which, pursuant to this Section 6.5E, is to be retained by the Management Company, the General Partner and/or their respective Affiliates and credited against the Management Fee payable by the Partnership in respect of any period from and after the Amendment Effective Date through [***], shall, if the Partnership is not at the time paying a Management Fee equal to or greater than such amount, instead be paid to the Partnership."

(c) Section 6.5F of the Agreement is hereby amended by adding at the end thereof the following language:

"Notwithstanding the foregoing, any amount which, pursuant to this Section 6.5F, is to be retained by the Management Company, the General Partner and/or their respective Affiliates and credited against the Management Fee payable by the Partnership in respect of any period from and after the Amendment Effective Date through [***], shall, if the Partnership is not at the time paying a Management Fee equal to or greater than such amount, instead be paid to the Partnership."

13. Addition of Section 6.6. The following Section 6.6 is hereby added to the Agreement, immediately following Section 6.5:

"6.6 LP Advisory Board.

A. There shall be established for the Partnership and the Foreign Fund an LP Advisory Board, which shall consist of four persons, three of whom shall be designated by the Limited Partners of the Partnership, by action of Two-Thirds in Interest thereof (each a "Domestic Designee" and collectively, the "Domestic Designees"), and one of whom shall be designated by the limited partners of the Foreign Fund, by action of a majority in interest of the limited partners of the Foreign Fund (the "Foreign Designee"). Any Domestic Designee may be removed or replaced at any time, for any reason or no reason, only by action of Two-Thirds in Interest of the Limited Partners of the Partnership. The Foreign Designee may be removed or replaced at any time, for any reason or no reason, only by action of a majority in interest of the limited partners of the Foreign Fund. The persons initially designated by the Limited Partners as Domestic Designees are representatives of [***]; the person initially designated by the Foreign Fund Limited Partner as Foreign Designee is [***].

B. The General Partner shall give the LP Advisory Board reasonable advance notice (which shall be provided in writing or by electronic mail) in order to permit the LP Advisory Board to participate (at their discretion, in person at the principal place of business of the Partnership, or by means of telephone conference call) once per month in the General Partner's regularly scheduled weekly meeting, at which meeting the General Partner shall report on Partnership activities. A representative of CMG @Ventures III, LLC shall be entitled to attend and participate in all such meetings, but shall not be a member of the LP Advisory Board.

C. The LP Advisory Board, working with the General Partner, shall establish requirements for periodic reports to be prepared by the General Partner and provided on a regular basis to all Limited Partners in addition to the reports required under the other provisions of this Agreement.

D. The General Partner shall disclose in reasonable detail to the LP Advisory Board any potential conflicts of interest occurring on or after the Amendment Effective Date in any transaction or relationship (I) between the Partnership on the one hand and the General Partner, the Management Company and/or a Limited Partner on the other hand, (II) between the Partnership, on the one hand, and CMGI, Inc. or any of its Affiliates on the other hand, in connection with any investment or restructuring of an existing investment in a portfolio company or other related transaction in which both the Partnership and CMGI, Inc. or any of its Affiliates has an investment (other than, in the case of CMGI, Inc. or its Affiliates, required co-investments made by CMG @Ventures III, LLC and CMG @Ventures Expansion, LLC), or (III) between the Partnership and any other person or entity that the General Partner concludes should be disclosed to the LP Advisory Board for purposes of this Section 6.6D. Before proceeding with any transaction or relationship involving any such conflict of interest, (i) the General Partner shall seek advice from the LP Advisory Board regarding the proposed transaction or relationship and (ii) the Limited Partners shall have approved the proposed transaction or relationship (in the manner provided in the following sentence). The General Partner shall notify the Limited Partners in writing of the proposed transaction or relationship, and unless, prior to the last day of the 10-Business Day period following such notice, Limited Partners whose aggregate Percentage of Contributed Capital equals or exceeds 33 1/3% of all Limited Partners' Percentage of Contributed Capital shall have objected in writing to the General Partner to the proposed transaction or relationship, the Limited Partners shall be deemed to have approved the proposed transaction or relationship. In the event the General Partner obtains the requisite Limited Partner consent for a matter giving rise to a conflict of interest, neither it nor the Management Company nor any of their respective Affiliates shall have any liability to the Partnership or any Limited Partner in respect of such matter for actions taken in good faith by them to the extent that (a) such actions comply with any conditions imposed by the Limited Partners who are deemed to have approved the matter (as provided above), (b) any information furnished to and relied upon by the LP Advisory Board or the non-objecting Limited Partners in connection with such matter does not include any untrue statement of material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading and (c) such action did not constitute a breach by the General Partner of its fiduciary duty. Nothing in this Subsection 6.6D is intended to (nor shall it) bind CMGI and/or its Affiliates with respect to actions taken or proposed to be taken by it or them in connection with the matters described in clause (II) above.

E. The LP Advisory Board shall have such responsibilities and authority, in addition to those set forth in this Section 6.6, as shall be specified in this Agreement (as amended hereby); provided, however, that in no event shall the LP Advisory Board, any Domestic Designee or Foreign Designee, or any Limited Partner of which such designee is a representative be deemed by virtue of its role with respect to the LP Advisory Board to take part in the management or control of the Partnership's affairs or to owe any fiduciary duty to the Partnership or any other Partner or person.

F. Except to the extent otherwise expressly provided herein, (I) in order for the LP Advisory Board to make a recommendation with respect to the Foreign Fund, any decision of the LP Advisory Board shall require the approval of the Foreign Designee (and for this purpose the vote of the Domestic Designees on any matter shall be disregarded), and (II) in order for the LP Advisory Board to make a recommendation with respect to the Partnership, any decision of the LP Advisory Board shall require the approval of a majority in number of the Domestic Designees (and for this purpose the vote of the Foreign Designee on any matter shall be disregarded).

G. Each Domestic Designee shall be entitled to indemnification from the Partnership in respect of actions or omissions taken by him in such capacity, to the same extent that an Indemnitee is entitled to indemnification pursuant to Section 9.3 of the Agreement, provided, however, that clauses (x) and (y) of the first sentence of Section 9.3 shall be deemed modified in the case of a Domestic Designee and its Affiliates to state that the only circumstance under which such Indemnitees shall not be entitled to indemnification or release thereunder shall be if a court of competent jurisdiction shall determine that such Indemnitee acted in bad faith. No Domestic Designee shall be liable to the Partnership or any other Partner for any act or omission taken or suffered by such Domestic Designee in good faith."

14. Amendment to Section 7.1. The first paragraph of Section 7.1 of the Agreement is hereby amended to read in its entirety as follows:

"The General Partner hereby agrees to use its best efforts in furtherance of the purposes and objectives of the Partnership and to devote to such purposes and objectives such of its time as shall be necessary for the management of the affairs of the Partnership. Until [***], each of the Principals agrees to use his best efforts in furtherance of the purposes and objectives of the Partnership, to devote such of his time as shall be necessary to the business of the Partnership, and to devote substantially all of his business time to the affairs of the Partnership, the Foreign Fund, the CMGI Funds, the Management Company,

@Ventures Expansion Management LLC, @Ventures Expansion Fund, L.P., @Ventures Foreign Expansion Fund, L.P., CMGI @Ventures IV, LLC and other future @Ventures investment entities of which CMGI is the sole investor. Breach by any Principal of his obligations under the preceding sentence shall constitute a Triggering Event for purposes of Section 6.4, and the sole remedy of the Partnership and/or any Partner against such Principal for breach of such obligations shall be [***] pursuant to and in accordance with the second paragraph of Section 6.4."

15. Amendment to Section 7.3. The following language is hereby inserted at the end of Section 7.3:

"The General Partner represents and warrants that, on the Amendment Effective Date there are, and prior to the Amendment Effective Date there have been, no side letters or similar arrangements ("Side Letters") between (X) (aa) the Partnership, (bb) the General Partner or (cc) CMGI, Inc. or its Affiliates, but with respect to CMGI, Inc. or any Affiliate solely in its capacity as a member of the General Partner or acting for or on behalf of the General Partner, on the one hand and (Y) any Limited Partner or any Affiliate of a Limited Partner, on the other hand, except for those Side Letters listed or described on Exhibit 4 hereto. The General Partner hereby undertakes to provide the Limited Partners, within ten (10) days after execution thereof, with copies of any Side Letters entered into after the Amendment Effective Date between (X) (aa) the Partnership, (bb) the General Partner or (cc) CMGI, Inc. or its Affiliates, but with respect to CMGI, Inc. or any Affiliate solely in its capacity as a member of the General Partner or acting for or on behalf of the General Partner, on the one hand and (Y) any Limited Partner or any Affiliate of a Limited Partner, on the other hand (any such Side Letter, a "Future Side Letter"). To the extent that any Future Side Letter relates to the interest of a Limited Partner in the Partnership, and establishes rights or benefits in favor of such Limited Partner or its Affiliates that are more favorable to such Limited Partner or its Affiliates than the rights or benefits that are established in favor of the other Limited Partners, then each of the other Limited Partners shall be entitled hereby to the same rights granted in any such Side Letter to the same extent as if such Limited Partner entered into an identical Side Letter with the Partnership, the General Partner or CMGI, Inc. or its Affiliate, as applicable (to the extent such rights are reasonably applicable to such other Limited Partner), unless the Limited Partner notifies the Partnership in writing to the contrary within 30 days after it receives a copy of such Side Letter.

Without limiting the foregoing, the General Partner represents and warrants that neither it nor the Management Company has: (I) provided to any Limited Partner any financial or nonfinancial incentive or inducement to execute the Fifth Amendment and/or the LP Release, other than the arrangements described in the Fifth Amendment; or (II) modified or agreed to modify the terms of the LP Release to be provided by any Limited Partner.

Neither the General Partner nor the Management Company shall (I) provide to any Limited Partner any financial incentive or inducement to execute the Fifth Amendment and/or the LP Release, other than the arrangements described in the Fifth Amendment or (II) modify the terms of the LP Release to be provided by any Limited Partner; provided, however, that this sentence shall not, and is not intended to, prevent or prohibit the General Partner on its own behalf or on behalf of any other party (other than the Partnership) from: (x) providing payment of any amount to any person (including a Limited Partner) in connection with the settlement of any litigation proceeding to which the General Partner and/or any of its Affiliates is a party which has been commenced or is Imminent (as hereinafter defined) and the General Partner shall not be required to offer the benefits of any such payment to any Limited Partner pursuant to the second paragraph of Section 7.3; or (y) obtaining from a Limited Partner a release on such terms as the General Partner may in its sole discretion determine in connection with the settlement of any litigation proceeding to which the General Partner and/or any of its Affiliates is a party which has been commenced or is Imminent, provided that if any such release relates primarily to matters which are included in the definition of "Released Claims" (as defined in the LP Release) and such release is more favorable to the releasing party than the terms of the LP Release, the General Partner shall offer the same release terms to all Limited Partners who previously executed LP Releases. As used herein, a litigation proceeding shall be considered to be "Imminent" if the General Partner and/or its Affiliates have received a complaint from the plaintiffs, regardless of whether the complaint has actually been filed in a court of law. The proviso included in clause (y) shall not be applicable in the event of settlement of claims to the extent that such claims do not relate to matters which are included in the definition of "Released Claims" (as defined in the LP Release).

If the General Partner provides to any Limited Partner any non-financial incentive or inducement to execute the Fifth Amendment and/or the LP Release, the General Partner shall disclose in writing to the Limited Partners such incentive or inducement as provided in the second paragraph of this Section 7.3, and provide to the Limited Partners the benefits of such non-financial incentive or inducement to the extent provided in said second paragraph of this Section 7.3."

16. Amendments to Section 11.1.

(a) Section 11.1(1) is hereby amended to read in its entirety as follows:

"(1) [***], provided that:

(x) the term of the Partnership may be extended at the written request of the General Partner, for up to three one-year terms, provided that any such extension shall be effective only if approved by Two-Thirds in Interest of the Limited Partners;

(y) the term of the Partnership may be earlier terminated at the election of the General Partner if Expansion Fund has been terminated prior to [***] unless, within 30 days following a notice from the General Partner to the Limited Partners that Expansion Fund has terminated (which notice the General Partner agrees to provide promptly upon notice of any actual or imminent termination of Expansion Fund), (I) Two-Thirds in Interest of the Limited Partners give written notice to the General Partner to extend the term of the Partnership through [***], (II) Two-Thirds in Interest of the Limited Partners agree that the Partnership shall pay (out of Operating Receipts, Investment Receipts and/or Partnership reserves) management fees to the Management Company through [***], in a lump sum (within five business days of the date of the election specified in clause (I)), in the amount of the management fees which were payable by Expansion Fund to @Ventures Expansion Management LLC for the period from the date of termination of Expansion Fund through [***], as provided in Section 6.5C, and (III) the Partnership has sufficient funds (out of Operating Receipts, Investment Receipts and/or Partnership reserves) to pay the Management Fee contemplated by clause (II); and

(z) the term of the Partnership may be terminated earlier by Two-Thirds in Interest of the Limited Partners as set forth in Section 6.4."

17. Amendment to Section 11.2. The second sentence of Section 11.2 of the Agreement is hereby amended and restated in its entirety to read as follows:

"At any time during the wind up, liquidation and dissolution of the Partnership as provided in this Section 11.2, Two-Thirds in Interest of the Limited Partners may (i) remove the General Partner and replace it, at Partnership expense, with a liquidator, and/or (ii) require the General Partner and/or liquidator to use commercially reasonable efforts to set up a liquidating trust pursuant to Section 11.3 in order to accomplish an orderly liquidation of the Partnership's assets on commercially reasonable terms."

18. Consent to Amendment of Management Contract. The Limited Partners hereby consent to the amendment of the Management Contract on the terms set forth in that certain Amendment to Management Contract dated as of the date hereof and substantially in the form attached hereto as Exhibit 3.

19. Confidentiality. The Limited Partners hereby confirm the confidentiality agreements contained in Section 8.12 of their respective Subscription Agreements, which confidentiality agreements shall be applicable to the arrangements effectuated by this Amendment.

20. General Partner Legal Fees. No portion of the legal fees incurred by the General Partner in connection with the transactions contemplated by this Amendment will be borne by the Partnership.

21. Entire Agreement; Ratification. This Amendment together with the LP Releases contains and constitutes the entire understanding and agreement by and among the parties hereto with respect to the subject matter hereof and supersedes all previous oral and written negotiations, agreements, commitments and writings in connection herewith. The Agreement is to be deemed amended by this Amendment only to the extent expressly provided in this Amendment, and in all other respects, the Agreement is hereby ratified and confirmed and shall remain in full force and effect.

22. Counterparts. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

23. Governing Law. This Amendment shall be construed and enforced in accordance with and governed by the laws of Massachusetts.

[Signature pages follow.]

Counterpart Signature Page to Amendment
to the Agreement of Limited Partnership
of @Ventures III, L.P.

IN WITNESS WHEREOF, the parties have duly executed this Amendment as of the date first above written.

GENERAL PARTNER:

@VENTURES PARTNERS III, LLC

By: /s/ Peter Mills

Authorized Managing Member

LIMITED PARTNER
[***]

Each of the undersigned is signing this Amendment, effective as of the Amendment Effective Date, for the limited purposes of reflecting their agreement to the matters specified in Section 11 of this Amendment (with respect to Section 6.4 of the Agreement) and Section 14 of this Amendment (with respect to Section 7.1 of the Agreement), and for no other purpose.

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The undersigned is signing this Amendment, effective as of the Amendment Effective Date, for the limited purpose of reflecting its Agreement to the matters specified in Sections 12 and 15 of this Amendment (relating to Sections 6.5 and 7.3, respectively, of the Agreement), including without limitation, the waiver of Management Fees contemplated thereby.

@VENTURES MANAGEMENT, LLC

By: /s/ Peter H. Mills

Authorized Member

CERTAIN INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS. ASTERISKS DENOTE OMISSIONS.

EXHIBIT 10.69

EXECUTION COPY

AMENDMENT NO. 2 TO THE AGREEMENT OF LIMITED PARTNERSHIP OF @VENTURES FOREIGN FUND III, L.P.

This Amendment No. 2, dated as of June 7, 2002 (this "Amendment"), to the Agreement of Limited Partnership dated as of December 22, 1998 (as amended to date, the "Agreement") of @Ventures Foreign Fund III, L.P., a Delaware limited partnership (the "Partnership"), is by and among @Ventures Partners III, LLC, the general partner of the Partnership (the "General Partner"), and all of the Limited Partners of the Partnership. Capitalized terms used herein but not otherwise defined herein shall have the respective meanings ascribed to them in the Agreement.

WHEREAS, the General Partner has represented that the Partnership made distributions to the Partners, in accordance with the Agreement, in respect of the Partnership's investments in MCA Health Pages, Inc. (which was acquired by Promedix Corp., which was in turn acquired by Ventro Corporation (formerly known as Chemdex Corporation)) and ONElist Inc. (which was merged into eGroups, Inc., which was subsequently acquired by Yahoo! Inc.), which distributions consisted of shares of capital stock of Ventro Corporation and Yahoo! Inc. (the "Distributed Securities"); and

WHEREAS, the undersigned Partners desire to amend the Agreement to (i) compensate the Limited Partners for certain excess distributions to the General Partner arising out of the distributions of the Distributed Securities and to modify certain of the General Partner's obligations to the Partnership which relate to the General Partner's receipt of a portion of the Distributed Securities, (ii) reflect that the General Partner and the Management Company have agreed to waive certain Incentive Distributions and Management Fees, respectively, with respect to the conduct of the business of the Partnership from and after February 1, 2002, (iii) establish an advisory board consisting of representatives selected by the Limited Partners and the limited partners of the Domestic Fund, and (iv) modify certain other provisions of the Agreement, as more fully set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned Partners agree as follows:

1. Effective Date of Amendment. This Amendment shall become effective on the date on which each of the following has occurred: (a) this Amendment has been signed and delivered by the General Partner and all of the Limited Partners, (b) the Management Contract has been effectively amended in the form attached hereto as Exhibit 3; and (c) the distributions contemplated by Section 7 of this Amendment have been received by the Limited Partners (such date, the "Amendment Effective Date").

2. Representations and Covenants by General Partner and Partnership. The General Partner hereby represents and warrants that (i) the audited annual financial statements of the

Partnership for the Partnership's fiscal years ended December 31, 1999 and December 31, 2000, as audited by the Partnership's independent certified public accountants and heretofore furnished to the Limited Partners, are complete and correct in all material respects and fairly present the financial condition and results of operations of the Partnership, at the dates and for the periods indicated; (ii) the informational schedules entitled (A) "Summary - Incentive Distributions of @Ventures Partners III, LLC from @Ventures III, LP and from @Ventures Foreign Fund III, LP," (B) [***] Calculation - @Ventures III, LP and @Ventures Foreign Fund III, LP, " and (C) "Financial Impact by Fund," as prepared by the General Partner and attached hereto as Exhibit 2, are complete and correct and fairly present the distributions to the Partners with respect to the Distributable Securities, the calculation of the "carried interest" to the General Partner entity (including the Escrow Amounts), fund cash to be returned, and the other amounts set forth therein; (iii) the amounts specified on the Partnership's unaudited balance sheet as of March 31, 2002, which is included in Exhibit 2, for "Cash and cash equivalents" and "Restricted cash" are correct in all material respects as of such date; and (iv) in the case of each of clauses (i), (ii) and (iii) above such information does not contain any untrue statements of material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading. Notwithstanding the foregoing, no claim for a breach of the representation and warranty in clause (i) above may be asserted based on the omission from the Partnership's financial statements of any reference to the failure to establish or fund the escrow account with respect to the Distributed Securities contemplated by Section 5.2F of the Agreement. In addition, each of the Partnership and General Partner (I) represents and warrants to the Limited Partners that as of the Amendment Effective Date (as defined below) there are no Committed Investments, and (II) covenants not to make or bind the Partnership to any Committed Investments, Follow-on Investments, or other investments (other than Temporary Investments) without the prior written approval of a Majority in Interest of Limited Partners of the Partnership.

3. Amendment to Section 2.5. Section 2.5 of the Agreement is hereby amended to read in its entirety as follows:

> "2.5 Term.
>
> The Partnership shall continue in full force and effect until [***], unless extended or until earlier terminated pursuant to Section 11.1."

4. Amendment to Section 3.1. The following paragraph is hereby added at the end of Section 3.1:

> "Notwithstanding the foregoing, or any other provision of this Agreement, from and after the effective date ("Amendment Effective Date") of Amendment No. 2 to the Agreement of Limited Partnership of the Partnership dated as of June 7, 2002 (the "Second Amendment"), the General Partner and/or Partnership will not call for additional contributions from the Limited Partners in respect of their unfunded Capital Commitments for any or no reason, except for Management Fees in the event that the term of the Partnership is extended past [***] in accordance with Section 11.1(1)(x). If pursuant to Sections 6.5C and 11.1(1)(x), the term of the Partnership is

extended and a Management Fee is due, the Partners shall determine at that time the source of payment for such Management Fee in accordance with Section 11.1(1)(x)."

5. Section 3.3 shall be deleted in its entirety and the following is substituted therefor:

"Section 3.3 [Intentionally Omitted.]

6. Without the prior written approval of a Majority in Interest of Limited Partners of the Partnership, the Partnership shall not (a) fund or participate in any Bridge Financings or other investments, except for Temporary Investments, or (b) borrow funds or guarantee any obligations or otherwise encumber the Partnership's assets.

7. Amendment to Section 5.2E. Section 5.2E of the Agreement is hereby amended by adding, at the end thereof, the following paragraph:

"Notwithstanding the foregoing, or any other provision of this Agreement (including without limitation, Section 5.3), in full satisfaction of the General Partner's "Excess Distribution Liability" (as defined below) solely relating to the Partnership's distribution of the Distributed Securities, the General Partner has contributed to the capital of the Partnership, in cash, $[***] (and deposited such amount into the Escrow Account, as described in Section 5.2F). Such amount shall be disbursed on the Amendment Effective Date as follows: (i) first, as has been requested by the Limited Partners, $[***] of such amount shall be paid to @Ventures Expansion Management LLC, in payment of management fees due from @Ventures Foreign Expansion Fund, L.P. to @Ventures Expansion Management LLC in respect of the period from February 1, 2002 to December 31, 2002; (ii) second, $[***] shall be distributed solely to the Limited Partners, in proportion to their respective Percentages of Contributed Capital, and (iii) third, $10,000 shall be paid to Hogan & Hartson LLP, counsel to the Limited Partners of the Partnership and to the limited partners of @Ventures Foreign Expansion Fund, L.P. "Excess Distribution Liability" shall mean the General Partner's obligation to pay to the Partners under Section 5.2E of the Agreement any amount relating to the Partnership's distribution of the Distributed Securities. In all other respects, this Section 5.2E shall remain in full force and effect."

8. Amendment to Section 5.2F. Section 5.2F of the Agreement is hereby amended by adding, at the end thereof, the following language:

"Immediately prior to the Amendment Effective Date, the General Partner deposited $[***] in cash into the Escrow Account, and such amount shall be distributed at the times and in the manner described in Section 5.2E (as amended by the Second Amendment). Notwithstanding the foregoing or any other provision of the Agreement, from and after the Amendment Effective Date, the General Partner shall have no further obligations under this Section 5.2F relating to the Partnership's distribution of Distributed Securities. In all other respects, this Section 5.2F shall remain in full force and effect."

9. Amendment to Section 5.3. Section 5.3 of the Agreement is hereby amended by adding, at the end thereof, the following sentence:

> "Notwithstanding any other provision of this Section 5.3, for purposes of calculating the balance in the General Partner's Capital Account pursuant to the third sentence of this Section, there shall be added to the General Partner's Capital Account an amount equal to $[***] (solely to offset previous allocations relating to the Distributed Securities, which resulted in the General Partner's obligations under Section 5.2E)."

10. Amendment to Section 5.6B. Section 5.6B of the Agreement is hereby amended to read in its entirety as follows:

> "B. From and after the Amendment Effective Date, Marketable Securities shall (i) if traded on a national securities exchange, be valued at the last sale price for such Marketable Securities on such exchange on the trading date immediately preceding the date of determination, or (ii) if the trading of such Marketable Securities is reported through the National Association of Securities Dealers Automated Quotation System, such Marketable Securities shall be the last closing "bid" price for such Marketable Securities as shown by the National Association of Securities Dealers Automated Quotation System on the trading date immediately preceding the date of determination."

11. Addition of Section 5.10. The following Section 5.10 is hereby added to the Agreement, immediately following Section 5.9:

> "5.10 General Partner Distributions and Payments; Amendment Effective Date Distributions.
>
> > A. From and after the Amendment Effective Date, the General Partner hereby waives its right to receive (i) any Incentive Distributions until such time as (x) the Limited Partners have received aggregate distributions from the Partnership pursuant to Article V, including distributions under Sections 5.2E and F (as amended hereby), equal to the aggregate amount of their Capital Contributions to the Partnership, and (y) it has waived, pursuant to this Section 5.10A, receipt of a total of $[***] of Incentive Distributions (the date on which the conditions in both clauses (x) and (y) have occurred, the "Waiver Date"), (ii) any associated allocations of Operating Income or Loss and Investment Gain or Loss to the extent attributable to the amounts waived pursuant to clause (i) of this Section 5.10A and (iii) any distributions upon liquidation in respect of its positive Capital Account to the extent of any portion of such Capital Account balance which is attributable to amounts waived pursuant to clauses (i) and (ii) of this Section 5.10A. From and after the Waiver Date, Incentive Distributions may be made to the General Partner, but only after (A) the Foreign Designee to the LP Advisory Board (as defined in Section 6.6 below) has reviewed the proposed distribution and determined that it is in accordance with the provisions of this Agreement, as amended hereby and giving effect to the foregoing waiver, and (B) such distribution has been approved by Two-Thirds in Interest of the Limited Partners.

B. From and after the date that the Limited Partners have received aggregate distributions from the Partnership which are equal to their aggregate Capital Contributions, the Partnership, upon the recommendation of the Foreign Designee to the LP Advisory Board and with the prior approval of Two-Thirds in Interest of the Limited Partners, shall be authorized to, but not have the obligation to, cause the Partnership to pay, out of Partnership receipts, a bonus to the Principals (as defined in Section 6.4), in such amounts as Two-Thirds in Interest of the Limited Partners may determine, in their sole discretion.

C. The Partnership shall pay the fees and expenses of a single counsel to the Limited Partners in connection with the transactions contemplated by the Second Amendment in an amount equal to $10,000.00 on the Amendment Effective Date as set forth in Section 5.2E. The General Partner shall pay all legal, accounting and other fees and expenses relating to the Second Amendment, other than the fees and expenses of counsel to the Limited Partners.

12. Amendments to Section 6.4. Section 6.4 of the Agreement is hereby amended and restated in its entirety to read as follows:

"If, on or before December 31, 2003, any of [***], or any person who has been substituted for any of the foregoing individuals upon the recommendation of the Foreign Designee to the LP Advisory Board and with the prior approval of Two-Thirds in Interest of the Limited Partners (individually, a "Principal" and collectively, the "Principals") (x) cease to be members of either the General Partner or the Management Company or otherwise cease to be actively involved on a substantially full time basis in the business of the Partnership, the Domestic Fund, the CMGI Funds, the Management Company, @Ventures Expansion Management LLC, @Ventures Expansion Fund, L.P., @Ventures Foreign Expansion Fund, L.P., CMGI @Ventures IV, LLC and any other future @Ventures investment entities of which CMGI is the sole investor, or (y) breach the covenant of the Principals contained in Section 7.1 (as amended by the Second Amendment) (any such event hereinafter referred to as a "Triggering Event"), prompt notice of such Triggering Event shall be given to all Limited Partners. At any time within ninety (90) days after receipt of notice of a Triggering Event, Two-Thirds in Interest of the Limited Partners may by an election in writing determine to put the Partnership into Continuity Mode. While in Continuity Mode, the General Partner shall continue to act on behalf of the Partnership to perform the functions of the General Partner with respect to the existing investments of the Partnership. At any time after commencement of the Continuity Mode (or such shorter period of time as may be agreed to by Two-Thirds in Interest of the Limited Partners), Two-Thirds in Interest of the Limited Partners may by an election in writing remove the General Partner or dissolve the Partnership.

Each of [***] agrees that, during the period from the Amendment Effective Date through [***], he shall be engaged in the activities contemplated by the second sentence of Section 7.1 (as amended by the Second Amendment), he shall not be entitled to receive out of amounts paid by the Partnership to the Management Company as management fees (or otherwise), [***], and that the Partnership [***] or any other person during such period (except pursuant to Section 5.10B). If a Triggering Event occurs as a result of (x) the Resignation (as hereinafter defined) of any of [***] from the management of the Partnership and the Domestic Fund on or before [***] (other than a Resignation following a termination of the Partnership or removal of the General Partner for reasons other than for cause relating to acts or omissions of such Principal), or (y) the breach by such Principal of his obligations under the second sentence of Section 7.1 of this Agreement (as amended by the Second Amendment) the applicable Principal shall pay, to the Partnership, as liquidated damages, within 30 days following the occurrence of such Triggering Event, an amount equal to (aa) [***] multiplied by (bb) [***], and the denominator of which is 22, provided that Two-Thirds in Interest of the Limited Partners may waive in any instance the payment of any such amount. Any amount so paid shall promptly be distributed to the Limited Partners in proportion to their Percentages of Contributed Capital. If any Principal fails to pay any such amount when due, such Principal shall also be responsible for the payment of the Partnership's and the Limited Partners' reasonable costs of collection with respect to such amount. As used herein, "Resignation" means a voluntary or involuntary termination of the applicable Principal's activities related to the management of the Partnership and the Domestic Fund, other than by reason of his death or ill health or as a result of the terminal illness of a spouse that causes such Principal to cease working in any professional capacity (including without limitation all work for the Partnership, any other @Ventures entity and otherwise)."

13. Amendment to Section 6.5C.

(a) Section 6.5C of the Agreement is hereby amended by adding at the end thereof the following language:

"Notwithstanding the foregoing or any provision of the Management Contract to the contrary, with respect to all periods from and after February 1, 2002 through [***], the General Partner shall cause the Management Company to waive, and the Management Company by signing below hereby does waive, [***] Management Fees. If, pursuant to Section 11.1(1), the term of the Partnership is extended, the Management Fee for any such extension period payable to the Management Company shall be an amount mutually acceptable to the Management Company and the Partnership (any such Partnership approval shall require the consent of the Majority in Interest of Limited Partners of the Partnership), but in no event shall such fees exceed $[***] per year, and any such Management Fee shall be payable in semi-annual installments, on January 1 and July 1 of each year during the extension period. Notwithstanding any provision of this Agreement or the Management Contract to the contrary, the Management Contract shall automatically terminate on the last day of the Partnership term determined in accordance with Section 2.5."

(b) Section 6.5E of the Agreement is hereby amended by adding at the end thereof, the following sentence:

"Notwithstanding the foregoing, any amount which, pursuant to this Section 6.5E, is to be retained by the Management Company, the General Partner and/or their respective Affiliates and credited against the Management Fee payable by the Partnership in respect of any period from and after the Amendment Effective Date through [***], shall instead be paid to the Partnership."

(c) Section 6.5F of the Agreement is hereby amended by adding at the end thereof the following language:

"Notwithstanding the foregoing, any amount which, pursuant to this Section 6.5F, is to be retained by the Management Company, the General Partner and/or their respective Affiliates and credited against the Management Fee payable by the Partnership in respect of any period after the Amendment Effective Date through [***], shall instead be paid to the Partnership."

14. Addition of Section 6.6. The following Section 6.6 is hereby added to the Agreement, immediately following Section 6.5:

"6.6 LP Advisory Board.

A. There shall be established for the Partnership and the Domestic Fund an "LP Advisory Board," which shall consist of four persons, three of whom shall be designated by the limited partners of the Domestic Fund, by action of two-thirds in interest of limited partners of the Domestic Fund (each a "Domestic Designee" and collectively, the "Domestic Designees"), and one of whom shall be designated by the Limited Partners of the Partnership, by action of a Majority in Interest of Limited Partners of the Partnership (the "Foreign Designee"). The Foreign Designee may be removed or replaced at any time, for any reason or no reason, only by action of a Majority in Interest of Limited Partners of the Partnership. Any Domestic Designee may be removed or replaced at any time, for any reason or no reason, only by action of two-thirds in interest of the limited partners of the Domestic Fund.

B. The General Partner shall deliver the Foreign Designee reasonable advance notice (which shall be provided by electronic mail or in writing) in order to permit the Foreign Designee and the other members of the LP Advisory Board to participate (at their discretion, in person at the principal place of business of the Partnership or by means of telephone conference call) once per month in the General Partner's regularly scheduled weekly meeting, at which meeting the General Partner shall report on Partnership activities. A representative of CMG @Ventures III, LLC shall be entitled to attend and participate in all such monthly meetings, but shall not be a member of the LP Advisory Board.

C. The LP Advisory Board, working with the General Partner, shall establish requirements for periodic reports to be prepared by the General Partner and provided on a regular basis to all Limited Partners in addition to the reports required under the other provisions of this Agreement.

D. The General Partner shall disclose in reasonable detail to the LP Advisory Board any potential conflicts of interest occurring on or after the Amendment Effective Date in any transaction or relationship (I) between the Partnership on the one hand and the General Partner, the Management Company and/or a Limited Partner on the other hand, (II) between the Partnership, on the one hand, and CMGI, Inc. or any of its Affiliates on the other hand, in connection with any investment or restructuring of an existing investment in a portfolio company or other related transaction in which both the Partnership and CMGI, Inc. or any of its Affiliates has an investment (other than, in the case of CMGI, Inc. or its Affiliates, required co-investments made by CMG @Ventures III, LLC and CMG @Ventures Expansion, LLC), or (III) between the Partnership and any other person or entity that the General Partner concludes should be disclosed to the LP Advisory Board for purposes of this Section 6.6D. Before proceeding with any transaction or relationship involving any such conflict of interest, (i) the General Partner shall seek advice from the LP Advisory Board regarding the proposed transaction or relationship and (ii) the Limited Partners shall have approved the proposed transaction or relationship (in the manner provided in the following sentence). The General Partner shall notify the Limited Partners in writing of the proposed transaction or relationship, and unless, prior to the last day of the 10-Business Day period following such notice, Limited Partners whose aggregate Percentage of Contributed Capital equals or exceeds 33 1/3% of all Limited Partners' Percentage of Contributed Capital shall have objected in writing to the General Partner to the proposed transaction or relationship, the Limited Partners shall be deemed to have approved the proposed transaction or relationship. In the event the General Partner obtains the requisite Limited Partner consent for a matter giving rise to a conflict of interest, neither it nor the Management Company nor any of their respective Affiliates shall have any liability to the Partnership or any Limited Partner in respect of such matter for actions taken in good faith by them to the extent that (a) such actions comply with any conditions imposed by the Limited Partners who are deemed to have approved the matter (as provided above), (b) any information furnished to and relied upon by the LP Advisory Board or the non-objecting Limited Partners in connection with such matter does not include any untrue statement of material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading and (c) such actions did not constitute a breach by the General Partner of its fiduciary duty. Nothing in this Subsection 6.6D is intended to (nor shall it) bind CMGI and/or its Affiliates with respect to actions taken or proposed to be taken by it or them in connection with the matters described in clause (II) above.

E. The LP Advisory Board shall have such responsibilities and authority, in addition to those set forth in this Section 6.6, as shall be specified in this Agreement (as amended hereby); provided, however, that in no event shall the LP Advisory Board, any Domestic Designee or Foreign Designee, or any Limited Partner of which such designee is a representative be deemed by virtue of its role with respect to the LP Advisory Board to take part in the management or control of the Partnership's affairs or to owe any fiduciary duty to the Partnership or any other Partner or person.

F. Except to the extent otherwise expressly provided herein, (I) in order for the LP Advisory Board to make a recommendation with respect to the Partnership, any decision of the LP Advisory Board shall require the approval of the Foreign Designee (and for this purpose the vote of the Domestic Designees on any matter shall be disregarded), and (II) in order for the LP Advisory Board to make a recommendation with respect to the Domestic Fund, any decision of the LP Advisory Board shall require the approval of two-thirds (2/3) in number of the Domestic Designees (and for this purpose the vote of the Foreign Designee on any matter shall be disregarded).

G. The Foreign Designee shall be entitled to indemnification from the Partnership in respect of actions or omissions taken by him in such capacity, to the same extent that an Indemnitee is entitled to indemnification pursuant to Section 9.3 provided, however, that clauses (x) and (y) of the first sentence of Section 9.3 shall be deemed modified in the case of the Foreign Designee and its Affiliates to state that the only circumstance under which such Indemnitees shall not be entitled to indemnification or release thereunder shall be if a court of competent jurisdiction shall determine that such Indemnitee acted in bad faith. The Foreign Designee shall not be liable to the Partnership or any other Partner for any act or omission taken or suffered by the Foreign Designee in good faith.

15. Amendment to Section 7.1. The first paragraph of Section 7.1 of the Agreement is hereby amended to read in its entirety as follows:

"The General Partner hereby agrees to use its best efforts in furtherance of the purposes and objectives of the Partnership and to devote to such purposes and objectives such of its time as shall be necessary for the management of the affairs of the Partnership. Until [***], each of the Principals agrees to use his best efforts in furtherance of the purposes and objectives of the Partnership, to devote such of his time as shall be necessary to the business of the Partnership, and to devote substantially all of his business time to the affairs of the Partnership, the Domestic Fund, the CMGI Funds, the Management Company, @Ventures Expansion Management LLC, @Ventures Expansion Fund, L.P., @Ventures Foreign Expansion Fund, L.P., CMGI @Ventures IV, LLC and other future @Ventures investment entities of which CMGI is the sole investor. Breach by any Principal of his obligations under the preceding sentence shall constitute a Triggering Event for purposes of Section 6.4, and the sole remedy of the Partnership and/or any Partner against such Principal for breach of such obligations shall be [***] pursuant to and in accordance with the second paragraph of Section 6.4."

16. Amendment to Section 7.3. The following language is hereby inserted at the end of Section 7.3:

"The General Partner represents and warrants that, on the Amendment Effective Date there are, and prior to the Amendment Effective Date there have been, no side letters or similar arrangements ("Side Letters") between (X) (aa) the Partnership or the Domestic Fund, (bb) the General Partner or (cc) CMGI, Inc. or its Affiliates, but with respect to CMGI, Inc. or any Affiliate solely in its capacity as a member of the General Partner or acting for or on behalf of the General Partner, on the one hand and (Y) any Limited Partner or any limited partner of the Domestic Fund (each, a "Fund Limited Partner"), or any Affiliate of any Fund Limited Partner, on the other hand, except for those Side Letters listed or described on Exhibit 4 hereto. The General Partner hereby undertakes to provide the Limited Partners, within ten (10) days after execution thereof, with copies of any Side Letters entered into after the Amendment Effective Date between (X) (aa) the Partnership or the Domestic Fund, (bb) the General Partner or (cc) CMGI, Inc. or its Affiliates, but with respect to CMGI, Inc. or any Affiliate solely in its capacity as a member of the General Partner or acting for or on behalf of the General Partner, on the one hand and (Y) any Fund Limited Partner or any Affiliate of a Fund Limited Partner, on the other hand (any such Side Letter, a "Future Side Letter"). To the extent that any Future Side Letter relates to the interest of a Fund Limited Partner in the Partnership or in the Domestic Fund, as applicable, and establishes rights or benefits in favor of such Fund Limited Partner or its Affiliates that are more favorable to such Fund Limited Partner or its Affiliates than the rights or benefits that are established in favor of any (other, if applicable) Limited Partner in the Partnership, then each of the (other, if applicable) Limited Partners in the Partnership shall be entitled hereby to the same rights granted in any such Side Letter to the same extent as if such Limited Partner entered into an identical Side Letter with the Partnership, the General Partner or CMGI, Inc. or its Affiliate, as applicable (to the extent such rights are reasonably applicable to such other Limited Partner), unless the Limited Partner notifies the Partnership in writing to the contrary within 30 days after it receives a copy of such Side Letter (provided that nothing contained herein shall bind the Domestic Fund or require the Domestic Fund to provide any rights or benefits to any Limited Partner of the Partnership).

Without limiting the foregoing, the General Partner represents and warrants that neither it nor the Management Company has: (I) provided to any Fund Limited Partner any financial or nonfinancial incentive or inducement to execute the Second Amendment and/or the Limited Partner Release in the form attached hereto as Exhibit 1 (the "LP Release") (or the counterpart amendment and release documents for the Domestic Fund, a copy of which is attached as Exhibit 5), other than the arrangements described in the Second Amendment (or the counterpart amendment for the Domestic Fund); or (II) modified or agreed to modify the terms of the LP Release to be provided by any Limited Partner (or the counterpart release to be provided by any Domestic Fund limited partner).

Neither the General Partner nor the Management Company shall (I) provide to any Fund Limited Partner any financial incentive or inducement to execute the Second Amendment and/or the LP Release (or the counterpart amendment and release documents for the Domestic Fund), other than the arrangements described in the Second Amendment (or the counterpart amendment for the Domestic Fund) or (II) modify the terms of the LP Release to be provided by any Limited Partner or the counterpart release to be provided by any Domestic Fund limited partner; provided, however, that this sentence shall not, and is not intended to, prevent or prohibit the General Partner on its own behalf or on behalf of any other party (other than the Partnership and/or the Domestic Fund) from: (x) providing payment of any amount to any person (including a Fund Limited Partner) in connection with the settlement of any litigation proceeding to which the General Partner and/or any of its Affiliates is a party which has been commenced or is Imminent (as hereinafter defined) and the General Partner shall not be required to offer the benefits of any such payment to any Limited Partner pursuant to the second paragraph of Section 7.3; or (y) obtaining from a Fund Limited Partner a release on such terms as the General Partner may in its sole discretion determine in connection with the settlement of any litigation proceeding to which the General Partner and/or any of its Affiliates is a party which has been commenced or is Imminent, provided that if any such release relates primarily to matters which are included in the definition of "Released Claims" (as defined in the LP Release) and such release is more favorable to the releasing party than the terms of the LP Release, the General Partner shall offer the same release terms to all Limited Partners who previously executed LP Releases. As used herein, a litigation proceeding shall be considered to be "Imminent" if the General Partner and/or its Affiliates have received a complaint from the plaintiffs, regardless of whether the complaint has actually been filed in a court of law. The proviso included in clause (y) shall not be applicable in the event of settlement of claims to the extent that such claims do not relate to matters which are included in the definition of "Released Claims" (as defined in the LP Release).

If the General Partner provides to any Fund Limited Partner any non-financial incentive or inducement to execute the Second Amendment and/or the LP Release (or the counterpart amendment and release documents for the Domestic Fund), the General Partner shall disclose in writing to the Limited Partners such incentive or inducement as provided in the second paragraph of this Section 7.3, and provide to the Limited Partners the benefits of such non-financial incentive or inducement to the extent provided in said second paragraph of this Section 7.3."

17. Amendment to Section 11.1. Section 11.1(1) is hereby amended to read in its entirety as follows:

"(1) [***], provided that: (x) the term of the Partnership may be extended at the written request of the General Partner, for up to three one-year terms, provided that any such extension shall be effective only if approved by Two-Thirds in Interest of the Limited Partners of the Partnership; and (y) the term of the Partnership may be earlier terminated at the election of the General Partner if @Ventures Foreign Expansion Fund, L.P. has been terminated;"

18. Amendment to Section 11.2. The second sentence of Section 11.2 of the Agreement is hereby amended and restated in its entirety to read as follows:

"At any time during the wind up, liquidation and dissolution of the Partnership as provided in this Section 11.2, Two-Thirds in Interest of the Limited Partners may (i) remove the General Partner and replace it, at Partnership expense, with a liquidator, and/or (ii) require the General Partner and/or liquidator to use commercially reasonable efforts to set up a liquidating trust pursuant to Section 11.3 in order to accomplish an orderly liquidation of the Partnership's assets on commercially reasonable terms."

19. Amendment to Section 12.17. Section 12.17 of the Agreement is hereby amended in its entirety to read in its entirety as follows:

> "The General Partner hereby waives and relinquishes any and all of its rights to any interests, payments or other rights to co-investments in securities of Portfolio Companies as set forth in Section 12.17 of the Agreement prior to or after the effective date of the Second Amendment."

20. Consent to Amendment of Management Contract. The Limited Partners hereby consent to the amendment of the Management Contract on the terms set forth in that certain Amendment to Management Contract dated as of the date hereof and substantially in the form attached hereto as Exhibit 3

21. Confidentiality. The Limited Partners hereby confirm the confidentiality agreements contained in Section 8.12 of their respective Subscription Agreements, which confidentiality agreements shall be applicable to the arrangements effectuated by this Amendment No. 2.

22. Releases. Each Limited Partner signing this Amendment No. 2 has delivered to the General Partner an executed Release, in the form and on the terms of Exhibit 1 attached hereto. Each such Release shall automatically become effective on the Amendment Effective Date.

23. General Partner Legal Fees. No portion of the legal fees or other expenses incurred by the General Partner in connection with the transactions contemplated by this Amendment No. 2 will be borne by the Partnership.

24. Ratification. In all other respects, the Agreement is hereby ratified and confirmed and shall remain in full force and effect.

25. Counterparts. This Amendment No. 2 may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

[Signature pages follow.]

IN WITNESS WHEREOF, the parties have duly executed this Amendment No. 2 as of the date first above written.

GENERAL PARTNER:

@VENTURES PARTNERS III, LLC

By: /s/ Peter H. Mills

Authorized Managing Member

Limited Partner:
[***]

Each of the undersigned is signing this Amendment No. 2, effective as of the Amendment Effective Date, for the limited purposes of reflecting their agreement to the matters specified in Section 12 of this Amendment No. 2 (with respect to Section 6.4 of the Agreement) and Section 15 of this Amendment No. 2 (with respect to Section 7.1 of the Agreement), and for no other purpose.

[***]
- -------------------
[***]

The undersigned is signing this Amendment No. 2, effective as of the Amendment Effective Date, for the limited purpose of reflecting its Agreement to the matters specified in Sections 13 and 16 of this Amendment No. 2 relating to Sections 6.5 and 7.3, respectively, of the Agreement, including without limitation, the waiver of Management Fees contemplated thereby.

@VENTURES MANAGEMENT, LLC

By: /s/ Peter H. Mills

Authorized Member

EXHIBIT 10.71

AMENDMENT #8 TO LEASE

1. Parties.

This Amendment, dated as of November 6, 2001, is between Andover Mills Realty Limited Partnership ("Landlord") and CMGI, Inc. ("Tenant").

2. Recitals.

2.1 Landlord and Tenant have entered into Lease, dated as of April 12, 1999, for space in Brickstone Square in Andover, Massachusetts (as now or hereafter amended, the "Lease"). Unless otherwise defined, terms used in this Amendment have the same meanings as those used in the Lease.

2.2 Tenant wishes to lease a designated portion of the Premises as shown in Exhibit "B-8" attached hereto and incorporated herein (the "Specified Surplus Space"), with a rentable area agreed to contain 26,053 square feet, to Cambridge Soundworks, Inc., or one of its affiliates (the "New Tenant"), and has requested Landlord's help in the leasing and buildout process. In order to accomplish this and other matters, for $10.00 and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, the parties agree and the Lease is amended as follows as of the date hereof, notwithstanding anything to the contrary:

3. Amendment.

3.1 For a term of six (6) months from the date of this Amendment (the "Surplus Term"), in order to help Tenant lease the Surplus Space, Tenant grants to Surplus Landlord the ongoing right from time to time to market and show the Space and negotiate and enter into a new lease with the New Tenant for the Specified Surplus Space (the "New Lease"), with a term of between five (5) and ten (10) years plus any extensions, and "Buildout Costs" and "New Tenant Costs" as set forth in Section 3.2(a) below. Landlord has no obligation to exercise any of these rights. The "Buildout Costs" means Landlord's good faith estimate of the third-party hard and soft costs of the improvements, modifications, and tenant allowances to be performed and/or paid for by the lessor in connection with or as a result of the initial buildout of Specified Surplus Space under that New Lease (the "Buildout").

3.2 If Landlord enters into the New Lease for the Specified Surplus Space per Section 3.1, Landlord will notify Tenant in writing, and then:

(a) Within fifteen (15) days thereafter, Tenant will pay to or as directed by Landlord the approved Buildout Costs for that New Lease as described in Section 3.1 above, and leasing commissions for that New Lease (collectively, the "New Tenant Costs") for ultimate payment by Landlord to the parties entitled thereto as and when due, in addition to any rent payable by Tenant under the Lease. Subject to the terms of this Amendment, the New Tenant Costs payable by Tenant hereunder will not exceed Eight Hundred Eighty-five Thousand Eight

Hundred Two Dollars ($885,802).

(b) Within thirty (30) days thereafter, Tenant will remove all of Tenant's Property from the Specified Surplus Space and surrender vacant possession of the Specified Surplus Space to Landlord in the condition required by the Lease. Tenant's Property not removed by that date will be deemed abandoned by Tenant in favor of Landlord. If the New Lease is validly terminated before the "Start Date" (defined below), possession of the Specified Surplus Space will be returned to Tenant in its then "as-is" state and will continue to be part of the Premises subject to all of the terms of the Lease, Landlord will deliver to Tenant (or credit against rent owed by Tenant under the Lease) any security deposit from the New Tenant that has been delivered to and may be retained and applied Landlord under that New Lease, and Landlord will cooperate reasonably with Tenant (at no cost or Liabilities to Landlord) in Tenant's enforcement of any claims against the New Tenant under that New Lease.

(c) Landlord will supervise the performance of the Buildout to be performed by the lessor under that New Lease, and at Tenant's request in each instance will reasonably cooperate with and periodically report to Tenant to keep Tenant informed as to the status of the Buildout, all at no additional charge to Tenant. As consideration for Landlord's agreement above, Tenant hereby waives and releases all claims of any type that it may have against Landlord or any of its affiliated persons or entities in connection with the Buildout (excluding any contractors or subcontractors), except for claims of Tenant resulting from Landlord's failure to pay or cause to be paid any Buildout Costs in excess of those for which Tenant is responsible hereunder. Subject to the foregoing, Landlord will cooperate reasonably with Tenant (at no cost or liability to Landlord) if Tenant wishes to assert claims against others in connection with the Buildout. In addition to any other rights of Landlord, Tenant acknowledges and agrees that Landlord, the New Tenant and their respective professionals, contractors, subcontractors and representatives will have the right to perform the Buildout and to enter the Specified Surplus Space and other necessary areas of the Premises as may be necessary in connection therewith. Subject to Section 3.2(b) above, once the New Lease is entered into Landlord will have no obligations to Tenant with respect to that Specified Surplus Space and Tenant will have no rights therein except as are specifically set forth herein. Subject to Section 3.4 below, Tenant's surrender of possession andlor the performance of the Buildout will not be deemed to be a termination of the Lease in whole or in part nor will they operate to relieve, reduce or waive any of Tenant's obligations under the Lease with respect to the payment of rent or otherwise.

(d) Tenant will not be responsible for any costs for the New Lease in excess of the New Tenant Costs per Section 3.2(a) above unless Tenant fails to pay the New Tenant Costs or fails to vacate and surrender possession of space as and when required, or otherwise defaults hereunder or under the rest of the Lease. Tenant acknowledges and agrees that its timely payment in full of the New Tenant Costs and its surrender of vacant possession as and when required are material inducements to Landlord to enter into this Amendment, and Tenant's failure to do so will be a default under the Lease, and in addition to any other rights and remedies of Landlord, Tenant will be responsible for any Liabilities incurred by Landlord under that New Lease and/or in connection with that Specified Surplus Space resulting therefrom

3.3 [INTENTIONALLY OMITTED]

3.4 Subject to the terms hereof, and despite the entry into the New Lease and the earlier surrender of possession, the Lease will continue for the Specified Surplus Space until the "Start Date" for that New Lease. The "Start Date" for that New Lease will be the date that the New Tenant under that New Lease accepts the Specified Surplus Space and occupies a substantial part of that space to conduct business, or the rent commencement date occurs under that New Lease, whichever is earlier. As of the Start Date: (a) the Lease will terminate and expire as to that Specified Surplus Space only (and no other space) and the agreed rentable area of the remainder of the Premises will be reduced by the rentable area of that Specified Surplus Space; (b) Tenant' s parking rights under the Lease will be reduced by 78 vehicles (26 of which will be assigned spaces), as shown in Exhibit "A-8" attached hereto; and (c) provided that Tenant has complied with Sections 3.2(a) and (b) above and is not otherwise in default, Tenant's Percentage will be reduced by 2.77% and Tenant's obligation to pay rent for that Specified Surplus Space for periods thereafter will terminate.

3.5 Amendment #6 to Lease, dated 4/17/2001, and Amendment #7 to Lease, dated 4/18/2001, both are deleted from the Lease and are null and void.

3.6 As a material inducement to Tenant to enter into this Amendment, Landlord agrees that, as of the date hereof, Tenant owes no amounts to Landlord except the rent due under the Lease and Tenant is not, to Landlord's knowledge, in default under the Lease.

3.7 As a material inducement to Landlord to enter into this Amendment Tenant agrees that, as of the date hereof, Landlord owes no amounts to Tenant under the Lease and Landlord is not, to Tenant's knowledge, in default under the Lease, and Tenant agrees, represents and warrants to Landlord that: Tenant has not leased, subleased, assigned or conveyed the Specified Surplus Space or its interests therein to anyone else and has not employed or engaged any brokers or agents in connection therewith or in connection with this Amendment, and in either case will not (and will not have the right or power to) do so during the Surplus Term.

3.8 The Lease remains in full force and effect, and except as set forth in this Amendment, the Lease remains unchanged. Time is of the essence in this Amendment and the rest of the Lease and holding over will not be permitted. Except for the representations and warranties specifically set forth in this Amendment, neither party has made nor relied on any representations and warranties of any type, express or implied, in connection with this amendment or its subject matter. Landlord and Tenant are not partners or joint venturers nor are they agents of the other. Landlord will not be deemed to have assumed any of Tenant's Liabilities by reason of Landlord's exercise of or failure to exercise any of its rights hereunder or under the rest of the Lease, and Landlord is under no obligation to exercise any of its rights hereunder or to exercise them in any particular manner, including, without limitation, showing, marketing or negotiating for the lease of any of the Specified Surplus Space. Notwithstanding anything to the contrary, and without limiting the generality of the foregoing, Landlord may in its sole and absolute discretion show, market, negotiate or lease any or all of its own space in the Project to or with existing New Tenant or other prospective tenants before, during, after or in lieu of showing, marketing, negotiating or leasing any of the Specified Surplus Space, regardless of the effect on the leasing of the Specified Surplus Space, and without incurring any Liabilities to Tenant or anyone else. On Landlord's written request from time to time, Tenant will promptly execute and deliver to Landlord amendments to this Lease and/or the existing Notice of Lease evidencing the termination of the Lease with respect to the Specified Surplus Space and the other matters provided for in this Amendment. Tenant's failure to execute and deliver such amendments will not be a condition to the effectiveness of such termination and the other matters provided for in this Amendment.

IN WITNESS WHEREOF, intending to be legally bound, the parties have executed this Amendment as of the date in Article 1 above.

CMGI, INC., a Delaware corporation

By: /s/ George A. McMillan
Name: George A. McMillan
Title: Chief Financial Officer
Authorized Signature

ANDOVER MILLS REALTY LIMITED PARTNERSHIP, a
Massachusetts limited partnership
By: Brickstone Square Realty, Inc., a Massachusetts
corporation,
General Partner
By: /s/ Illegible
Name: Illegible
Title:

Authorized Signature

EXHIBIT 10.72

LIMITED LIABILITY COMPANY AGREEMENT OF @ VENTURES PARTNERS III, LLC

THIS LIMITED LIABILITY COMPANY AGREEMENT of @ Ventures Partners III, LLC (the "LLC"), dated as of June 30, 1999, is by and among the persons named on Schedule A attached hereto, each of whom is designated as either a Capital Member or a Managing Member.

WHEREAS, CMG @ Ventures Capital Corp. formed the LLC as a limited liability company pursuant to the Delaware Limited Liability Company Act, by the filing, on May 27, 1998, in the Office of the Secretary of State of the State of Delaware, of a Certificate of Formation for the LLC (the "Certificate"); and

WHEREAS, effective as of the date hereof, the persons designated on Schedule A as Managing Members have been admitted to the LLC; and

WHEREAS, the Members desire to enter into this Agreement to set forth the agreements among the Members with respect to the LLC, all as more fully set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and in consideration of the agreements hereinafter set forth, the parties hereby agree as follows:

ARTICLE I

DEFINITIONS

The following capitalized terms used in this Agreement shall have the respective meanings ascribed to them below:

"Act" means the Delaware Limited Liability Company Act, in effect at the time of the initial filing of the Certificate with the Office of the Secretary of State of the State of Delaware, and as thereafter amended from time to time.

"Affiliate" shall mean, with respect to any specified person or entity, (i) any person or entity that directly or indirectly controls, is controlled by, or is under common control with such specified person or entity; (ii) any person or entity that directly or indirectly controls 10% or more of the outstanding equity securities of the specified entity or of which the specified person or entity is directly or indirectly the owner of 10% or more of any class of equity securities; (iii) any person or entity that is an officer of, director of, manager of, partner in, or trustee of, or serves in a similar capacity with respect to, the specified person or entity or of which the specified person or entity is an officer, director, partner, manager or trustee, or with respect to which the specified person or entity serves in a similar capacity; or (iv) any person that is a spouse, mother, father, brother, sister or lineal descendant of the specified person.

"Agreement" means this Limited Liability Company Agreement as it may be amended, supplemented, or restated from time to time.

"Capital Account" means a separate account maintained for each Member and adjusted in accordance with Treasury Regulations under Section 704 of the Code. To the extent consistent with such Treasury Regulations, the adjustments to such accounts shall include the following:

(i) There shall be credited to each Member's Capital Account the amount of any cash actually contributed by such Member to the capital of the LLC, the fair market value of any property contributed by such Member to the capital of the LLC, the amount of liabilities of the LLC assumed by the Member or to which property distributed to the Member was subject and such Member's share of the Net Profits of the LLC and of any items in the nature of income or gain separately allocated to the Members; and there shall be charged against each Member's Capital Account the amount of all cash distributions to such Member, the fair market value of any property distributed to such Member by the LLC, the amount of liabilities of the Member assumed by the LLC or to which property contributed by the Member to the LLC was subject and such Member's share of the Net Losses of the LLC and of any items in the nature of losses or deductions separately allocated to the Members.

(ii) If the LLC at any time distributes any of its assets in-kind to any Member, the Capital Account of each Member shall be adjusted to account for that Member's allocable share of the Net Profits, Net Losses or items thereof that would be realized by the LLC if it sold the assets that were distributed at their respective fair market values (taking Code Section 7701(g) into account) immediately prior to their distribution.

(iii) If elected by the LLC in accordance with Section 6.01(b) hereof, at any time specified in Treasury Regulation Section 1.704-1(b)(2)(iv)(f), the Capital Account balance of each Member shall be adjusted to the extent provided under such Treasury Regulation to reflect the Member's allocable share (as determined under Article V) of the items of Net Profits or Net Losses that would be realized by the LLC if it sold all of its property at its fair market value (taking Code Section 7701(g) into account) on the day of the adjustment.

"Capital Member" shall refer severally to any person named as a Capital Member in this Agreement and any person who becomes an additional, substitute or replacement Capital Member as permitted by this Agreement, in such person's capacity as a Capital Member of the LLC. "Capital Members" shall refer collectively to all such persons in their capacities as Capital Members.

"Carrying Value" means, with respect to any asset, the asset's adjusted basis for federal income tax purposes; provided, however, that (i) the initial Carrying Value of any asset contributed to the LLC shall be adjusted to equal its gross fair market value at the time of its contribution and (ii) the Carrying Values of all assets held by the LLC shall be adjusted to equal their respective gross fair market values (taking Code Section 7701(g) into account) upon an adjustment to the Capital Accounts of the Members described in paragraph (iii) of the definition of "Capital Account." The Carrying Value of any asset whose Carrying Value was adjusted pursuant to the preceding sentence thereafter shall be adjusted in accordance with the provisions of Treasury Regulation Section 1.704-1(b)(2)(iv)(g).

"Cause" shall mean, in connection with the termination of a Managing Member's relationship with the Employer:

(i) conviction of, or plea of nolo contendere to, (A) a felony, whether or not business related, which may injure the business or reputation of the Employer, or (B) a crime of moral turpitude;

(ii) theft or embezzlement of assets of the Employer;

(iii) a material breach of any agreement between the Managing Member and the Employer including, without limitation, any violation of the covenants set forth in Sections 6.06 and 6.07 below;

(iv) the willful and continued failure by the Managing Member to substantially perform his or her duties (other than as a result of incapacity due to physical or mental illness); or

(v) gross neglect of duties or responsibilities as an employee of the Employer, or as a Managing Member, or dishonesty or incompetence, or willful misconduct, which in any case adversely affects the business of the Employer, but only if there has been a good faith determination by a Majority in Number of the Voting Managing Members other than the subject Managing Member that such neglect or misconduct or dishonesty or incompetence has occurred.

"Certificate" means the Certificate of Formation creating the LLC, as it may, from time to time, be amended in accordance with the Act.

"CMGI" means CMGI Inc., a Delaware corporation.

"CMGI Fund" means CMG @ Ventures III, LLC, a Delaware limited liability company.

"CMGI Fund Agreement" means the Limited Liability Company Agreement of the CMGI Fund, as from time to time amended and in effect.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Distributable Cash and Property", with respect to any particular Investment shall mean, with respect to any fiscal period, the excess of all receipts of cash and property of the LLC from such Investment, including dividends or distributions in respect of such Investment, proceeds from a capital transaction relating to such Investment, and any and all other sources over the sum of:

(i) Any and all expenses of the LLC related directly or indirectly to such Investment, including an allocable share of the following types of LLC expenses:

(A) cash disbursements for all items which are customarily considered to be "operating expenses";

(B) payments of interest, principal and premium and points and other costs of borrowing under any indebtedness of the LLC;

(C) payments made to purchase inventory or capital assets, and for capital construction, rehabilitation, acquisitions, alterations and improvements;

(D) payments made to purchase or sell securities, and brokerage commissions, finders fees and transaction costs; and

(E) amounts set aside as reserves for working capital, contingent liabilities, replacements or for any of the expenditures described in clauses (A), (B), (C) and (D) above which are deemed by the Voting Managing Members (in their reasonable discretion) to be necessary to meet the current and anticipated future needs of the LLC; and

(ii) The amount of expenses described in clause (i) above that (A) are attributable to another Investment (the "Other Investment"), (B) are not paid from the receipts of cash and property attributable to the Other Investment as a result of the total expenses attributable to the Other Investment for the fiscal period exceeding the total receipts of cash and property attributable to the Other Investment for the fiscal period and (C) are paid from the receipts of cash and property in respect of the Investment for which the computation of Distributable Cash and Property is being made (the "First Investment"); provided, however, that if Distributable Cash and Property with respect to the First Investment is reduced as a result of this clause (ii), a corresponding amount of the next amount of Distributable Cash and Property with respect to the Other Investment shall be treated as a receipt attributable to the First Investment.

For purposes of determining Distributable Cash or Property in respect of any particular Investment, the Voting Managing Members shall allocate all LLC expenses of the types described in clauses (i) and (ii) above among all Investments and among Other Cash Receipts in such manner as they may reasonably determine.

"Distributable Other Cash" means, with respect to any fiscal period, the excess of Other Cash Receipts over the sum of the expenses (including those described in clause (i) of the definition of "Distributable Cash and Property") which the Voting Managing Members reasonably allocate to Other Cash Receipts.

"Domestic Fund" means @ Ventures III, L.P., a Delaware limited partnership.

"Domestic Fund Agreement" means the Limited Partnership Agreement of the Domestic Fund, as from time to time amended and in effect.

"Employer" shall mean, for any Managing Member, the LLC, any Fund, CMGI or any Affiliate of any of them that employs the Managing Member on a substantially full-time basis. For purposes of this Agreement, a Portfolio Company shall not constitute an Affiliate of any of the LLC, any Fund or CMGI (and a Managing Member shall not be deemed to be employed by an Employer if such Managing Member is employed by a Portfolio Company), unless the Capital Member specifically elects in writing to treat a Portfolio Company as an Affiliate and such Portfolio Company falls within the definition of "Affiliate" set forth above.

"Event of Forfeiture" shall mean and shall be deemed to have occurred in the event that:

(x) a Managing Member dies or becomes mentally or physically disabled (as determined by a physician licensed in the Commonwealth of Massachusetts, selected by the Voting Managing Members exclusive of any Managing Member which is the subject of the determination) or a conservator or guardian is appointed for the benefit of any Managing Member or his property;

(y) the relationship of such Managing Member to all Employers is terminated without Cause or for any reason other than the reasons specified in clauses (x) and (z) of this definition; or

(z) a Managing Member defaults in its obligation to make Capital Contributions to the LLC pursuant to Section 3.01 below and the Voting Managing Members exercise the remedy in Section 3.01(e), or the relationship of such Managing Member to the LLC is terminated with Cause (in accordance with the procedures described below), or is terminated by the Managing Member (each of the foregoing, a "Clause Z Event").

An Event of Forfeiture for a Managing Member whose relationship with all Employers was terminated pursuant to clause (y) may thereafter occur if any Clause Z Event occurs with respect to such Managing Member.

"Follow-on Investment" shall have the meaning ascribed thereto in the Domestic Fund Agreement, the Foreign Fund Agreement and the CMGI Fund Agreement.

"Foreign Fund" means @ Ventures Foreign Fund III, L.P., a Delaware limited partnership.

"Foreign Fund Agreement" means the Limited Partnership Agreement of the Foreign Fund, as from time to time amended and in effect.

"Funds" means the Domestic Fund, the Foreign Fund and the CMGI Fund, and "Fund" means any one of the Funds.

"Investment" means an investment in a Portfolio Company made by any Fund, including without limitation a Follow-on Investment. As and when a Fund or Funds makes an Investment, there shall be attached to this Agreement a Schedule for such Investment, which shall reflect the information described in Section 3.03(a). Each such Schedule is hereinafter referred to as an "Investment Schedule" and all such Schedules are referred to collectively as the "Investment Schedules." The term "Investment" shall not include short-term investments made by any Fund pending investments in securities of Portfolio Companies.

"Investment Percentage Interest" means each Member's Percentage Interest in an Investment, as specified on the Investment Schedule for such Investment.

"LLC" means the limited liability company formed pursuant to the Certificate and this Agreement, as it may from time to time be constituted and amended.

"Majority in Number of the Voting Managing Members" means, with respect to a particular action or matter, a majority in number of the Voting Managing Members then entitled to vote on the action.

"Managing Member" shall refer severally to any person named as a Managing Member in this Agreement (whether a Voting Managing Member or a Non-Voting Managing Member) and any person who becomes an additional, substitute or replacement Managing Member as permitted by this Agreement, in such person's capacity as a Managing Member of the LLC. "Managing Members" shall refer collectively to all such persons in their capacities as Managing Members. Except as expressly set forth in this Agreement, the rights, obligations and interests of the Voting Managing Members and the Non-Voting Managing Members shall be identical.

"Member" shall refer severally to any person named as a Capital Member or Managing Member in this Agreement and any person who becomes an additional, substitute or replacement Capital Member or Managing Member as permitted by this Agreement, in such person's capacity as a Member of the LLC. "Members" shall refer collectively to all such persons in their capacities as Members.

"Net Profits" and "Net Losses" mean the taxable income or loss, as the case may be, for a period as determined in accordance with Code Section 703(a) computed with the following adjustments:

(i) Items of gain, loss, and deduction shall be computed based upon the Carrying Values of the LLC's assets (in accordance with Treasury Regulation Sections 1.704(b)(2)(iv)(g) and/or 1.704-3(d)) rather than upon the assets' adjusted bases for federal income tax purposes;

(ii) Any tax-exempt income received by the LLC shall be included as an item of gross income;

(iii) The amount of any adjustments to the Carrying Values of any assets of the LLC pursuant to Code Section 743 shall not be taken into account;

(iv) Any expenditure of the LLC described in Code Section 705(a)(2)(B) (including any expenditures treated as being described in Section 705(a)(2)(B) pursuant to Treasury Regulations under Code Section 704(b)) shall be treated as a deductible expense;

(v) The amount of items of income, gain, loss or deduction specially allocated to any Members pursuant to Section 5.02 shall not be included in the computation; and

(vi) The amount of any items of Net Profits or Net Losses deemed realized pursuant to paragraphs (ii) and (iii) of the definition of "Capital Account" shall be included in the computation.

"Non-Voting Managing Member" shall refer severally to any Managing Member identified as a Non-Voting Managing Member on Schedule A hereto and any person who becomes an additional, substitute or replacement Non-Voting Managing Member as permitted by this Agreement, in such person's capacity as a Non-Voting Managing Member of the LLC. "Non-Voting Managing Members" shall refer collectively to all such persons in their capacities as Non-Voting Managing Members.

"Other Cash Receipts" means cash receipts of the LLC, exclusive of capital contributions of the Members, which the Voting Managing Members reasonably determine are not allocable to Investments.

"Percentage Interest" shall be the percentage interest of a Member set forth in Schedule B, as amended from time to time, and subject to adjustment pursuant to Sections 3.04, 8.02 and 8.03.

"Permitted Transferee" means (A) any Member; (B) any spouse, parent, lineal descendant, brother, sister, or spouse of a brother or sister of a Member; (C) any trust, corporation or partnership or other entity in which any Member and/or one of the persons designated in clause (B) is a principal, beneficiary, majority stockholder, member or limited or general partner with an aggregate interest in profits and losses of greater than fifty percent; (D) grantors or beneficiaries of a trust which is (or of which the trustees thereof are, in their capacities as trustees) a Member; or (E) charitable foundations created or primarily endowed by a Member or a member of his or her family.

"Portfolio Company" means the issuer of any security in which any Fund has invested, other than issuers in which the Fund has made short-term investments pending the making of long-term investments.

"Securities Act" means the Securities Act of 1933, as amended.

"Vesting Commencement Date" means, for each Managing Member, the Vesting Commencement Date specified on Schedule A attached hereto.

"Vesting Escrow" shall have the meaning ascribed thereto in Section 4.02.

"Vested Percentage" means, for any Managing Member, a fraction (expressed as a percentage) the numerator of which is the number of whole calendar quarters that have elapsed between such Managing Member's Vesting Commencement Date and the date of determination and the denominator of which is 20; provided, however, that in no event shall a Managing Member's Vested Percentage exceed 100%.

"Voting Managing Member" shall refer severally to any Managing Member identified as a Voting Managing Member on Schedule A hereto and any person who becomes an additional, substitute or replacement Voting Managing Member as permitted by this Agreement, in such person's capacity as a Voting Managing Member of the LLC. "Voting Managing Members" shall refer collectively to all such persons in their capacities as Voting Managing Members.

ARTICLE II

GENERAL PROVISIONS

2.01 Formation of Limited Liability Company; Foreign Qualification. The Capital Member formed the LLC as a limited liability company under the Act on May 27, 1998, by the filing on such date of the Certificate in the Office of the Secretary of State of the State of Delaware.

Prior to the LLC's conducting business in any jurisdiction other than the State of Delaware, the LLC shall comply, to the extent procedures are available, with all requirements necessary to qualify the LLC as a foreign limited liability company in each such jurisdiction where foreign qualification is either necessary or appropriate. Each Member shall execute, acknowledge, swear to and deliver all certificates and other instruments conforming to this Agreement that are necessary or appropriate to qualify, or, as appropriate, to continue or terminate the foreign qualification of, the LLC as a limited liability company in all such jurisdictions in which the LLC may conduct business.

2.02 Name of the LLC. The name of the LLC shall be @ Ventures Partners III, LLC.

2.03 Business of the LLC. The general character of the business of the LLC is to (a) serve as the general partner of each of the Domestic Fund and the Foreign Fund, (b) serve as the Managing Member of the CMGI Fund, (c) own a limited liability company interest in Covestco-Ateura, LLC, and (d) engage in any activities directly or indirectly related or incidental thereto which may be lawfully conducted by a limited liability company formed under the laws of the State of Delaware.

2.04 Place of Business of the LLC; Resident Agent. The address of the principal place of business of the LLC, and the office at which the LLC will maintain its records is 100 Brickstone Square, Andover, Massachusetts 01810. the LLC's registered office in Delaware is c/o Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware, 19810, and the LLC's registered agent for service of process in Delaware is Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware, 19810. The Voting Managing Members may at any time and from time to time change the LLC's principal place of business, establish additional places of business, change the LLC's registered agent or registered office in Delaware, and in each case shall promptly provide notice of any of such actions (identifying all such offices and agents) to all Members.

2.05 Duration of the LLC. The term of the LLC commenced on May 27, 1998, and the LLC shall have perpetual existence, unless earlier terminated in accordance with Article IX hereof.

2.06 Members' Names and Addresses. The name and address of each Member are set forth on Schedule A. Additional Members may be admitted in accordance with the procedures specified in Article VIII. A Member may not resign from the LLC at any time.

2.07 No Partnership. The LLC is not intended to be a general partnership, limited partnership or joint venture, and no Member shall be considered to be a partner or joint venturer of any other Member, for any purposes other than foreign and domestic federal, state, provincial and local income tax purposes, and this Agreement shall not be construed to suggest otherwise.

2.08 Title to LLC Property. All property owned by the LLC, whether real or personal, tangible or intangible, shall be deemed to be owned by the LLC as an entity, and no Member, individually, shall have any ownership of such property. The LLC may hold any of its assets in its own name or in the name of its nominee, which nominee may be one or more trusts. Any property held by a nominee trust for the benefit of the LLC shall, for purposes of this Agreement, be treated as if such property were directly owned by the LLC.

2.09 Nature of Member's Interest. The interests of all of the Members in the LLC are personal property and shall not, under any circumstances, be considered real property.

2.10 Investment Representations. Each Member, by execution of this Agreement or an amendment hereto reflecting such Member's admission to the LLC, hereby represents and warrants to the LLC that:

(a) It is acquiring an interest in the LLC for its own account for investment only, and not with a view to, or for sale in connection with, any distribution thereof in violation of the Securities Act or any rule or regulation thereunder.

(b) It understands that (i) the interest in the LLC it is acquiring has not been registered under the Securities Act or applicable state securities laws and cannot be resold unless subsequently registered under the Securities Act and such laws or unless an exemption from such registration is available, (ii) such registration under the

Securities Act and such laws is unlikely at any time in the future and neither the LLC nor the Members are obligated to file a registration statement under the Securities Act or such laws, and (iii) the assignment, sale, transfer, exchange, or other disposition of the interests in the LLC is restricted in accordance with the terms of this Agreement.

(c) It has had such opportunity as it has deemed adequate to ask questions of and receive answers from representatives of the LLC concerning the LLC, and to obtain from representatives of the LLC such information which the LLC possesses or can acquire without unreasonable effort or expense, as is necessary to evaluate the merits and risks of an investment in the LLC.

(d) It has, either alone or with its professional advisers, sufficient experience in business, financial and investment matters to be able to evaluate the merits and risks involved in investing in the LLC and to make an informed investment decision with respect to such investment.

(e) It can afford a complete loss of the value of its investment in the LLC and is able to bear the economic risk of holding such investment for an indefinite period.

(f) If it is an entity, (i) it is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, (ii) it has full organizational power to execute and deliver this Agreement and to perform its obligations hereunder, (iii) its execution, delivery and performance of this Agreement has been authorized by all requisite action on behalf of the entity, and (iv) it has duly executed and delivered this Agreement.

ARTICLE III

CAPITAL CONTRIBUTIONS

3.01 Capital Contributions.

(a) Each Member shall be required to contribute capital to the LLC in accordance with this Section 3.01.

(b) As and when the LLC is required to contribute capital to any Fund, each Member shall contribute to the LLC his or its proportionate share of the amount required to be contributed by the LLC to such Fund, determined in the manner hereinafter provided. Each of the Members hereby acknowledges that it has received copies of the CMGI Fund Agreement, the Domestic Fund Agreement and the Foreign Fund Agreement, that it has read each of such Agreements, and understands the LLC's obligations thereunder, including without limitation, the LLC's obligations to make capital contributions to each of the Funds and to fund certain escrow accounts.

(i) With respect to any routine call for capital by any Fund (which capital calls the Members acknowledge are generally, but not always, called for on a quarter annual basis), each Member shall contribute a portion of the total amount called for based on his Percentage Interest in the LLC on the date on which such capital is required to be contributed by the LLC to the Fund. Notwithstanding the foregoing, the Voting Managing Members may, in respect of any particular call for capital, determine to modify each Member's share of the contribution to be made by such Member to the LLC if the Voting Managing Members reasonably determine that the amounts called for by any Fund relate in whole or in part to a Follow-on Investment, in which case the portion of the contributions which relate to such Follow-on Investment shall be contributed by the Members in accordance with their respective Investment Percentage Interests in such Follow-on Investment. The Voting Managing Members may also make other equitable adjustments to the portion to be contributed by each Member to the LLC in respect of Investments to be made by the Funds to take into account similar factors.

If any Member is admitted to the LLC during any calendar quarter, such Member shall be required to contribute to the LLC an amount equal to (x) the aggregate amount of the sum of (I) any contributions made by the other Members to the LLC during or with respect to such calendar quarter pursuant to this Section 3.01(b)(i) plus (II) the unspent amount, if any, of the capital contributions made by the Members to the LLC in previous quarters multiplied by (y) such Member's Percentage Interest in the LLC. The amount so contributed by such Member shall be distributed to the other Members (exclusive of Members whose Percentage Interests have been reduced to zero), so that, following the admission of such additional Member, all Members will have contributed a portion of the amount described in clause (x) of the preceding sentence equal to their respective Percentage Interests in the LLC as in effect immediately following such admission.

(ii) With respect to any amount required to satisfy the LLC's obligations under Section 5.2E of the Domestic Fund Agreement [clawback obligation], or Section 5.2E of the Foreign Fund Agreement [clawback obligation], each Member shall contribute a portion of the total amount called for based on the aggregate amount of distributions received by such Member from the LLC which are, in the reasonable judgment of the Voting Managing Members, attributable to the Domestic Fund and the Foreign Fund, respectively, as compared to the aggregate amount of distributions received by all Members from the LLC which are, in the reasonable judgment of the Voting Managing Members, attributable to the Domestic Fund and the Foreign Fund, respectively. Notwithstanding the foregoing, in no event shall any Member be obligated to contribute to the LLC any amount pursuant to this clause (ii) in excess of the total amount of distributions received by (or held in the Vesting Escrow for the benefit of) such Member from the LLC. The obligation of each Member to make contributions pursuant to this Section 3.01(b)(ii) shall survive the withdrawal, resignation or default (as described in Section 3.01(e) below) of any Member, and the occurrence of an Event of Forfeiture of any Member. The LLC may contribute to the Domestic Fund or the Foreign Fund on behalf of any Member any amounts held in a Vesting Escrow on behalf of such Member, in respect of such Member's obligations under this Section 3.01(b)(ii).

(iii) As and when the LLC is required to deposit amounts into the escrow account established pursuant to Section 5.2F of the Domestic Fund Agreement or Section 5.2F of the Foreign Fund Agreement, the Voting Managing Members may determine to call for contributions of cash to the LLC to enable the LLC to satisfy any such obligation. Each Member shall contribute a portion of the amount which the Voting Managing Members so determine to call, based on the aggregate amount of distributions received by such Member from the LLC which are, in the reasonable judgment of the Voting Managing Members, attributable to the Domestic Fund and the Foreign Fund, respectively, as compared to the aggregate amount of distributions received by all Members from the LLC which are, in the reasonable judgment of the Voting Managing Members, attributable to the Domestic Fund and the Foreign Fund, respectively. In no event shall any Member be obligated to contribute to the LLC any amount pursuant to this clause (iii) in excess of the total amount of distributions received by (or held in the Vesting Escrow for the benefit of) such Member from the LLC. The obligation of each Member to make contributions pursuant to this Section 3.01(b)(iii) shall survive the withdrawal, resignation or default (as described in Section 3.01(e) below) of any Member, and the occurrence of an Event of Forfeiture of any Member. The LLC may contribute to the Domestic Fund or the Foreign Fund on behalf of any Member any amounts held in a Vesting Escrow on behalf of such Member, in respect of such Member's obligations under this Section 3.01(b)(iii).

(c) The Voting Managing Members may call for capital for other LLC purposes as they may from time to time reasonably determine, and any capital called for pursuant to this Section 3.01(c) shall be contributed by the Members in proportion to their respective Percentage Interests on the date on which such capital is called for.

(d) The Voting Managing Members shall call for capital from all Members for the purposes specified in this Section 3.01 from time to time as needed. In connection with any such call, the Voting Managing Members shall provide to each Member notice of a call for capital (which notice may be given in writing or by electronic mail), which notice shall specify the aggregate amount called for from the LLC, a general statement of the purposes for which such capital call is being made, each Member's share of the total amount called for, and the date on which the capital contribution is due (which date shall, to the extent reasonably practicable, be not less than 10 days after the date of the notice).

(e) Any contribution of capital which is not made when due shall bear interest at the prime rate of interest announced from time to time by The Wall Street Journal plus 1% per annum, until paid in full. Without limiting the foregoing, if a Member fails to satisfy his, her or its capital contribution obligation as required under this Section 3.01 in a timely manner, the LLC may exercise any rights it may have under the Act or otherwise at law or in equity, and shall also have the rights provided in this Section 3.01(e). In any such event, a Majority in Number of the Voting Managing Members (determined exclusive of the Member which has defaulted in his capital contribution obligation) may (but shall not be obligated to) cause the LLC to deliver to such Member a notice ("Default Notice") making reference to the Member's failure to contribute capital to the LLC, and to this Section 3.01(e). If the defaulting Member fails to fund such capital contribution obligation within five business days after the date of delivery of the Default Notice, then an Event of Forfeiture shall be deemed to have occurred with respect to such Member, with the consequences specified in Section 3.04 below.

(f) The LLC shall maintain written records indicating the amount of capital contributed by each Member to the LLC.

(g) The LLC may elect to withhold from any amounts which are otherwise distributable to a Member in accordance with the terms of this Agreement any amount which such Member may be required to contribute to the LLC pursuant to this Section 3.01. In the event the LLC so withholds, for all purposes of this Agreement the Member with respect to whom the withholding occurs shall be treated as if he had been distributed such amount in accordance with Article IV hereof and then recontributed such amount pursuant to this Section 3.01.

3.02 No Additional Capital. Except as provided in this Article III, no Member shall be obligated or permitted to contribute any additional capital to the LLC. No interest shall accrue on any contributions to the capital of the LLC, and no Member shall have the right to withdraw or to be repaid any capital contributed by it or to receive any other payment in respect of its interest in the LLC, including without limitation as a result of the withdrawal or resignation of such Member from the LLC, except as specifically provided in this Agreement.

3.03 Anticipated Operations of the LLC.

(a) As and when any Fund acquires an Investment, the Managing Members shall create an Investment Schedule for such Investment, which shall be attached to this Agreement. The Investment Schedule for each Investment shall reflect (a) the Fund or Funds making the acquisition, (b) the Portfolio Company issuing the securities, (c) the Acquisition Date, (d) the number and class or series of shares of such securities, (d) the purchase price and/or other consideration payable by each Fund, (e) the Investment Percentage Interest of each of the Members in such Investment (determined in the manner hereinafter provided) and (f) such other information, if any, as the Managing Members may deem appropriate.

(b) The Investment Percentage Interest of the Capital Member in each Investment (including Follow-on Investments) shall at all times equal 10%.

(c) (i) Subject to Sections 3.03(c)(ii) and (iii) and 3.04, the Investment Percentage Interest of each Managing Member for whom an Event of Forfeiture has not occurred shall equal 90% multiplied by a fraction (x) the numerator of which shall equal such Managing Member's Percentage Interest at the beginning of the calendar quarter in which the Investment was made (the "Applicable Quarter") and the denominator of which shall equal the aggregate Percentage Interests at the beginning of the Applicable Quarter for all Managing Members exclusive of those for whom an Event of Forfeiture has occurred. The Investment Percentage Interest of each Managing Member in each Investment shall be subject to reduction upon the occurrence of an Event of Forfeiture.

(ii) Notwithstanding Section 3.03(c)(i), if any Fund makes a Follow-on Investment, the Investment Percentage Interests of the Managing Members in such Follow-on Investment shall be their Investment Percentage

Interests then in effect for other investments in the same Portfolio Company (except that the Investment Percentage Interest in any Follow-on Investment for any Managing Member for whom an Event of Forfeiture has occurred shall be zero).

(iii) Notwithstanding Section 3.03(c)(i), Brad Garlinghouse, David J. Nerrow, Jr. and Denise W. Marks, who were admitted to the LLC as of January 11, 1999, February 3, 1999 and March 1, 1999, respectively, shall be entitled to participate in those Investments made by the Fund prior to the respective dates on which they were admitted to the LLC, and their respective Investment Percentage Interests in such investments are reflected on the Investment Schedules with respect to such Investments, and all of the Members hereby consent to such participation.

3.04 Event of Forfeiture.

(a) Each Managing Member's Percentage Interest and Investment Percentage Interest in each Investment are subject to adjustment upon the occurrence of an Event of Forfeiture with respect to such Managing Member, as provided in this Section 3.04. In no event shall the provisions of this Section 3.04 be applicable to the interest of the Capital Member.

(b) Upon the occurrence of an Event of Forfeiture with respect to a Managing Member:

(i) Such Managing Member's Percentage Interest in the LLC shall, from and after the date of the Event of Forfeiture, be reduced to zero, and the Percentage Interest in the LLC of all other Managing Members (exclusive of any Managing Member for whom an Event of Forfeiture has occurred) shall be increased by an aggregate amount equal to the amount of the Percentage Interest of the Managing Member for whom the Event of Forfeiture has occurred (such increase to be allocated among them in proportion to their respective Percentage Interests immediately prior to the adjustment contemplated hereby).

(ii) If the Event of Forfeiture is not a Clause Z Event, such Managing Member's Investment Percentage Interest in each Investment in which such Managing Member participates shall be reduced to a Percentage determined by multiplying the Managing Member's initial Investment Percentage Interest by such Managing Member's then Vested Percentage; and, if the Event of Forfeiture is a Clause Z Event, such Managing Member's Investment

Percentage Interest in each Investment in which such Managing Member participates shall be reduced to zero. The Investment Percentage Interest in each Investment of all other Managing Members (exclusive of any Managing Member for whom an Event of Forfeiture has occurred) participating in such Investment shall be increased by an aggregate amount equal to the amount of the reduction in the Investment Percentage Interest of the Managing Member for whom the Event of Forfeiture has occurred (such increase to be allocated among them in proportion to their respective Investment Percentage Interests in such Investment immediately prior to the adjustment contemplated hereby).

(iii) Any amount held in any Vesting Escrow for the benefit of such Managing Member shall be forfeited. Amounts so forfeited shall (subject to the provisions of this Section 3.04 and Section 4.02), on an Investment by Investment basis, be allocated to all other Managing Members (exclusive of any Managing Member for whom an Event of Forfeiture has occurred) participating in each such Investment (such distributions to be allocated among them in proportion to their respective Investment Percentage Interests in each such Investment immediately prior to the adjustment contemplated hereby).

(iv) Such Managing Member (whether Voting or Non-Voting) shall have no right to vote on or participate in any decision or matter on or in which Managing Members are entitled to vote or participate and such Managing Member shall be disregarded for all purposes in determining the number of Managing Members which constitute a Majority in Number of the Voting Managing Members or the number or percentage or Managing Members entitled to vote on any matter, as the case may be.

(c) A Managing Member with respect to whom an Event of Forfeiture has occurred: (i) shall not be entitled to participate in any Investment acquired by the LLC (including without limitation, a Follow-on Investment) made by the LLC after the date of the Event of Forfeiture; (ii) shall not be required to make subsequent capital contributions to the LLC from and after the date of the Event of Forfeiture, except for capital contributions required pursuant to Section 3.01(b)(ii) and (iii); and (iii) shall automatically and without any action on the part of the LLC, such Managing Member or any other Member, be deemed to have withdrawn from the LLC on the first date on which the LLC no longer owns any Investment in which such Managing Member has an Investment Percentage Interest.

The Voting Managing Members shall make all determinations under this Section 3.04 (including determinations as to when and whether an Event of Forfeiture has occurred, and the reduction in the Percentage Interest and Investment Percentage

Interests of the affected Managing Member in connection therewith), in their reasonable discretion.

(d) Notwithstanding the foregoing, the interest of Denise W. Marks shall not be subject to the provisions of this Section 3.04 and such interest shall not be subject to forfeiture, reduction or modification upon the occurrence of an Event of Forfeiture with respect to Ms. Marks.

ARTICLE IV

DISTRIBUTIONS

4.01 Distribution of Distributable Cash and Property and Distributable Other Cash.

(a) Distributable Cash and Property of the LLC shall be distributed on an Investment by Investment basis, at such times and in such amounts as the Voting Managing Members may in their reasonable discretion determine. Any non-cash distributions made to the Members shall be valued at their respective fair market values, as determined by the Voting Managing Members in good faith and in a manner consistent with the valuation procedures established in the Domestic Fund Agreement and the Foreign Fund Agreement. Distributable Other Cash shall be distributed, in such amounts as the Voting Managing Members may determine, not less frequently than quarterly, within 30 days following the last day of each fiscal quarter of the LLC.

(b) Subject to the provisions of Sections 4.02 and 9.02(b)below: (i) Distributable Cash and Property related to an Investment shall be distributed to the Members in proportion to their respective Investment Percentage Interests in such Investment on the date the LLC makes such distribution; and (ii) Distributable Other Cash shall be distributed to the Members in proportion to their respective Percentage Interests on the date the LLC makes such distribution.

(c) The Voting Managing Members will use reasonable efforts to cause the LLC to distribute to each Member in each year the Tax Distribution Amount (as defined below), which amount shall be treated as an advance against future distributions to such Member pursuant to Section 4.01(b) above. The Tax Distribution Amount shall equal an amount which, when added to all distributions previously made to the Member pursuant to this Section 4.01 from the inception of the LLC, equals the product of (i) the Member's allocable share of the net taxable income of the LLC computed on an aggregate cumulative basis from the inception of the LLC and (ii) the highest combined marginal rate of federal and Massachusetts state income tax applicable to individuals for any year since the inception of the LLC. Separate Tax Distribution Amounts shall be computed with respect to each Investment, and, to the extent practicable, the required distribution of the Tax Distribution Amount attributable to a particular Investment for a particular period shall be satisfied by a distribution of Distributable Cash and Property attributable to such Investment. To the extent that the required distribution of the Tax Distribution Amount attributable to a particular Investment is satisfied by a distribution of Distributable Cash and Property attributable to another Investment, rules similar to those set forth in clause (ii) of the definition of "Distributable Cash and Property" shall apply.

4.02 Vesting Escrow.

(a) Notwithstanding the provisions of Section 4.01 above, the LLC shall distribute to each Managing Member on the date of any distribution only that portion of any Distributable Cash and Property to which he is entitled which is equal to his Vested Percentage of such amount. Any portion of any distribution which is not distributed as a result of the operation of this Section 4.02(a) shall be held in escrow by the LLC, in accordance with this Section 4.02. Any escrow established pursuant to this Section 4.02 is herein referred to as a "Vesting Escrow." Subject to Section 3.04, on the last day of each calendar quarter following the date of the distribution with respect to any Investment, one-twentieth of the amount of the original distribution (plus a proportionate amount of interest or other amounts earned thereon, if any), shall be disbursed from such Vesting Escrow to such Managing Member.

(b) The interest of the Capital Member shall not be subject to the provisions of this Section 4.02, and it shall at all times be entitled to receive 100% of any distributions to Distributable Cash and Property allocable to it pursuant to and in accordance with Section 4.01.

(c) Each of the Managing Members hereby agrees and acknowledges that, as a result of the operation of this Section 4.02, (i) such Managing Member may be allocated Net Profits and Net Losses of the LLC without corresponding distributions of Distributable Cash or Property; (ii) the Managing Members are authorized to and may (but shall not be required to) invest amounts that are held in a Vesting Escrow in short-term investments pending distribution of such amounts to the Managing Members; (iii) the LLC may hold in a Vesting Escrow securities which would otherwise have been distributed to such Managing Member, and the LLC shall be entitled to vote, transfer, sell, assign and exercise all rights of ownership with respect to all such securities prior to their distribution to the Managing Members in accordance with this Section 4.02; and (iv) amounts held in escrow pursuant to this Section 4.02 shall be irrevocably forfeited by a Managing Member from and after the date of any Event of Forfeiture with respect to such Managing Member. If any property which is held in escrow pursuant to this Section 4.02 is sold or otherwise disposed of, the proceeds of such sale or other disposition shall be substituted in the Vesting Escrow for such property, and released in accordance with Section 4.02(a) above at the same time such property would have been released from such Vesting Escrow.

(d) Upon the discontinuance of the activities of the LLC related to the funding of additional investments after the Funds have been fully invested, and with the approval of a Majority in Number of the Voting Managing Members, the Vested Percentage of each Managing Member shall be increased to one hundred percent (100%).

(e) Notwithstanding the foregoing, distributions of Distributable Cash and Property to Denise W. Marks shall not be subject to the provisions of this Section 4.02 and no portion thereof shall be required to be held in a Vesting Escrow.

4.03 Certain Payments to the Internal Revenue Service Treated as Distributions. Notwithstanding anything to the contrary herein, to the extent that the LLC is required (as determined in the discretion of the Voting Managing Members), or elects, pursuant to applicable law, either (i) to pay tax (including estimated tax) on a Member's allocable share of LLC items of income or gain, whether or not distributed, or (ii) to withhold and pay over to the tax authorities any portion of a distribution otherwise distributable to a Member, the LLC may pay over such tax or such withheld amount to the tax authorities, and such amount shall be treated as a distribution to such Member at the time it is paid to the tax authorities. In the event that the amount paid (or paid over) to the tax authorities on behalf of a Member exceeds the amount that would have been distributed to such Member absent such tax obligation, such excess shall be treated as a demand loan from the LLC to such Member, which loan shall bear interest at the prime rate announced from time to time by The Wall Street Journal, until paid in full.

4.04 Distributions in Kind. A Member, regardless of the nature of his contribution to the LLC, shall have no right to demand or receive any distribution from the LLC in any form other than cash. The LLC may, at any time and from time to time, make distributions in kind to the Members. Any Member entitled to any interest in such assets shall, unless otherwise determined by the Members, receive separate assets of the LLC and not an interest as a tenant-in-common with other Members so entitled in any asset being distributed.

4.05 Distributions Upon Transfer or Admission. In the event that a Member acquires an interest in the LLC either by transfer from another Member or by acquisition from the LLC, the LLC shall close its books as of the date of the acquisition and Distributable Cash and Property and items thereof computed for the portion of the year ending on the date of the acquisition shall be distributed among the Members without regard to such acquisition, and Distributable Cash and items thereof computed for the portion of the year commencing on the day following the date of the acquisition shall be allocated among the Members taking into account such acquisition. For purposes of this Section 4.04, any modifications to a Member's Percentage Interest or Investment Percentage Interest for any Investment, shall be treated as if a Member acquired an interest in the LLC.

4.06 Right to Set Off Certain Amounts. The LLC may withhold from any amounts which are otherwise distributable to a Member in accordance with this Agreement, and pay over to @Ventures Management, LLC (the "Management Company"), any amount which such Member may owe to the Management Company pursuant to certain promissory notes made by such Member to the Management Company, which notes evidence loans made by the Management Company to such Member in order to enable such Member to satisfy its capital contribution obligations to the LLC.

ARTICLE V

ALLOCATION OF NET PROFITS AND NET LOSSES

5.01 Basic Allocations.

(a) Net Profits and Net Losses shall be computed on an Investment by Investment basis as of the end of each fiscal year (or other relevant period). Except as provided in Section 5.02 below (which shall be applied first) and Section 5.01(b) below, Net Profits and Net Losses attributable to a particular Investment shall be allocated among the Members in proportion to their respective Investment Percentage Interests in such Investment. Net Profits and Net Losses attributable to Other Cash Receipts shall be allocated among the Members in proportion to their respective Percentage Interests.

(b) Notwithstanding Section 5.01(a) above, Net Profits and Net Losses attributable to any assets held in a Vesting Escrow shall be specially allocated to the Managing Member to whom such Vesting Escrow relates.

(c) For purposes of this Article V, the amount of the Net Profits or Net Losses from any Investment (treating all sources of Other Cash Receipts as one Investment) shall be determined by allocating expenses incurred by the LLC among the Investments in the same manner that expenses are allocated pursuant to the last sentence of the definition of "Distributable Cash and Property."

(d) Allocations of Net Profits and Net Losses provided for in this Section 5.01 shall generally be made as of the end of the fiscal year of the LLC; provided, however, that allocations of items of Net Profits and Net Losses described in clause (vi) of the definition of "Net Profits" and "Net Losses" shall be made at the time deemed realized as described in the definition of "Capital Account."

(e) Upon admission of any Managing Member to the LLC following the date of formation of the LLC, any deduction attributable to such admission shall be allocated among the Managing Members of the LLC (determined immediately prior to the admission of such new Managing Member), in proportion to such Managing Members' respective Percentage Interests as in effect immediately prior to such admission.

5.02 Regulatory Allocations. Notwithstanding the provisions of Section 5.01 above, the following allocations of Net Profits, Net Losses and items thereof shall be made in the following order of priority:

(a) Items of income or gain (computed with the adjustments contained in paragraphs (i), (ii) and (iii) of the definition of "Net Profits and Net Losses") for any taxable period shall be allocated to the Members in the manner and to the minimum extent required by the "minimum gain chargeback" provisions of Treasury Regulation Section 1.704-2(f) and Treasury Regulation Section 1.704-2(i)(4).

(b) All "nonrecourse deductions" (as defined in Treasury Regulation Section 1.704-2(b)(1)) of the LLC for any year shall be allocated to the Members in the manner in which Net Profits and Net Losses are allocated; provided, however, that nonrecourse deductions attributable to "partner nonrecourse debt" (as defined in Treasury Regulation Section 1.704-2(b)(4)) shall be allocated to the Members in accordance with the provisions of Treasury Regulation Section 1.704-2(i)(1).

(c) Items of income or gain (computed with the adjustments contained in paragraphs (i), (ii) and (iii) of the definition of "Net Profits and Net Losses") for any taxable period shall be allocated to the Members in the manner and to the extent required by the "qualified income offset" provisions of Treasury Regulation Section 1.704-1(b)(2)(ii)(d).

(d) In no event shall Net Losses of the LLC be allocated to a Member if such allocation would cause or increase a negative balance in such Member's Capital Account (determined for purposes of this Section 5.02(d) only, by increasing the Member's Capital Account balance by (i) the amount the Member is obligated to restore to the LLC pursuant to Treasury Regulation Section 1.704-1(b)(2)(ii)(c) and (ii) such Member's share of "minimum gain" and of "partner nonrecourse debt minimum gain" as determined pursuant to Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5), respectively).

(e) Except as otherwise provided herein or as required by Code Section 704, for tax purposes, all items of income, gain, loss, deduction or credit shall be allocated to the Members in the same manner as are Net Profits and Net Losses; provided, however, that if the Carrying Value of any property of the LLC differs from its adjusted basis for tax purposes, then items of income, gain, loss, deduction or credit related to such property for tax purposes shall be allocated among the Members so as to take account of the variation between the adjusted basis of the property for tax purposes and its Carrying Value in the manner provided for under Code Section 704(c).

(f) In the event that Net Profits, Net Losses or items thereof in respect of any Investment are allocated to one or more Members pursuant to subsections (a) or (b) above, subsequent Net Profit, Net Losses or items thereof will first be allocated (subject to the provisions of subsections (a) and (b)) to the Members in a manner designed to result in each Member having been allocated an amount of Net Profits, Net Losses or items thereof attributable to each Investment as such Member would have been allocated had Section 5.02 not been contained in this Agreement.

5.03 Allocations Upon Transfer or Admission. In the event that a Member acquires an interest in the LLC either by transfer from another Member or by acquisition from the LLC, the LLC shall close its books as of the date of the acquisition and Net Profits, Net Losses and items thereof computed for the portion of the year ending on the date of the acquisition shall be allocated among the Members without regard to such acquisition, and Net Profits, Net Losses and items thereof computed for the portion of the year commencing on the day following the date of the acquisition shall be allocated among the Members taking into account such acquisition. For purposes of this Section 5.03, any modifications to a Member's Percentage Interest or Investment Percentage Interest for any Investment, shall be treated as if a Member acquired an interest in the LLC.

ARTICLE VI

MANAGEMENT

6.01 Management of the LLC. (a) Subject to the provisions of this Agreement and the Act, all powers shall be exercised by or under the authority of, and the business and affairs of the LLC shall be controlled by the Members.

(b) Except to the extent that this Agreement specifically provides for a higher or lower number or percentage of Members, all decisions respecting any matter set forth herein or otherwise affecting or arising out of the conduct of the business of the LLC shall be made by action of a Majority in Number of the Voting Managing Members; provided that, Voting Managing Members with respect to whom an Event of Forfeiture has occurred shall have no right to vote on or participate in any matter or decision to be made by the Voting Managing Members and shall be disregarded for all purposes in determining the number of Voting Managing Members which constitute a Majority in Number of the Voting Managing Members. Except to the extent specifically provided in this Agreement, the Non-Voting Managing Members shall not be entitled to vote on, consent to or approve any matter relating to the conduct of the LLC's business. The Voting Managing Members, by action of a Majority in Number thereof, may at any time and from time to time change the status of any Managing Member from Voting to Non-Voting, and vice versa.

Subject to the foregoing, the Voting Managing Members shall have the exclusive right and full authority to manage, conduct and operate the LLC business. Specifically, but not by way of limitation, the Voting Managing Members (by action of such Majority in Number) shall be authorized, for and on behalf of the LLC:

(i) to borrow money, to issue evidences of indebtedness and to guarantee the debts of others for whatever purposes they may specify, and, as security therefor, to pledge or otherwise encumber the assets of the LLC;

(ii) to cause to be paid on or before the due date thereof all amounts due and payable by the LLC to any person or entity;

(iii) to employ such agents, employees, managers, accountants, attorneys, consultants and other persons necessary or appropriate to carry out the business and affairs of the LLC, whether or not any such persons so employed are Members or are affiliated or related to any Member, and to pay such fees, expenses, salaries, wages and other compensation to such persons as the Members shall in their sole discretion determine;

(iv) to pay, extend, renew, modify, adjust, submit to arbitration, prosecute, defend or compromise, upon such terms as they may determine and upon such evidence as they may deem sufficient, any obligation, suit, liability, cause of action or claim, including taxes, either in favor of or against the LLC;

(v) to pay any and all fees and to make any and all expenditures which the Voting Managing Members, in their discretion, deem necessary or appropriate in connection with the organization of the LLC, and the carrying out of its obligations and responsibilities under this or any other Agreement;

(vi) to invest the assets of the LLC, and to lease, sell, finance, refinance or dispose of all or any portion of the LLC's property;

(vii) to cause the LLC to make or revoke any of the elections referred to in Sections 108, 704, 709, 754 or 1017 of the Code or any similar provisions enacted in lieu thereof, or in any other Section of the Code;

(viii) to establish and maintain reserves for such purposes and in such amounts as they deem appropriate from time to time;

(ix) to pay all organizational expenses and general and administrative expenses of the LLC;

(x) to deal with, or otherwise engage in business with, or provide services to and receive compensation therefor from, any person who has provided or may in the future provide any services to, lend money to, sell property to, or purchase property from the LLC, including without limitation, a Member;

(xi) to engage in any kind of activity and to perform and carry out contracts of any kind necessary to, or in connection with, or incidental to the accomplishment of the purposes of the LLC;

(xii) to compromise the obligation of a Member to make a contribution to the capital of the LLC or to return to the LLC money or other property paid or distributed to such Member in violation of this Agreement or the Act;

(xiii) to cause to be paid any and all taxes, charges and assessments that may be levied, assessed or imposed upon any of the assets of the LLC, unless the same are contested by the Voting Managing Members;

(xiv) to exercise all powers and authority granted by the Act to members, except as otherwise specifically provided in this Agreement;

(xv) to cause the LLC to take any of the foregoing actions in the name and on behalf of the Funds, in the LLC's respective capacity as a general partner or managing member, as applicable, of any Fund;

(xvi) to exercise all other rights, powers, privileges and other incidents of ownership with respect to the interest of the LLC in each of the Funds, and to perform the LLC's respective obligations under the Fund Agreements.

(c) Notwithstanding the foregoing, the Voting Managing Members shall not be authorized to take any of the following actions without the prior approval of the Capital Member:

(i) to do any act that is in contravention of this Agreement or that is not consistent with the purposes of the LLC;

(ii) to do any act that would make it impossible to carry on the ordinary business of the LLC;

(iii) to guarantee the obligations of any Portfolio Company; or

(iv) to take any other action which requires the consent of the Capital Member pursuant to this Agreement.

Other than as set forth in this Section 6.01(c), the Capital Member shall not participate in the management or control of the LLC and shall have no authority to act for or bind the LLC.

(d) Any Managing Member is authorized to execute, deliver and file on behalf of the LLC any documents to be filed with the Secretary of State of the State of Delaware. The signature of one Managing Member on any agreement, contract, instrument or other document shall be sufficient to bind the LLC in respect thereof and conclusively evidence the authority of such Managing Member and the LLC with respect thereto, and no third party need look to any other evidence or require the joinder or consent of any other party.

(e) Each Managing Member is authorized to use the title "Managing Director" when acting on behalf of the LLC in the conduct of the LLC's business.

(f) The Voting Managing Members, by action of a Majority in Number of the Voting Managing Members exclusive of the Managing Member as to whom the determination is being made, shall determine whether or not "Cause" is present in connection with the termination of the relationship of a Managing Member with the LLC. A Managing Member's relationship with the LLC may be terminated for Cause only after a hearing to consider the matter. Any such hearing shall be held only after written notice has been given to all Members, including the Managing Member proposed to be terminated. Such notice must be given not less than 10 days prior to such hearing, and must specify the time and place at which the hearing will be held, and a general statement of the nature of the charges against the Managing Member proposed to be terminated. At such hearing, the Managing Member proposed to be terminated will have an opportunity to respond to the charges constituting Cause. None of the Members (including the Managing Member proposed to be terminated), may be represented at such hearing by counsel or other representatives. At the time any such notice is given, or any time thereafter, but prior to a decision of a Majority in Number of the Voting Managing Members following the hearing, a Majority in Number of the Voting Managing Members (exclusive of the Member proposed to be terminated) may immediately relieve the Managing Member proposed to be terminated of his or her duties and responsibilities hereunder pending a decision.

6.02 Tax Matters Partner. Andrew J. Hajducky, III shall be the tax matters partner for the LLC pursuant to Code Sections 6221 through 6231.

6.03 Liability of the Members; Indemnification.

(a) No Member shall be liable to the LLC or any other Member for any act or omission taken by the Member in good faith and in the belief that such act or omission is in the best interests of the LLC; provided that such act or omission is not in violation of this Agreement and does not constitute negligence, misconduct, fraud or a willful violation of law by the Member. No Member shall be liable to the LLC or any other Member for any action taken by any other Member, nor shall any Member (in the absence of negligence, misconduct, fraud or a willful violation of law by the Member) be liable to the LLC or any other Member for any action of any employee or agent of the LLC provided that the Member shall have exercised appropriate care in the selection and supervision of such employee or agent.

(b) Each Member and its respective partners, agents, employees and Affiliates (the "Indemnitees") shall be and hereby are (i) indemnified and held harmless by the LLC and (ii) released by the other Members from and against any and all claims, demands, liabilities, costs, expenses, damages, losses, suits, proceedings and actions for which such Indemnitee has not otherwise been reimbursed (collectively, "Liabilities"), whether judicial, administrative, investigative or otherwise, of any nature whatsoever, known or unknown, liquidated or unliquidated, that may accrue to the LLC or any other Member or in which any of the Indemnitees may become involved, as a party or otherwise, arising out of the conduct of the business or affairs of the LLC by the respective Indemnitee or otherwise relating to this Agreement, provided that an Indemnitee shall not be entitled to indemnification or release hereunder if it shall have been determined by (i) in the case of the Capital Member or an Indemnitee claiming by or through the Capital Member, a court of competent jurisdiction, or (ii) in the case of any Managing Member or an Indemnitee claiming by or through the Managing Member, by the Capital Member, that (x) such person did not act in good faith and in a manner such person reasonably believed to be in the best interests of the LLC and, in the case of a criminal proceeding, did not have reasonable cause to believe that its conduct was lawful, or (y) such Liabilities shall have arisen from a violation of this Agreement or the negligence, misconduct, fraud or willful violation of law by such Indemnitee, or actions of such Indemnitee outside the scope of and unauthorized by this Agreement, and provided further that an Indemnitee shall not be entitled to indemnification hereunder with respect to any liability arising in connection with its activities performed for or on behalf of any Portfolio Company, the securities of which have been sold or have been distributed to the Members pursuant to Article IV, if such activities were performed after the date on which such securities were sold or distributed. The termination of any proceeding by settlement shall not, of itself, create a presumption that the Indemnitee did not act in good faith and in a manner that such person reasonably believed to be in the best interests of the LLC or that the Indemnitee did not have reasonable cause to believe that its conduct was lawful. The indemnification rights provided for in this Section 6.03 shall survive the termination of the LLC or this Agreement.

Expenses incurred by an Indemnitee in defense or settlement of any claim that may be subject to a right of indemnification hereunder may be advanced by the LLC prior to the final disposition thereof provided that the following conditions are satisfied: (i) the claim relates to the performance of duties or services by the Indemnitee on behalf of the LLC and (ii) the Indemnitee undertakes to repay the advanced funds to the LLC if it is ultimately determined that the Indemnitee is not entitled to be indemnified hereunder or under applicable law. The right of any Indemnitee to indemnification provided herein shall be cumulative of, and in addition to, any and all rights to which such Indemnitee may otherwise be entitled by contract or as a matter of law or equity and shall extend to such Indemnitee's successors, assigns and legal representatives. The obligations of the Members under this Section 6.03(b) shall be satisfied only after any applicable insurance proceeds have been exhausted and then only out of LLC assets and, to the extent required by law, distributions made by the LLC to the Members, and the Members shall have no liability to fund any indemnification payment hereunder.

6.04 Liability of Members. The liability of the Members for the losses, debts and obligations of the LLC shall be limited to their capital contributions; provided, however, that under applicable law, the Members may under certain circumstances be liable to the LLC to the extent of previous distributions made to them in the event that the LLC does not have sufficient assets to discharge its liabilities.

6.05 Certain Fees and Expenses. All out-of-pocket expenses reasonably incurred by any Member in connection with the LLC's business (including an allocable share of certain overhead and similar expenses of the Capital Member) shall be paid by the LLC or reimbursed to the Member by the LLC.

6.06 Other Activities.

(a) Subject to Sections 6.06(b) and Section 6.07 below, the Members and their respective Affiliates may engage in and possess interests in other business ventures and investment opportunities of every kind and description, independently or with others, including serving as directors, officers, stockholders, managers, members and general or limited partners of corporations, partnerships or other limited liability companies with purposes similar to or the same as those of the LLC. Neither the LLC nor any other Member shall have any rights in or to such ventures or opportunities or the income or profits therefrom.

(b) Each Managing Member agrees that (I) during his or her employment by the Employer, and (II) while he or she holds any interest in the LLC, and (III) for a period of three (3) years following termination of his or her employment relationship with the Employer if such employment is terminated: (A) by the Managing Member voluntarily, or (B) by the Employer for Cause, such Managing Member will not, directly or indirectly:

(x) recruit, solicit or induce, or attempt to induce, any employee or consultant of the Employer or of any Portfolio Company or of any Affiliate of any of them to terminate his or her employment with, or otherwise cease any relationship with, the Employer or any Portfolio Company or any Affiliate of any of them; or

(y) solicit, divert, take away, or attempt to divert or take away, any investment opportunity with respect to any Portfolio Company or any investment opportunity with respect to any prospective investment or prospective portfolio company which the Employer contacted or solicited during such Managing Member's employment relationship with the Employer.

If any restriction set forth herein is found by any court to be unenforceable because it extends for too long a period of time, or over too great a range of activities, or over too broad a geographic area, the restriction shall be interpreted to extend only over the maximum period of time, range of activities, or geographic area which the court finds to be enforceable. Each Managing Member acknowledges and agrees that the restrictions contained in this Section 6.06(b) are necessary for the protection of the business and goodwill of the Employer, the Portfolio Companies and the Affiliates of any of them and are considered by such Managing Member to be reasonable for such purpose and that his or her interest in the LLC is being received partly in consideration for the foregoing covenant.

6.07 Commitment of Members. Each of the Managing Members hereby agrees to use its best efforts in connection with the purposes and objectives of the LLC and to devote to such purposes and objectives such of its time and resources as shall be necessary for the management of the affairs of the LLC.

6.08 Conflicts of Interest. No contract or transaction between the LLC and one or more of its Members or Affiliates, or between the LLC and any other corporation, partnership association or other organization in which one or more of its Members or Affiliates are directors, officers, members, managers or partners or have a financial interest, shall be void or voidable solely for such reason, or solely because the Member or Affiliate is present at or participates in any meeting of Managing Members which authorizes the contract or transaction, or solely because his, her or its votes are counted for such purpose, if:

(i) the material facts as to his, her or its interest as to the contract or transaction are disclosed or are known to the Voting Managing Members and the Voting Managing Members authorize the contract or transaction by a vote sufficient for such purpose without counting the vote of any interested Voting Managing Member even though the disinterested Voting

Managing Members may be less than a Majority in Number of the Voting Managing Members entitled to vote thereon; or

(ii) the material facts as to his, her or its interest and as to the contract or transaction are disclosed or are known to the Voting Managing Members entitled to vote thereon, and the contract or transaction is specifically approved by a vote of the Voting Managing Members; or

(iii) the contract or transaction is fair to the LLC or its Affiliates as of the time it is authorized, approved or ratified by the Voting Managing Members.

ARTICLE VII

BOOKS, RECORDS AND BANK ACCOUNTS

7.01 Books and Records. The Managing Members shall keep or cause to be kept just and true books of account with respect to the operations of the LLC. Such books shall be maintained at the LLC's principal place of business, or at such other place as the Members shall determine, and all Members, and their duly authorized representatives, shall at all reasonable times have access to such books as well as any information required to be made available to the Members under the Act. The Managing Members shall not be required to deliver or mail copies of the LLC's Certificate of Formation or copies of certificates of amendment thereto or cancellation thereof to the Members, although such documents shall be available for review and/or copying by the Members at the LLC's principal place of business.

7.02 Accounting Basis and Fiscal Year. The LLC's books shall be kept on the accrual method of accounting, or on such other method of accounting as the Members may from time to time determine, and shall be closed and balanced at the end of each fiscal year of the LLC. The fiscal year of the LLC shall be the calendar year.

7.03 Bank Accounts. The Managing Members shall be responsible for causing one or more accounts to be maintained in a bank (or banks), which accounts shall be used for the payment of the expenditures incurred by the Managing Members in connection with the business of the LLC, and in which shall be deposited any and all cash receipts of the LLC. All deposits and funds not needed for the operations of the LLC may be invested in such short-term investments as the Managing Members may determine. All such amounts shall be and remain the property of the LLC, and shall be received, held and disbursed by the Managing Members for the purposes specified in this Agreement. There shall not be deposited in any of said accounts any funds other than funds belonging to the LLC, and no other funds shall in any way be commingled with such funds.

7.04 Reports to Members. Within 90 days after the end of each fiscal year, the Managing Members shall cause the LLC to furnish to each Member (i) such information as may be needed to enable the Members to file their federal income tax returns and any required state income tax returns, and (ii) an audited balance sheet of the LLC as of the last day of such fiscal year, and audited financial statements of the LLC for such fiscal year. The cost of such reporting shall be paid by the LLC as a LLC expense. Any Member may, at any time, at its own expense, cause an audit of the LLC books to be made by a certified public accountant of its own selection. All expenses incurred by such accountant shall be borne by such Member.

ARTICLE VIII

TRANSFERS OF INTERESTS OF MEMBERS

8.01 Substitution and Assignment of Member's Interest.

(a) Subject to Section 8.01(b) below, no Managing Member may sell, transfer, assign, pledge, hypothecate or otherwise dispose of all or any part of its interest in the LLC (whether voluntarily, involuntarily or by operation of law), unless (i) the Capital Member and (ii) a Majority in Number of the Voting Managing Members (exclusive of the transferor) shall have previously consented to such transfer, assignment, pledge, hypothecation or disposition in writing, the granting or denying of which consent shall be in such Members' absolute discretion. The provisions of this Section 8.01(a) shall not be applicable to any assignment of the interest of a Managing Member to a Permitted Transferee (provided that no such Permitted Transferee may be admitted to the LLC as a substitute Member except as provided in Section 8.01(c) below). Subject to Section 8.01(b) below, the Capital Member may sell, transfer, assign, pledge, hypothecate or otherwise dispose of all or any part of its interest in the LLC without the consent or approval of any other Member, provided that the transferee of any such interest may not be admitted to the LLC as a substitute Member except as provided in Section 8.01(c) below.

(b) No assignment of the interest of a Member shall be made if, in the opinion of counsel to the LLC, such assignment (i) may not be effected without registration under the Securities Act of 1933, as amended, (ii) would result in the violation of any applicable state securities laws, (iii) would result in a termination of the LLC under Section 708 of the Code, unless such a transfer is consented to by (i) the Capital Member and (ii) a Majority in Number of the Voting Managing Members, (iv) would result in the treatment of the LLC as an association taxable as a corporation or as a "publicly-traded limited partnership" for tax purposes, unless such a transfer is consented to by all Members or (v) would require the LLC or any Fund to register as an investment company under the Investment Company Act of 1940, as amended, or as an investment advisor under the Investment Advisors Act of 1940, as amended. The LLC shall not be required to recognize any assignment until the instrument conveying such interest has been delivered to the LLC for recordation on the books of the LLC. Unless an assignee becomes a substituted Member in accordance with the provisions of Section 8.01(c), it shall not be entitled to any of the rights granted to a Member hereunder, other than the right to receive all or part of the share of the Net Profits, Net Losses, distributions of cash or property or returns of capital to which his assignor would otherwise be entitled.

(c) An assignee of the interest of a Member, or any portion thereof, shall become a substituted Member entitled to all the rights of a Member if, and only if:

(i) the assignor gives the assignee such right;

(ii) in the case of an assignee of a Managing Member, the Capital Member and a Majority in Number of the Voting Managing Members (exclusive of the assignor) consent to such substitution, the granting or denying of which consent shall be in the other Members' absolute discretion;

(iii) in the case of an assignee of the Capital Member, a Majority in Number of the Voting Managing Members consent to such substitution, the granting or denying of which consent shall be in the Voting Managing Members' absolute discretion, except that, in the case of a transfer all or substantially all of the business or assets of CMGI (by sale of assets, sale of stock, merger or otherwise), including its indirect interest in the LLC, no such consent of the Voting Managing Members shall be required;

(iv) the assignee or the assignor pays to the LLC all costs and expenses incurred in connection with such substitution, including specifically, without limitation, costs incurred in the review and processing of the assignment and in amending this Agreement; and

(v) the assignee executes and delivers such instruments, in form and substance satisfactory to the LLC, as may be necessary or desirable to effect such substitution and to confirm the agreement of the assignee to be bound by all of the terms and provisions of this Agreement.

Unless a Majority in Number of the Voting Managing Members (exclusive of the assignor) otherwise approve, any assignee of the interest of a Voting Managing Member who becomes a substitute Managing Member shall be and become a Voting Managing Member, and any assignee of the interest of a Non-Voting Managing Member who becomes a substitute Managing Member shall be and become a Non-Voting Managing Member.

(d) The LLC and the Members shall be entitled to treat the record owner of any interest in the LLC as the absolute owner thereof in all respects, and shall incur no liability for distributions of cash or other property made in good faith to such owner until such time as a written assignment of such interest has been received and accepted by the Managing Members and recorded on the books of the LLC. The Managing Members may refuse to accept an assignment until the end of the next successive quarterly accounting period. In no event shall any interest in the LLC, or any portion thereof, be sold, transferred or assigned to a minor or incompetent, and any such attempted sale, transfer or assignment shall be void and ineffectual and shall not bind the LLC.

(e) If a Member who is an individual dies or a court of competent jurisdiction adjudges him to be incompetent to manage his person or his property, the Member's executor, administrator, guardian, conservator or other legal representative may exercise all of the Member's rights hereunder, but solely for the purpose of settling his estate or administering his property, and in no event shall such executor, administrator, guardian, conservator or legal representative participate in any way in the conduct of the business of the LLC, or in the making of any decision or the taking of any action provided for hereunder (including without limitation, Section 6.01(a) or (b)) for any other purpose. If a Member is a corporation, trust or other entity, and is dissolved or terminated, the powers of that Member may be exercised by its legal representative or successor.

8.02 Additional Members.

(a) Except as provided in Section 8.01, additional Members may be admitted to the LLC only upon the written consent of the Capital Member and a Majority in Number of the Voting Managing Members. Any such consent shall specify

(i) the capital contribution, if any, and the Percentage Interest of the additional Member, (ii) whether such Managing Member is a Voting or Non-Voting Managing Member and (iii) any other rights and obligations of such additional Member. Such approval shall bind all Members. In connection with any such admission of an additional Member, this Agreement (including Schedules A and B) shall be amended to reflect the additional Member, its capital contribution, if any, its Percentage Interest, its Vesting Commencement Date, and any other rights and obligations of the additional Member. In connection with any such admission of an additional Member, the Percentage Interest or other rights and interests of the Capital Member in the LLC may not be diluted or otherwise modified or adjusted without the specific written consent of the Capital Member.

(b) Unless all Voting Managing Members (exclusive of those with respect to whom an Event of Forfeiture has occurred) otherwise agree, in connection with the admission of any additional Managing Member to the LLC, the Percentage Interests of all Managing Members shall be diluted proportionately based on their respective Percentage Interests immediately prior to any such admission.

(c) Each Managing Member, and each person who is hereinafter admitted to the LLC as a Managing Member, hereby (i) consents to the admission to the LLC of any such third party on such terms as may be approved by the Members in accordance with this Section 8.02, and to any amendment to this Agreement which may be necessary or appropriate to reflect the admission of any such third party and the terms of its interest in the LLC, and (ii) acknowledges that, in connection with any admission of any such person, such Member's interest in allocations of Net Profits and Net Losses and distributions of cash and property of the LLC, and net proceeds upon liquidation of the LLC, may be diluted or otherwise altered (subject to the provisions of this Section 8.02). Any amendment to this Agreement which shall be made in order to effectuate the provisions of this Section 8.02 shall be executed by the Capital Member and a Majority in Number of the Voting Managing Members, and any such amendment shall be binding upon all of the Members.

8.03 Reallocation of Percentage Interests. The Voting Managing Members, by action of a Majority in Number thereof, may not later than 10 business days following the commencement of any fiscal year, elect to modify the respective Percentage Interests of the Managing Members. Any such determination to modify the Percentage Interests of the Managing Members shall be made based on the respective professional and managerial contribution and anticipated contribution to the business of the LLC of the Managing Members, and any such determination shall take effect as of the first day of such fiscal year, and shall not otherwise have any retroactive effect. In no event shall the Percentage Interest of the Capital Member be modified or adjusted as a result of this Section 8.03. In connection with any such adjustment, Schedule B shall be amended accordingly, and all Members shall be bound by the determination of a Majority in Number of the Voting Managing Members.

ARTICLE IX

DISSOLUTION AND TERMINATION

9.01 Events of Dissolution.

(a) The LLC shall be dissolved:

(i) on a date designated in writing by (A) the Capital Member and (B) a Majority in Number of the Voting Managing Members;

(ii) following the dissolution (following which the business is not continued) of the last to dissolve of the Funds, and the liquidation of all of assets of the Funds and the winding up of their respective businesses;

(iii) upon the sale or other disposition of all of the LLC's assets; or

(iv) upon the entry of a decree of judicial dissolution under Section 18-802 of the Act.

(b) Dissolution of the LLC shall be effective on the day on which the event occurs giving rise to the dissolution, but the LLC shall not terminate until the LLC's Certificate of Formation shall have been cancelled and the assets of the LLC shall have been distributed as provided herein. Notwithstanding the dissolution of the LLC, prior to the termination of the LLC, as aforesaid, the business of the LLC and the affairs of the Members, as such, shall continue to be governed by this Agreement. A liquidator appointed by the Voting Managing Members (who may be a Member), shall liquidate the assets of the LLC, and distribute the proceeds thereof as contemplated by this Agreement and cause the cancellation of the LLC's Certificate of Formation.

9.02 Distributions Upon Liquidation.

(a) After payment of liabilities owing to creditors, the liquidator shall set up such reserves as it deems reasonably necessary for any contingent or unforeseen liabilities or obligations of the LLC (including without limitation, any liabilities or obligations to the Funds). Said reserves may be paid over by such liquidator to a bank, to be held in escrow for the purpose of paying any such contingent or unforeseen liabilities or obligations and, at the expiration of such period as such liquidator may deem advisable, such reserves shall be distributed to the Members or their assigns in the manner set forth in paragraph (b) below.

(b) After paying such liabilities and providing for such reserves, the liquidator shall cause the remaining net assets of the LLC to be distributed to all Members with positive Capital Account balances (after such balances have been adjusted to reflect all debits and credits required by applicable Treasury Regulations under Section 704(b) of the Code for all events through and including the distribution in liquidation of the LLC), in proportion to and to the extent of such positive balances. In the event that any part of such net assets consists of notes or accounts receivable or other non-cash assets, the liquidator may take whatever steps it deems appropriate to convert such assets into cash or into any other form which would facilitate the distribution thereof. If any assets of the LLC are to be distributed in kind, such assets shall be distributed on the basis of their fair market value net of any liabilities. No Member other than the Capital Member shall have any right or interest in or to the name "@ Ventures" and all rights and interest in such name shall, upon termination of the LLC, be assigned and transferred to the Capital Member.

ARTICLE X

MISCELLANEOUS

10.01 Notices. Except as otherwise specifically provided in this Agreement, any and all notices, requests, elections, consents or demands permitted or required to be made under this Agreement shall be in writing, signed by the Member giving such notice, request, election, consent or demand, and shall be delivered personally, or sent by registered or certified mail, or by overnight mail, Federal Express or other similar commercial overnight courier, to the other Member or Members at their addresses set forth in Schedule A, and, in the case of a notice to the LLC, at the address of its principal office as set forth in Article I hereof, or at such other address as may be supplied by written notice given in conformity with the terms of this Section 10.01. The date of personal delivery, three days after the date of mailing, the business day after delivery to an overnight courier, as the case may be, or the date of actual delivery if sent by any other method, shall be the date of such notice.

10.02 Successors and Assigns. Subject to the restrictions on transfer set forth herein, this Agreement, and each and every provision hereof, shall be binding upon and shall inure to the benefit of the Members, their respective successors, successors-in-title, heirs and assigns, and each and every successor-in-interest to any Member, whether such successor acquires such interest by way of gift, purchase, foreclosure, or by any other method, shall hold such interest subject to all of the terms and provisions of this Agreement.

10.03 Amendments. Except as otherwise specifically provided in this Agreement (including without limitation, Section 3.04 and Article VIII), this Agreement may be amended or modified only by (i) the Capital Member and (ii) a Majority in Number of the Voting Managing Members; provided that (x) no such amendment shall increase the liability of, increase the obligations of or adversely affect the interest of, any Member without the specific approval of such Member (other than upon the occurrence of an Event of Forfeiture, upon admission of a Managing Member in accordance with Section 8.02 or upon the adjustment of the Percentage Interests of the Managing Members in accordance with Section 8.03); (y) if any provision of this Agreement provides for the approval or consent of a greater number of Members or of Members holding a higher percentage of the total Percentage Interests of the Members, any amendment effectuated pursuant to such provision, and any amendment to such provision, shall require the approval or consent of such greater number of Members or of Members holding such higher percentage of Percentage Interests; and (z) subject to clauses (x) and (y) above, any amendment to this Section 10.03 shall require the approval of (i) the Capital Member and (ii) Managing Members holding not less than two-thirds of all Percentage Interests held by all Managing Members.

10.04 Partition. The Members hereby agree that no Member nor any successor-in-interest to any Member, shall have the right while this Agreement remains in effect to have the property of the LLC partitioned, or to file a complaint or institute any proceeding at law or in equity to have the property of the LLC partitioned, and each Member, on behalf of himself, his successors, representatives, heirs and assigns, hereby waives any such right. It is the intention of the Members that during the term of this Agreement, the rights of the Members and their successors-in-interest, as among themselves, shall be governed by the terms of this Agreement, and that the right of any Member or successor-in-interest to assign, transfer, sell or otherwise dispose of his interest in the LLC shall be subject to the limitations and restrictions of this Agreement.

10.05 No Waiver. The failure of any Member to insist upon strict performance of a covenant hereunder or of any obligation hereunder, irrespective of the length of time for which such failure continues, shall not be a waiver of such Member's right to demand strict compliance in the future. No consent or waiver, express or implied, to or of any breach or default in the performance of any obligation hereunder, shall constitute a consent or waiver to or of any other breach or default in the performance of the same or any other obligation hereunder.

10.06 Entire Agreement. This Agreement constitutes the full and complete agreement of the parties hereto with respect to the subject matter hereof.

10.07 Captions. Titles or captions of Articles or sections contained in this Agreement are inserted only as a matter of convenience and for reference, and in no way define, limit, extend or describe the scope of this Agreement or the intent of any provision hereof.

10.08 Counterparts. This Agreement may be executed in a number of counterparts, all of which together shall for all purposes constitute one Agreement, binding on all the Members notwithstanding that all Members have not signed the same counterpart.

10.09 Applicable Law. This Agreement and the rights and obligations of the parties hereunder shall be governed by and interpreted, construed and enforced in accordance with the laws of the State of Delaware.

10.10 Gender, Etc. In the case of all terms used in this Agreement, the singular shall include the plural and the masculine gender shall include the feminine and neuter, and vice versa, as the context requires.

10.11 Creditors. None of the provisions of this Agreement shall be for the benefit of or enforceable by any creditor of any Member or of the LLC other than a Member who is such a creditor of the LLC.

IN WITNESS WHEREOF, the Members have signed and sworn to this Agreement under penalties of perjury as of the date first above written.

CAPITAL MEMBER:

CMG @ VENTURES CAPITAL CORP.

By /s/ Andrew J. Hajducky III

Name Andrew J. Hajducky III

Title CFO

MANAGING MEMBERS:

/s/ David S. Wetherell

David S. Wetherell

/s/ Guy A. Bradley

Guy A. Bradley

/s/ Jonathan Callaghan

Jonathan Callaghan

/s/ Andrew J. Hajducky, III

Andrew J. Hajducky, III

/s/ Peter H. Mills

Peter H. Mills

/s/ Marc Poirier

Marc Poirier

/s/ Brad Garlinghouse

Brad Garlinghouse

/s/ David J. Nerrow, Jr.

David J. Nerrow, Jr.

EXHIBIT 10.73

FIRST AMENDMENT TO LIMITED LIABILITY COMPANY AGREEMENT OF @VENTURES PARTNERS III, LLC

THIS FIRST AMENDMENT, dated as of the 15th day of October, 2000, to the Limited Liability Company Agreement dated as of June 30, 1999 (the "Agreement"), of @Ventures Partners III, LLC, a Delaware limited liability company (the "LLC"), is by and among the persons named as Members on Schedule A to the Agreement. Capitalized terms used herein, and not otherwise defined herein, shall have the respective meanings ascribed to them in the Agreement.

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Members hereby amend the Agreement as follows.

1. Amendment to Section 4.02 to Allow Certain Hedging Activities. Section 4.02 of the Agreement is hereby amended by adding, at the end thereof, the following subsection (f):

> "(f) The LLC may, at the request and on behalf of any Managing Member, engage in hedging activities with respect to securities held in the Vesting Escrow of such Managing Member, provided that (i) a Majority in Number of the Voting Managing Members approves in advance any such hedging activities; (ii) the Managing Member for whose benefit the hedging activities were undertaken bears all of the costs incurred in connection with such activities and indemnifies the LLC in writing with respect to any costs or losses incurred by the LLC in connection with any such activities; and (iii) the securities held in such Managing Member's Vesting Escrow may not be used to settle any "hedged" position until such time as such securities are released to such Managing Member from such Vesting Escrow.
>
> The Voting Managing Members, by action of Two-thirds in Number thereof, may determine to engage in hedging activities with respect to all of the LLC's securities of a Portfolio Company which are held in Vesting Escrows, in which case all Managing Members for whom a Vesting Escrow which includes such Portfolio Company security shall be bound by such hedging arrangements. If the Managing Members determine to hedge Portfolio Company securities pursuant to the preceding sentence, the Managing Members shall bear all of the costs incurred in connection with such activities and indemnify the LLC in writing with respect to any costs or losses incurred by the LLC in connection with any such activities; and the securities held in the Managing Members' Vesting Escrows may not be used to settle any "hedged" position until such time as such securities are released to the Managing Members from such Vesting Escrow.
>
> The Managing Members agree and acknowledge that, if the LLC has engaged in hedging activities with respect to securities held in a Vesting Escrow pursuant to and in accordance with this Section 4.02(f), and an Event of Forfeiture occurs with respect to a

Member whose Vesting Escrow includes such hedged securities, then the Managing Members who are entitled to a share of the forfeited Vesting Escrow which includes such "hedged" securities will receive "hedged" securities upon such forfeiture. In no event shall the Capital Member or the LLC bear any of the costs associated with any hedging activities permitted by this Section. Except as permitted in this Section 4.02(f), the LLC shall not engage in any other hedging activities except with the prior approval of the Capital Member."

2. No Other Amendments. In all other respects, the Agreement is hereby ratified and confirmed.

[Signature pages follow.]

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the date first above written.

CAPITAL MEMBER:

CMG @VENTURES CAPITAL CORP.

By /s/ Illegible

Name

Title

MANAGING MEMBERS:

/s Guy A. Bradley

Guy A. Bradley

/s/ Jonathan Callaghan

Jonathan Callaghan

/s/ Brad Garlinghouse

Brad Garlinghouse

/s/ Andrew J. Hajducky III

Andrew J. Hajducky, III

/s/ Denise W. Marks

Denise W. Marks

/s/ Peter H. Mills

Peter H. Mills

/s/ David J. Nerrow

David J. Nerrow, Jr.

/s/ Marc Poirier

Marc Poirier

/s/ David S. Wetherell

David S. Wetherell

EXHIBIT 10.74

LIMITED LIABILITY COMPANY AGREEMENT OF
@ VENTURES INVESTORS, LLC

THIS LIMITED LIABILITY COMPANY AGREEMENT of @ Ventures Investors, LLC (the "LLC"), dated as of July 31, 1999, is by and among the persons named on Schedule A attached hereto, each of whom is designated as either a Class A Member or a Class B Member.

WHEREAS, the LLC was formed as a limited liability company pursuant to the Delaware Limited Liability Company Act, by the filing, on August 3, 1998, in the Office of the Secretary of State of the State of Delaware, of a Certificate of Formation for the LLC (the "Certificate"); and

WHEREAS, the Members desire to enter into this Agreement to set forth the agreements among the Members with respect to the LLC, all as more fully set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and in consideration of the agreements hereinafter set forth, the parties hereby agree as follows:

ARTICLE I

DEFINITIONS

The following capitalized terms used in this Agreement shall have the respective meanings ascribed to them below:

"Act" means the Delaware Limited Liability Company Act, in effect at the time of the initial filing of the Certificate with the Office of the Secretary of State of the State of Delaware, and as thereafter amended from time to time.

"Affiliate" shall mean, with respect to any specified person or entity, (i) any person or entity that directly or indirectly controls, is controlled by, or is under common control with such specified person or entity; (ii) any person or entity that directly or indirectly controls 10% or more of the outstanding equity securities of the specified entity or of which the specified person or entity is directly or indirectly the owner of 10% or more of any class of equity securities; (iii) any person or entity that is an officer of, director of, manager of, partner in, or trustee of, or serves in a similar capacity with respect to, the specified person or entity or of which the specified person or entity is an officer, director, partner, manager or trustee, or with respect to which the specified person or entity serves in a similar capacity; or (iv) any person that is a spouse, mother, father, brother, sister or lineal descendant of the specified person.

"Agreement" means this Limited Liability Company Agreement as it may be amended, supplemented, or restated from time to time.

"Capital Account" means a separate account maintained for each Member and adjusted in accordance with Treasury Regulations under Section 704 of the Code. To the extent consistent with such Treasury Regulations, the adjustments to such accounts shall include the following:

(i) There shall be credited to each Member's Capital Account the amount of any cash actually contributed by such Member to the capital of the LLC, the fair market value of any property contributed by such Member to the capital of the LLC, the amount of liabilities of the LLC assumed by the Member or to which property distributed to the Member was subject and such Member's share of the Net Profits of the LLC and of any items in the nature of income or gain separately allocated to the Members; and there shall be charged against each Member's Capital Account the amount of all cash distributions to such Member, the fair market value of any property distributed to such Member by the LLC, the amount of liabilities of the Member assumed by the LLC or to which property contributed by the Member to the LLC was subject and such Member's share of the Net Losses of the LLC and of any items in the nature of losses or deductions separately allocated to the Members.

(ii) If the LLC at any time distributes any of its assets in-kind to any Member, the Capital Account of each Member shall be adjusted to account for that Member's allocable share of the Net Profits, Net Losses or items thereof that would be realized by the LLC if it sold the assets that were distributed at their respective fair market values (taking Code Section 7701(g) into account) immediately prior to their distribution.

(iii) If elected by the LLC in accordance with Section 6.01(b) hereof, at any time specified in Treasury Regulation Section 1.704-1(b)(2)(iv)(f), the Capital Account balance of each Member shall be adjusted to the extent provided under such Treasury Regulation to reflect the Member's allocable share (as determined under Article V) of the items of Net Profits or Net Losses that would be realized by the LLC if it sold all of its property at its fair market value (taking Code Section 7701(g) into account) on the day of the adjustment.

"Carrying Value" means, with respect to any asset, the asset's adjusted basis for federal income tax purposes; provided, however, that (i) the initial Carrying Value of any asset contributed to the LLC shall be adjusted to equal its gross fair market value at the time of its contribution and (ii) the Carrying Values of all assets held by the LLC shall be adjusted to equal their respective gross fair market values (taking Code Section 7701(g) into account) upon an adjustment to the Capital Accounts of the Members described in paragraph (iii) of the definition of "Capital Account." The Carrying Value of any asset whose Carrying Value was adjusted pursuant to the preceding sentence thereafter shall be adjusted in accordance with the provisions of Treasury Regulation Section 1.704-1(b)(2)(iv)(g).

"Certificate" means the Certificate of Formation creating the LLC, as it may, from time to time, be amended in accordance with the Act.

"Class A Member" shall refer severally to any person named as a Class A Member in this Agreement and any person who becomes an additional, substitute or replacement Class A Member as permitted by this Agreement, in such person's capacity as a Class A Member of the LLC. "Class A Members" shall refer collectively to all such persons in their capacities as Class A Members.

"Class B Member" shall refer severally to any person named as a Class B Member in this Agreement and any person who becomes an additional, substitute or replacement Class B Member as permitted by this Agreement, in such person's capacity as a Class B Member of the LLC. "Class B Members" shall refer collectively to all such persons in their capacities as Class B Members.

"CMGI" means CMGI Inc., a Delaware corporation.

"CMGI Fund" means CMG @ Ventures III, LLC, a Delaware limited liability company.

"CMGI Fund Agreement" means the Limited Liability Company Agreement of the CMGI Fund, as from time to time amended and in effect.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Distributable Cash and Property", with respect to any particular Investment shall mean, with respect to any fiscal period, the excess of all cash receipts and property of the LLC from such Investment, including dividends or distributions in respect of such Investment, proceeds from a capital transaction relating to such Investment, and any and all other sources (but excluding capital contributions of the Members) over the sum of:

(i) Any and all expenses of the LLC related directly or indirectly to such Investment (except to the extent such expenses are reattributed to one or more other Investments pursuant to clause (ii) below), including an allocable share of the following types of LLC expenses:

(A) cash disbursements for all items which are customarily considered to be "operating expenses";

(B) payments of interest, principal and premium and points and other costs of borrowing under any indebtedness of the LLC;

(C) payments made to purchase or sell securities, and brokerage commissions, finders fees and transaction costs;

(D) payments made to purchase inventory or capital assets, and for capital construction, rehabilitation, acquisitions, alterations and improvements; and

(E) amounts set aside as reserves for working capital, contingent liabilities, replacements or for any of the expenditures described in clauses (A), (B), (C) and (D) above which are deemed by the Class B Members (in their reasonable discretion) to be necessary to meet the current and anticipated future needs of the LLC; and

(ii) The amount of expenses described in clause (i) above that (A) are attributable to another Investment (the "Other Investment"), (B) are not paid from the receipts of cash and property attributable to the Other Investment as a result of the total expenses attributable to the Other Investment for the fiscal period exceeding the total receipts of cash and property attributable to the Other Investment for the fiscal period and (C) are paid from the receipts of cash and property in respect of the Investment for which the computation of Distributable Cash and Property is being made (the "First Investment"); provided, however, that if Distributable Cash and Property with respect to the First Investment is reduced as a result of this clause (ii), a corresponding amount of the next amount of Distributable Cash and Property with respect to the Other Investment shall be treated as a receipt attributable to the First Investment.

For purposes of determining Distributable Cash or Property in respect of any particular Investment, the Class B Members shall allocate all LLC expenses of the types described in clauses (i) and (ii) above among all Investments and to Other Cash Receipts in such manner as they may reasonably determine.

"Distributable Other Cash" means, with respect to any fiscal period, the excess of Other Cash Receipts over the sum of the types of expenses described in clause (i) of the definition of "Distributable Cash and Property" which the Class B Members reasonably allocate to Other Cash Receipts.

"Domestic Fund" means @ Ventures III, L.P., a Delaware limited partnership.

"Domestic Fund Agreement" means the Limited Partnership Agreement of the Domestic Fund, as from time to time amended and in effect.

"Employer" shall mean the LLC, the Management Company, any Fund, CMGI or any Affiliate of any of them. For purposes of this Agreement, a Portfolio Company shall not constitute an Affiliate of any of the LLC, any Fund or CMGI (and a Member shall not be deemed to be employed by the Employer if such Member is employed by a Portfolio Company), unless the Class B Members specifically elect in writing treat a Portfolio Company as an Affiliate and such Portfolio Company falls within the definition of "Affiliate" set forth above.

"Foreign Fund" means @ Ventures Foreign Fund III, L.P., a Delaware limited partnership.

"Foreign Fund Agreement" means the Limited Partnership Agreement of the Foreign Fund, as from time to time amended and in effect.

"Funds" means the Domestic Fund, the Foreign Fund and the CMGI Fund, and "Fund" means any one of the Funds.

"Investment" means each investment (excluding short-term investments made pending investments in securities in Portfolio Companies) made by the LLC. The LLC will invest only in Portfolio Companies in which one or more of the Funds invests (excluding short-term investments made by any Fund pending investments in securities in Portfolio Companies), and only at substantially the same times and upon substantially the same terms upon which the Funds invest in such Portfolio Companies.

"Investment Percentage Interest" means each Member's percentage interest in an Investment, as specified on the Investment Schedule for such Investment.

"Investment Schedule" means, with respect to each Investment, a Schedule which shall be attached to this Agreement at such time as the Investment is made and shall reflect the information described in Section 3.03(a) hereof with respect to the Investment.

"LLC" means the limited liability company formed pursuant to the Certificate and this Agreement, as it may from time to time be constituted and amended.

"Majority in Number of the Class B Members" means, with respect to a particular action or matter, a majority in number of the Class B Members then entitled to vote on the action.

"Management Company" means @Ventures Management, LLC, a Delaware limited liability company which provides management services to the Funds.

"Maximum Contribution Obligation" for any Class A Member means the amount set forth opposite such Class A Member's name on Schedule A hereto, as amended and in effect from time to time.

"Member" shall refer severally to any person named as a Class A Member or Class B Member in this Agreement and any person who becomes an additional, substitute or replacement Class A Member or Class B Member as permitted by this Agreement, in such person's capacity as a Member of the LLC. "Members" shall refer collectively to all such persons in their capacities as Members.

"Net Profits" and "Net Losses" mean the taxable income or loss, as the case may be, for a period as determined in accordance with Code Section 703(a), but computed with the following adjustments:

(i) Items of gain, loss, and deduction shall be computed based upon the Carrying Values of the LLC's assets (in accordance with Treasury Regulation Sections 1.704(b)(2)(iv)(g) and/or 1.704-3(d)) rather than upon the assets' adjusted bases for federal income tax purposes;

(ii) Any tax-exempt income received by the LLC shall be included as an item of gross income;

(iii) The amount of any adjustments to the Carrying Values of any assets of the LLC pursuant to Code Section 743 shall not be taken into account;

(iv) Any expenditure of the LLC described in Code Section 705(a)(2)(B) (including any expenditures treated as being described in Section 705(a)(2)(B) pursuant to Treasury Regulations under Code Section 704(b)) shall be treated as a deductible expense; and

(v) The amount of any items of Net Profits or Net Losses deemed realized pursuant to paragraphs (ii) and (iii) of the definition of "Capital Account" shall be included in the computation.

"Other Cash Receipts" means cash receipts of the LLC, exclusive of capital contributions of the Members, which the Class B Members reasonably determine are not allocable to Investments.

"Percentage Interest" shall be the percentage interest of a Member set forth in Schedule B, as amended from time to time, and subject to adjustment pursuant to Sections 3.04, 8.02 and 8.03.

"Permitted Transferee" means (A) any Member; (B) any spouse, parent, lineal descendant, brother, sister, or spouse of a brother or sister of a Member; (C) any trust, corporation or partnership or other entity in which any Member and/or one of the persons designated in clause (B) is a principal, beneficiary, majority stockholder, member or limited or general partner with an aggregate interest in profits and losses of greater than fifty percent; (D) grantors or beneficiaries of a trust which is (or of which the trustees thereof are, in their capacities as trustees) a Member; or (E) charitable foundations created or primarily endowed by a Member or a member of his or her family.

"Portfolio Company" means the issuer of any security in which the LLC invests other than issuers of short-term investments pending investment in long-term investments. The LLC will invest only in Portfolio Companies in which one or more Funds invests.

"Securities Act" means the Securities Act of 1933, as amended.

"Separation Event" shall mean and shall be deemed to have occurred in the event that:

(x) a Member dies or becomes mentally or physically disabled (as determined by a physician licensed in the Commonwealth of Massachusetts, selected by the Class B Members (exclusive of any Class B Member as to whom the determination is being made) or a conservator or guardian is appointed for the benefit of any Class B Member or his property;

(y) the employment or other service relationship of such Member to the Employer is terminated with or without cause; or

(z) a Member defaults in its obligation to make Capital Contributions to the LLC pursuant to Section 3.01 below.

ARTICLE II

GENERAL PROVISIONS

2.01 Formation of Limited Liability Company; Foreign Qualification. The LLC was formed as a limited liability company under the Act on August 3, 1998, by the filing on such date of the Certificate in the Office of the Secretary of State of the State of Delaware.

Prior to the LLC's conducting business in any jurisdiction other than the State of Delaware, the LLC shall comply, to the extent procedures are available, with all requirements necessary to qualify the LLC as a foreign limited liability company in each such jurisdiction where foreign qualification is either necessary or appropriate. Each Member shall execute, acknowledge, swear to and deliver all certificates and other instruments conforming to this Agreement that are necessary or appropriate to qualify, or, as appropriate, to continue or terminate the foreign qualification of, the LLC as a limited liability company in all such jurisdictions in which the LLC may conduct business.

2.02 Name of the LLC. The name of the LLC shall be @ Ventures Investors, LLC.

2.03 Business of the LLC. The general character of the business of the LLC is to (a) invest in each company in which one or more of the Funds invests, and (b) engage in any activities directly or indirectly related or incidental thereto which may be lawfully conducted by a limited liability company formed under the laws of the State of Delaware. Each investment made by the LLC shall (i) be in an amount which, when added to the amounts invested by the Funds in such company, will equal 2% of the aggregate amount invested in such company by the Funds and the LLC, (ii) be made at substantially the same time at which such Funds invest in such company, and (iii) be upon substantially the same terms upon which such Funds invest in such company.

2.04 Place of Business of the LLC; Resident Agent. The address of the principal place of business of the LLC, and the office at which the LLC will maintain its records is 100 Brickstone Square, Andover, Massachusetts 01810. the LLC's registered office in Delaware is c/o Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware, 19810, and the LLC's registered agent for service of process in Delaware is Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware, 19810. The Class B Members may at any time and from time to time change the LLC's principal place of business, establish additional places of business, change the LLC's registered agent or registered office in Delaware, and in each case shall promptly provide notice of any of such actions (identifying all such offices and agents) to all Members.

2.05 Duration of the LLC. The term of the LLC commenced on August 3, 1998, and the LLC shall have perpetual existence, unless earlier terminated in accordance with Article IX hereof.

2.06 Members' Names and Addresses. The name and address of each Member are set forth on Schedule A. Additional Members may be admitted in accordance with the procedures specified in Article VIII. A Member may not resign from the LLC at any time.

2.07 No Partnership. The LLC is not intended to be a general partnership, limited partnership or joint venture, and no Member shall be considered to be a partner or joint venturer of any other Member, for any purposes other than foreign and domestic federal, state, provincial and local income tax purposes, and this Agreement shall not be construed to suggest otherwise.

2.08 Title to LLC Property. All property owned by the LLC, whether real or personal, tangible or intangible, shall be deemed to be owned by the LLC as an entity, and no Member, individually, shall have any ownership of such property. The LLC may hold any of its assets in its own name or in the name of its nominee, which nominee may be one or more trusts. Any property held by a nominee trust for the benefit of the LLC shall, for purposes of this Agreement, be treated as if such property were directly owned by the LLC.

2.09 Nature of Member's Interest. The interests of all of the Members in the LLC are personal property and shall not, under any circumstances, be considered real property.

2.10 Investment Representations. Each Member, by execution of this Agreement or an amendment hereto reflecting such Member's admission to the LLC, hereby represents and warrants to the LLC that:

(a) It is acquiring an interest in the LLC for its own account for investment only, and not with a view to, or for sale in connection with, any distribution thereof in violation of the Securities Act or any rule or regulation thereunder.

(b) It understands that (i) the interest in the LLC it is acquiring has not been registered under the Securities Act or applicable state securities laws and cannot be resold unless subsequently registered under the Securities Act and such laws or unless an exemption from such registration is available, (ii) such registration under the Securities Act and such laws is unlikely at any time in the future and neither the LLC nor the Members are obligated to file a registration statement under the Securities Act or such laws, and (iii) the assignment, sale, transfer, exchange, or other disposition of the interests in the LLC is restricted in accordance with the terms of this Agreement.

(c) It has had such opportunity as it has deemed adequate to ask questions of and receive answers from representatives of the LLC concerning the LLC, and to obtain from representatives of the LLC such information which the LLC possesses or can acquire without unreasonable effort or expense, as is necessary to evaluate the merits and risks of an investment in the LLC.

(d) It has, either alone or with its professional advisers, sufficient experience in business, financial and investment matters to be able to evaluate the merits and risks involved in investing in the LLC and to make an informed investment decision with respect to such investment.

(e) It can afford a complete loss of the value of its investment in the LLC and is able to bear the economic risk of holding such investment for an indefinite period.

(f) If it is an entity, (i) it is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, (ii) it has full organizational power to execute and deliver this Agreement and to perform its obligations hereunder, (iii) its execution, delivery and performance of this Agreement has been authorized by all requisite action on behalf of the entity, and (iv) it has duly executed and delivered this Agreement.

ARTICLE III

CAPITAL CONTRIBUTIONS

3.01 Capital Contributions.

(a) Each Member shall be required to contribute capital to the LLC in accordance with this Section 3.01. In no event shall any Class A Member be required or permitted to contribute to the LLC, in the aggregate, an amount which exceeds such Class A Member's Maximum Contribution Obligation.

(b) As and when the LLC determines to make an Investment, the Members participating in such Investment, as more fully described below (the "Participating Members") shall be required to contribute capital to the LLC in an aggregate amount sufficient to enable the LLC to make such Investment. Each Participating Member shall contribute to the LLC his or her proportionate share of the amount required to enable the LLC to make such Investment determined in the manner hereinafter provided. Each Participating Member's proportionate share of the total amount required shall equal a fraction, the numerator of which shall be such Participating Member's Percentage Interest on the date on which the capital contribution is called for, and the denominator of which shall be the aggregate Percentage Interests of all Participating Members on such date, provided, however, (i) that in no event shall a Class A Member be required or permitted to contribute to the LLC any amount if such amount, together with all amounts previously contributed by such Class A Member to the LLC would exceed such Class A Member's Maximum Contribution Obligation, and (ii) if, as a result of the limitation contained in the preceding clause (i), a Class A Member's proportionate share of a particular capital call is reduced, the amount of such capital call to be made by the Participating Class B Members as a group shall be correspondingly increased (such increase to be allocated among such Participating Class B Members based on their respective Percentage Interests). As used herein, "Participating Members" means all Members of the LLC, other than (x) Members for whom a Separation Event has occurred and (y) Class A Members who have made aggregate capital contributions to the LLC equal to their Maximum Contribution Obligation.

(c) Subject to the limitations on Class A Members specified in Section 3.01(a), the Class B Members may call for capital for other LLC purposes as they may from time to time reasonably determine, and any capital called for pursuant to this Section 3.01(c) shall be contributed by the Members exclusive of Members for whom a Separation Event has occurred in proportion to their respective Percentage Interests on the date on which such capital is called for.

(d) The Class B Members shall call for capital from all Members for the purposes specified in this Section 3.01 from time to time as needed. In connection with any such call, the Class B Members shall provide to each Member notice of a call for capital (which notice may be given in writing or by electronic mail), which notice shall specify the aggregate amount called for by the LLC, a general statement of the purposes for which such capital call is being made, each Member's share of the total amount called for, and the date on which the capital contribution is due (which shall, to the extent reasonably practicable, be not less than 10 days after the date of the notice).

(e) The LLC shall maintain written records indicating the amount of capital contributed by each Member to the LLC.

(f) The LLC may elect to withhold from any amounts which are otherwise distributable to a Member in accordance with the terms of this Agreement any amount which such Member may be required to contribute to the LLC pursuant to this Section 3.01. In addition, the LLC may withhold from any amounts which are otherwise distributable to a Member in accordance with this

Agreement, and pay over to the Management Company, any amount which such Member may owe to the Management Company pursuant to certain promissory notes made by such Member to the Management Company, which notes evidence loans made by the Management Company to such Member in order to enable such Member to satisfy its capital contribution obligations to the LLC.

3.02 No Additional Capital. Except as provided in this Article III, no Member shall be obligated or permitted to contribute any additional capital to the LLC. No interest shall accrue on any contributions to the capital of the LLC, and no Member shall have the right to withdraw or to be repaid any capital contributed by it or to receive any other payment in respect of its interest in the LLC, including without limitation as a result of the withdrawal or resignation of such Member from the LLC, except as specifically provided in this Agreement.

3.03 Anticipated Operations of the LLC.

(a) As and when any Fund determines to make an investment (other than a short-term investment), the LLC shall make an Investment in the same issuer, in the amounts and on the terms described in Section 2.03. In connection therewith, the Class B Members shall call for capital in accordance with Section 3.01(b), and after such capital contributions are made, the Class B Members shall create an Investment Schedule for such Investment, which shall be attached to this Agreement. The Investment Schedule for each Investment shall reflect (a) the Portfolio Company issuing the securities, (b) the acquisition date, (c) the number and class or series of shares of such securities, (d) the purchase price and/or other consideration payable by the LLC therefor, (e) the Investment Percentage Interest of each of Participating Member in such Investment (determined in the manner hereinafter provided) and (f) such other information, if any, as the Class B Members may deem appropriate.

(b) The Investment Percentage Interest of each Member in each Investment shall equal the amount of the capital contribution made by such Participating Member to the LLC to enable the LLC to acquire such Investment divided by the aggregate amount of the capital contributions made by all Members to the LLC to enable the LLC to acquire such Investment.

3.04 Separation Event.

(a) Upon the occurrence of a Separation Event with respect to any member:

> (i) Such Member's Percentage Interest in the LLC shall, from and after the date of the Separation Event, be reduced to zero, and the Percentage Interest in the LLC of all Class B Members (exclusive of any Class B Member for whom a Separation Event has occurred) shall be increased by an aggregate amount equal to the amount of the Percentage Interest of the Member for whom the Separation Event has occurred (such increase to be allocated among them in proportion to their respective Percentage Interests immediately prior to the adjustment contemplated hereby).
>
> (ii) Such Member shall not be entitled to participate in any Investment made by the LLC from and after the date of the Separation Event.
>
> (iii) Such Member, if a Class B Member, shall have no right to vote on or participate in any decision or matter on or in which Class B Members are entitled to vote or participate and such Class B Member shall be disregarded for all purposes in determining the number of Class B Members which constitute a Majority in Number of the Class B Members.
>
> (iv) Such Member shall not be required to make any capital contributions to the LLC from and after the date of the Separation Event.

(v) Such Member shall automatically and without any action on the part of the LLC, such Member or any other Member, be deemed to have withdrawn from the LLC on the first date on which the LLC no longer owns any Investment in which such Member has an Investment Percentage Interest.

The Class B Members shall make all determinations under this Section 3.04 (including determinations as to when and whether a Separation Event has occurred, and the adjustment of the Percentage Interests of the Members in connection therewith), in their reasonable discretion.

(b) Schedules A and B shall be amended as required to effectuate the provisions of this Section 3.04(b), any such amendments to be approved by a Majority in Number of the Class B Members and attached to this Agreement.

ARTICLE IV

DISTRIBUTIONS

4.01 Distribution of Distributable Cash and Property and Distributable Other Cash.

(a) Distributable Cash and Property of the LLC shall be distributed on an Investment by Investment basis, at such times and in such amounts as the Class B Members may in their reasonable discretion determine. Any non-cash distributions made to the Members shall be valued at their respective fair market values, as determined by the Class B Members in good faith and in a manner consistent with the valuation procedures established in the Domestic Fund Agreement and the Foreign Fund Agreement. Distributable Other Cash shall be distributed, in such amounts as the Class B Members may determine, not less frequently than quarterly, within 30 days following the last day of each fiscal quarter of the LLC.

(b) Subject to the provisions of Section 9.02(b) below: (i) Distributable Cash and Property related to an Investment shall be distributed to the Members in proportion to their respective Investment Percentage Interests in such Investment; and (ii) Distributable Other Cash shall be distributed to the Members in proportion to their respective Percentage Interests on the date the LLC makes such distribution.

(c) The Class B Members will use reasonable efforts to cause the LLC to distribute to each Member in each year the Tax Distribution Amount (as defined below), which amount shall be treated as an advance against future distributions to such Member pursuant to Section 4.01(b) above. The Tax Distribution Amount shall equal an amount which, when added to all distributions previously made to the Member pursuant to this Section 4.01 from the inception of the LLC, equals the product of (i) the Member's allocable share of the net taxable income of the LLC computed on an aggregate cumulative basis from the inception of the LLC and (ii) the highest combined marginal rate of federal and Massachusetts state income tax applicable to individuals for any year since the inception of the LLC. Separate Tax Distribution Amounts shall be computed with respect to each Investment, and, to the extent practicable, the required distribution of the Tax Distribution Amount attributable to a particular Investment for a particular period shall be satisfied by a distribution of Distributable Cash and Property attributable to such Investment. To the extent that the required distribution of the Tax Distribution Amount attributable to a particular Investment is satisfied by a distribution of Distributable Cash and Property attributable to another Investment, rules similar to those set forth in the parenthetical in clause (i) and clause (ii) of the definition of "Distributable Cash and Property" shall apply.

4.02 Certain Payments to the Internal Revenue Service Treated as Distributions.

(a) For purposes of this Section 4.03, the Class B Members may assume that any Member who fails to provide to the LLC satisfactory evidence of its tax status for United States federal income tax purposes is a foreign person taxable as corporation.

(b) Notwithstanding anything to the contrary herein, to the extent that the LLC is required, or elects, pursuant to applicable law, either (i) to pay tax (including estimated tax) on a Member's allocable share of LLC items of income or gain, whether or not distributed, or (ii) to withhold and pay over to the tax authorities any portion of a distribution otherwise distributable to a Member, the LLC may pay over such tax or such withheld amount to the tax authorities, and such amount shall be treated as a distribution to such Member at the time it is paid to the tax authorities. In the event that the amount paid (or paid over) to the tax authorities on behalf of any Member exceeds the amount which would have been distributed to such Member absent such tax obligation, such excess shall be treated as a demand loan from the LLC to such Member, which loan shall bear interest at the prime rate announced from time to time by The Wall Street Journal, until paid in full.

4.03 Distributions in Kind. A Member, regardless of the nature of his contribution to the LLC, shall have no right to demand or receive any distribution from the LLC in any form other than cash. The LLC may, at any time and from time to time, make distributions in kind to the Members. Any Member entitled to any interest in such assets shall, unless otherwise determined by the Members, receive separate assets of the LLC and not an interest as a tenant-in-common with other Members so entitled in any asset being distributed.

ARTICLE V

ALLOCATION OF NET PROFITS AND NET LOSSES

5.01 Basic Allocations.

(a) Net Profits and Net Losses shall be computed on an Investment by Investment basis as of the end of each fiscal year (or other relevant period). Except as provided in Section 5.02 below (which shall be applied first), Net Profits and Net Losses attributable to a particular Investment shall be allocated among the Members in proportion to their respective Investment Percentage Interests in such Investment. Net Profits and Net Losses attributable to Other Cash Receipts shall be allocated among the Members in proportion to their respective Percentage Interests.

(b) For purposes of this Article V, the amount of the Net Profits or Net Losses from any Investment (treating all sources of Other Cash Receipts as one Investment) shall be determined by allocating expenses incurred by the LLC among the Investments in the same manner that expenses are allocated pursuant to the last sentence of the definition of "Distributable Cash and Property."

(c) Allocations of Net Profits and Net Losses provided for in this Section 5.01 shall generally be made as of the end of the fiscal year of the LLC; provided, however, that allocations of items of Net Profits and Net Losses described in clause (v) of the definition of "Net Profits" and "Net Losses" shall be made at the time deemed realized as described in the definition of "Capital Account."

5.02 Regulatory Allocations. Notwithstanding the provisions of Section 5.01 above, the following allocations of Net Profits, Net Losses and items thereof shall be made in the following order of priority:

(a) Items of income or gain (computed with the adjustments contained in paragraphs (i), (ii) and (iii) of the definition of "Net Profits and Net Losses") for any taxable period shall be allocated to the Members in the manner and to the minimum extent required by the "minimum gain chargeback" provisions of Treasury Regulation Section 1.704-2(f) and Treasury Regulation Section 1.704-2(i)(4).

(b) All "nonrecourse deductions" (as defined in Treasury Regulation Section 1.704-2(b)(1)) of the LLC for any year shall be allocated to the Members in the manner in which Net Profits and Net Losses are allocated; provided, however, that nonrecourse deductions attributable to "partner nonrecourse debt" (as defined in Treasury Regulation Section 1.704-2(b)(4)) shall be allocated to the Members in accordance with the provisions of Treasury Regulation Section 1.704-2(i)(1).

(c) Items of income or gain (computed with the adjustments contained in paragraphs (i), (ii) and (iii) of the definition of "Net Profits and Net Losses") for any taxable period shall be allocated to the Members in the manner and to the extent required by the "qualified income offset" provisions of Treasury Regulation Section 1.704-1(b)(2)(ii)(d).

(d) In no event shall Net Losses of the LLC be allocated to a Member if such allocation would cause or increase a negative balance in such Member's Capital Account (determined for purposes of this Section 5.02(d) only, by increasing the Member's Capital Account balance by (i) the amount the Member is obligated to restore to the LLC pursuant to Treasury Regulation Section 1.704-1(b)(2)(ii)(c) and (ii) such Member's share of "minimum gain" and of "partner nonrecourse debt minimum gain" as determined pursuant to Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5), respectively).

(e) Except as otherwise provided herein or as required by Code Section 704, for tax purposes, all items of income, gain, loss, deduction or credit shall be allocated to the Members in the same manner as are Net Profits and Net Losses; provided, however, that if the Carrying Value of any property of the LLC differs from its adjusted basis for tax purposes, then items of income, gain, loss, deduction or credit related to such property for tax purposes shall be allocated among the Members so as to take account of the variation between the adjusted basis of the property for tax purposes and its Carrying Value in the manner provided for under Code Section 704(c).

(f) In the event that Net Profits, Net Losses or items thereof in respect of any Investment are allocated to one or more Members pursuant to subsections (a) through (d) above, subsequent Net Profit, Net Losses or items thereof will first be allocated (subject to the provisions of subsections (a) through (d)) to the Members in a manner designed to result in each Member having been allocated an amount of Net Profits, Net Losses or items thereof attributable to each Investment as such Member would have been allocated had Section 5.02 not been contained in this Agreement.

ARTICLE VI

MANAGEMENT

6.01 Management of the LLC. (a) Subject to the provisions of this Agreement and the Act, all powers shall be exercised by or under the authority of, and the business and affairs of the LLC shall be controlled by the Members.

(b) Except to the extent that this Agreement specifically provides for a higher or lower number or percentage of Members, all decisions respecting any matter set forth herein or otherwise affecting or arising out of the conduct of the business of the LLC shall be made by action of a Majority in Number of the Class B Members; provided that, Class B Members with respect to whom a Separation Event has occurred shall have no right to vote on or participate in any matter or decision to be made by the Class B Members and shall be disregarded for all purposes in determining the number of Class B Members which constitute a Majority in Number of the Class B Members. Subject to the foregoing, the Class B Members shall have the exclusive right and full authority to manage, conduct and operate the LLC business. Specifically, but not by way of limitation, the Class B Members (by action of such Majority in Number) shall be authorized, for and on behalf of the LLC:

(i) to borrow money, to issue evidences of indebtedness and to guarantee the debts of others for whatever purposes they may specify, and, as security therefor, to pledge or otherwise encumber the assets of the LLC;

(ii) to cause to be paid on or before the due date thereof all amounts due and payable by the LLC to any person or entity;

(iii) to employ such agents, employees, managers, accountants, attorneys, consultants and other persons necessary or appropriate to carry out the business and affairs of the LLC, whether or not any such persons so employed are Members or are affiliated or related to any Member, and to pay such fees, expenses, salaries, wages and other compensation to such persons as the Members shall in their sole discretion determine;

(iv) to pay, extend, renew, modify, adjust, submit to arbitration, prosecute, defend or compromise, upon such terms as they may determine and upon such evidence as they may deem sufficient, any obligation, suit, liability, cause of action or claim, including taxes, either in favor of or against the LLC;

(v) to pay any and all fees and to make any and all expenditures which the Class B Members, in their discretion, deem necessary or appropriate in connection with the organization of the LLC, and the carrying out of its obligations and responsibilities under this or any other Agreement;

(vi) to invest the assets of the LLC, and to lease, sell, finance, refinance or dispose of all or any portion of the LLC's property;

(vii) to cause the LLC to make or revoke any of the elections referred to in Sections 108, 704, 709, 754 or 1017 of the Code or any similar provisions enacted in lieu thereof, or in any other Section of the Code;

(viii) to establish and maintain reserves for such purposes and in such amounts as they deem appropriate from time to time;

(ix) to pay all organizational expenses and general and administrative expenses of the LLC;

(x) to deal with, or otherwise engage in business with, or provide services to and receive compensation therefor from, any person who has provided or may in the future provide any services to, lend money to, sell property to, or purchase property from the LLC, including without limitation, a Member;

(xi) to engage in any kind of activity and to perform and carry out contracts of any kind necessary to, or in connection with, or incidental to the accomplishment of the purposes of the LLC;

(xii) to compromise the obligation of a Member to make a contribution to the capital of the LLC or to return to the LLC money or other property paid or distributed to such Member in violation of this Agreement or the Act;

(xiii) to cause to be paid any and all taxes, charges and assessments that may be levied, assessed or imposed upon any of the assets of the LLC, unless the same are contested by the Class B Members; and

(xiv) to exercise all powers and authority granted by the Act to members, except as otherwise specifically provided in this Agreement.

(d) Any Class B Member is authorized to execute, deliver and file on behalf of the LLC any documents to be filed with the Secretary of State of the State of Delaware. The signature of one Class B Member on any agreement, contract, instrument or other document shall be sufficient to bind the LLC in respect thereof and conclusively evidence the authority of such Class B Member and the LLC with respect thereto, and no third party need look to any other evidence or require the joinder or consent of any other party.

(e) Each Class B Member is authorized to use the title "Managing Director" when acting on behalf of the LLC in the conduct of the LLC's business.

(f) No Class A Member, in his or her capacity as such, shall be authorized to act for or on behalf of or to bind the LLC.

6.02 Tax Matters Partner. Andrew J. Hajducky, III shall be the tax matters partner for the LLC pursuant to Code Sections 6221 through 6231.

6.03 Liability of the Members; Indemnification.

(a) No Member shall be liable to the LLC or any other Member for any act or omission taken by the Member in good faith and in the belief that such act or omission is in the best interests of the LLC; provided that such act or omission is not in violation of this Agreement and does not constitute negligence, misconduct, fraud or a willful violation of law by the Member. No Member shall be liable to the LLC or any other Member for any action taken by any other Member, nor shall any Member (in the absence of negligence, misconduct, fraud or a willful violation of law by the Member) be liable to the LLC or any other Member for any action of any employee or agent of the LLC provided that the Member shall have exercised appropriate care in the selection and supervision of such employee or agent.

(b) Each Member and its respective partners, agents, employees and Affiliates (the "Indemnitees") shall be and hereby are (i) indemnified and held harmless by the LLC and (ii) released by the other Members from and against any and all claims, demands, liabilities, costs, expenses, damages, losses, suits, proceedings and actions for which such Indemnitee has not otherwise been reimbursed (collectively, "Liabilities"), whether judicial, administrative, investigative or otherwise, of any nature whatsoever, known or unknown, liquidated or unliquidated, that may accrue to the LLC or any other Member or in which any of the Indemnitees may become involved, as a party or otherwise, arising out of the conduct of the business or affairs of the LLC by the respective Indemnitee or otherwise relating to this Agreement, provided that an Indemnitee shall not be entitled to indemnification or release hereunder if it shall have been determined by a Majority in Number of the Class B Members that (x) such person did not act in good faith and in a manner such person reasonably believed to be in the best interests of the LLC and, in the case of a criminal proceeding, did not have reasonable cause to believe that its conduct was lawful, or (y) such Liabilities shall have arisen from a violation of this Agreement or the negligence, misconduct, fraud or willful violation of law by such Indemnitee, or actions of such Indemnitee outside the scope of and unauthorized by this Agreement, and provided further that an Indemnitee shall not be entitled to indemnification hereunder with respect to any liability arising in connection with its activities performed for or on behalf of any Portfolio Company, the securities of which have been sold or have been distributed to the Members pursuant to Article IV, if such activities were performed after the date on which such securities were sold or distributed. The termination of any proceeding by settlement shall not, of itself, create a presumption that the Indemnitee did not act in good faith and in a manner that such person reasonably believed to be in the best interests of the LLC or that the Indemnitee did not have reasonable cause to believe that its conduct was lawful. The indemnification rights provided for in this Section 6.03 shall survive the termination of the LLC and this Agreement.

Expenses incurred by an Indemnitee in defense or settlement of any claim that may be subject to a right of indemnification hereunder may be advanced by the LLC prior to the final disposition thereof provided that the following conditions are satisfied: (i) the claim relates to the performance of duties or services by the Indemnitee on behalf of the LLC and (ii) the Indemnitee undertakes to repay the advanced funds to the LLC if it is ultimately determined that the Indemnitee is not entitled to be indemnified hereunder or under applicable law. The right of any Indemnitee to indemnification provided herein shall be cumulative of, and in addition to, any and all rights to which such Indemnitee may otherwise be entitled by contract or as a matter of law or equity and shall extend to such Indemnitee's successors, assigns and legal representatives. The obligations of the Members under this Section 6.03(b) shall be satisfied only after any applicable insurance proceeds have been exhausted and then only out of LLC assets and, to the extent required by law, distributions made by the LLC to the Members, and the Members shall have no liability to fund any indemnification payment hereunder.

6.04 Liability of Members. The liability of the Members for the losses, debts and obligations of the LLC shall be limited to their capital contributions; provided, however, that under applicable law, the Members may under certain circumstances be liable to the LLC to the extent of previous distributions made to them in the event that the LLC does not have sufficient assets to discharge its liabilities.

6.05 Certain Fees and Expenses. All out-of-pocket expenses reasonably incurred by any Member in connection with the LLC's business (other than overhead and similar expenses of any Member) shall be paid by the LLC or reimbursed to the Member by the LLC.

6.06 Other Activities.

(a) Subject to Section 6.06(b) below, the Members and their respective Affiliates may engage in and possess interests in other business ventures and investment opportunities of every kind and description, independently or with others, including serving as directors, officers, stockholders, managers, members and general or limited partners of corporations, partnerships or other limited liability companies with purposes similar to or the same as those of the LLC. Neither the LLC nor any other Member shall have any rights in or to such ventures or opportunities or the income or profits therefrom.

(b) Each Member agrees that (I) during his or her employment by the Employer, and (II) while he or she holds any interest in the LLC, such Member will not, directly or indirectly:

> (x) recruit, solicit or induce, or attempt to induce, any employee or consultant of the Employer or of any Portfolio Company or of any Affiliate of any of them to terminate his or her employment with, or otherwise cease any relationship with, the Employer or any Portfolio Company or any Affiliate of any of them; or
>
> (y) solicit, divert, take away, or attempt to divert or take away, any investment opportunity with respect to any Portfolio Company or any investment opportunity with respect to any prospective investment or prospective portfolio company which the Employer contacted or solicited during such Member's employment relationship with the Employer.

If any restriction set forth herein is found by any court to be unenforceable because it extends for too long a period of time, or over too great a range of activities, or over too broad a geographic area, the restriction shall be interpreted to extend only over the maximum period of time, range of activities, or geographic area which the court finds to be enforceable. Each Member acknowledges and agrees that the restrictions contained in this Section 6.06(b) are necessary for the protection of the business and goodwill of the Employer, the Portfolio Companies and the Affiliates of any of them and are considered by such Member to be reasonable for such purpose and that his or her interest in the LLC is being received partly in consideration for the foregoing covenant.

ARTICLE VII

BOOKS, RECORDS AND BANK ACCOUNTS

7.01 Books and Records. The Class B Members shall keep or cause to be kept just and true books of account with respect to the operations of the LLC. Such books shall be maintained at the LLC's principal place of business, or at such other place as the Members shall determine, and all Members, and their duly authorized representatives, shall at all reasonable times have access to such books as well as any information required to be made available to the Members under the Act. The Class B Members shall not be required to deliver or mail copies of the LLC's Certificate of Formation or copies of certificates of amendment thereto or cancellation thereof to the Members, although such documents shall be available for review and/or copying by the Members at the LLC's principal place of business.

7.02 Accounting Basis and Fiscal Year. The LLC's books shall be kept on the accrual method of accounting, or on such other method of accounting as the Members may from time to time determine, and shall be closed and balanced at the end of each fiscal year of the LLC. The fiscal year of the LLC shall be the calendar year.

7.03 Bank Accounts. The Class B Members shall be responsible for causing one or more accounts to be maintained in a bank (or banks), which accounts shall be used for the payment of the expenditures incurred by the Class B Members in connection with the business of the LLC, and in which shall be deposited any and all cash receipts of the LLC. All deposits and funds not needed for the operations of the LLC may be invested in such short-term investments as the Class B Members may determine. All such amounts shall be and remain the property of the LLC, and shall be received, held and disbursed by the Class B Members for the purposes specified in this Agreement. There shall not be deposited in any of said accounts any funds other than funds belonging to the LLC, and no other funds shall in any way be commingled with such funds.

7.04 Reports to Members. Within 90 days after the end of each fiscal year, the Class B Members shall cause the LLC to furnish to each Member (i) such information as may be needed to enable the Members to file their federal income tax returns and any required state income tax returns, and (ii) a balance sheet of the LLC as of the last day of such fiscal year, and financial statements of the LLC for such fiscal year, none of which need be audited. The cost of such reporting shall be paid by the LLC as a LLC expense. Any Member may, at any time, at its own expense, cause an audit of the LLC books to be made by a certified public accountant of its own selection. All expenses incurred by such accountant shall be borne by such Member.

ARTICLE VIII

TRANSFERS OF INTERESTS OF MEMBERS

8.01 Substitution and Assignment of Member's Interest.

(a) Subject to Section 8.01(b) below, no Member may sell, transfer, assign, pledge, hypothecate or otherwise dispose of all or any part of its interest in the LLC (whether voluntarily, involuntarily or by operation of law), unless a Majority in Number of the Class B Members shall have previously consented to transfer, assignment, pledge, hypothecation or disposition in writing, the granting or denying of which consent shall be in the Class B Members' absolute discretion. The provisions of this Section 8.01(a) shall not be applicable to any assignment of the interest of a Member to a Permitted Transferee (provided that no such Permitted Transferee may be admitted to the LLC as a substitute Member except as provided in Section 8.01(c) below).

(b) No assignment of the interest of a Member shall be made if, in the opinion of counsel to the LLC, such assignment (i) may not be effected without registration under the Securities Act of 1933, as amended, (ii) would result in the violation of any applicable state securities laws, (iii) would result in a termination of the LLC under Section 708 of the Code, unless such a transfer is consented to by a Majority in Number of the Class B Members, (iv) would result in the treatment of the LLC as an association taxable as a corporation or as a "publicly-traded limited partnership" for tax purposes, unless such a transfer is consented to by a Majority in Number of the Class B Members or (v) would require the LLC or any Fund to register as an investment company under the Investment Company Act of 1940, as amended, or as an investment advisor under the Investment Advisors Act of 1940, as amended. The LLC shall not be required to recognize any assignment until the instrument conveying such interest has been delivered to the LLC for recordation on the books of the LLC. Unless an assignee becomes a substituted Member in accordance with the provisions of Section 8.01(c), it shall not be entitled to any of the rights granted to a Member hereunder, other than the right to receive all or part of the share of the Net Profits, Net Losses, distributions of cash or property or returns of capital to which his assignor would otherwise be entitled.

(c) An assignee of the interest of a Member, or any portion thereof, shall become a substituted Member entitled to all the rights of a Member if, and only if:

(i) the assignor gives the assignee such right;

(ii) a Majority in Number of the Class B Members consent to such substitution, the granting or denying of which consent shall be in the Class B Members' absolute discretion;

(iii) the assignee or the assignor pays to the LLC all costs and expenses incurred in connection with such substitution, including specifically, without limitation, costs incurred in the review and processing of the assignment and in amending this Agreement; and

(iv) the assignee executes and delivers such instruments, in form and substance satisfactory to the LLC, as may be necessary or desirable to effect such substitution and to confirm the agreement of the assignee to be bound by all of the terms and provisions of this Agreement.

(d) The LLC and the Class B Members shall be entitled to treat the record owner of any interest in the LLC as the absolute owner thereof in all respects, and shall incur no liability for distributions of cash or other property made in good faith to such owner until such time as a written assignment of such interest has been received and accepted by the Class B Members and recorded on the books of the LLC. The Class B Members may refuse to accept an assignment until the end of the next successive quarterly accounting period. In no event shall any interest in the LLC, or any portion thereof, be sold, transferred or assigned to a minor or incompetent, and any such attempted sale, transfer or assignment shall be void and ineffectual and shall not bind the LLC.

(e) If a Member who is an individual dies or a court of competent jurisdiction adjudges him to be incompetent to manage his person or his property, the Member's executor, administrator, guardian, conservator or other legal representative may exercise all of the Member's rights hereunder, but solely for the purpose of settling his estate or administering his property, and in no event shall such executor, administrator, guardian, conservator or legal representative participate in any way in the conduct of the business of the LLC, or in the making of any decision or the taking of any action provided for hereunder (including without limitation, Section 6.01(a) or (b)) for any other purpose. If a Member is a corporation, trust or other entity, and is dissolved or terminated, the powers of that Member may be exercised by its legal representative or successor.

8.02 Additional Members.

(a) Additional Class A Members may be admitted to the LLC at any time and from time to time upon the written consent of a Majority in Number of the Class B Members. Additional Class B Members may be admitted to the LLC at any time and from time to time upon the written consent of a Majority in Number of the Class B Members. Any such consent shall specify the Maximum Contribution Obligation, if any, and/or the capital contribution, if any, and Percentage Interest of the additional Member, and any other rights and obligations of such additional Member. Any such approval shall bind all Members. In connection with any such admission of an additional Member, this Agreement (including Schedules A and B) shall be amended to reflect the additional Member, its capital contribution, if any, its Percentage Interest, and any other rights and obligations of the additional Member.

(b) In connection with any such admission of an additional Member, the Percentage Interest or other rights and interests of the Class A Members in the LLC shall not be diluted or otherwise modified or adjusted. Unless all Class B Members (exclusive of those with respect to whom a Separation

Event has occurred) otherwise agree in connection with the admission of any additional Member to the LLC, the Percentage Interests of all Class B Members (but not the Percentage Interests of the Class A Members) shall be diluted proportionately based on their respective Percentage Interests immediately prior to any such admission.

(c) Each Member, and each person who is hereinafter admitted to the LLC as a Class B Member, hereby consents to the admission to the LLC of any such third party on such terms as may be approved by the Class B Members in accordance with this Section 8.02, and to any amendment to this Agreement which may be necessary or appropriate to reflect the admission of any such third party and the terms of its interest in the LLC. Each Class B Member acknowledges that, in connection with any admission of any such person, such Class B Member's interest in allocations of Net Profits and Net Losses and distributions of cash and property of the LLC, and net proceeds upon liquidation of the LLC, may be diluted or otherwise altered (subject to the provisions of this Section 8.02).

(d) Any amendment to this Agreement which shall be made in order to effectuate the provisions of this Section 8.02 shall be executed by the number of Class B Members required to approve the admission of the additional Member or Members, as described in Section 8.02, and the Member being admitted to the LLC, and any such amendment shall be binding upon all of the Members.

ARTICLE IX

DISSOLUTION AND TERMINATION

9.01 Events of Dissolution.

(a) The LLC shall be dissolved:

(i) on a date designated in writing by a Majority in Number of the Class B Members;

(ii) upon the sale or other disposition of all of the LLC's assets; or

(iii) upon the entry of a decree of judicial dissolution under Section 18-802 of the Act.

(b) Dissolution of the LLC shall be effective on the day on which the event occurs giving rise to the dissolution, but the LLC shall not terminate until the LLC's Certificate of Formation shall have been cancelled and the assets of the LLC shall have been distributed as provided herein. Notwithstanding the dissolution of the LLC, prior to the termination of the LLC, as aforesaid, the business of the LLC and the affairs of the Members, as such, shall continue to be governed by this Agreement. A liquidator appointed by the Class B Members (who may be a Member), shall liquidate the assets of the LLC, and distribute the proceeds thereof as contemplated by this Agreement and cause the cancellation of the LLC's Certificate of Formation.

9.02 Distributions Upon Liquidation.

(a) After payment of liabilities owing to creditors, the liquidator shall set up such reserves as it deems reasonably necessary for any contingent or unforeseen liabilities or obligations of the LLC. Said reserves may be paid over by such liquidator to a bank, to be held in escrow for the purpose of paying any such contingent or unforeseen liabilities or obligations and, at the expiration of such period as such liquidator may deem advisable, such reserves shall be distributed to the Members or their assigns in the manner set forth in paragraph (b) below.

(b) After paying such liabilities and providing for such reserves, the liquidator shall cause the remaining net assets of the LLC to be distributed to all Members with positive Capital Account balances (after such balances have been adjusted to reflect all debits and credits required by applicable Treasury Regulations under Section 704(b) of the Code for all events through and including the distribution in liquidation of the LLC), in proportion to and to the extent of such positive balances. In the event that any part of such net assets consists of notes or accounts receivable or other non-cash assets, the liquidator may take whatever steps it deems appropriate to convert such assets into cash or into any other form which would facilitate the distribution thereof. If any assets of the LLC are to be distributed in kind, such assets shall be distributed on the basis of their fair market value net of any liabilities. No Member shall have any right or interest in or to the name "@ Ventures" and all rights and interest in such name shall, upon termination of the LLC, be assigned and transferred to CMGI or an Affiliate designated by CMGI.

ARTICLE X

MISCELLANEOUS

10.01 Notices. Except as otherwise specifically provided in this Agreement, any and all notices, requests, elections, consents or demands permitted or required to be made under this Agreement shall be in writing, signed by the Member giving such notice, request, election, consent or demand, and shall be delivered personally, or sent by registered or certified mail, or by overnight mail, Federal Express or other similar commercial overnight courier, to the other Member or Members at their addresses set forth in Schedule A, and, in the case of a notice to the LLC, at the address of its principal office as set forth in Article I hereof, or at such other address as may be supplied by written notice given in conformity with the terms of this Section 10.01. The date of personal delivery, three days after the date of mailing, the business day after delivery to an overnight courier, as the case may be, or the date of actual delivery if sent by any other method (including electronic mail), shall be the date of such notice.

10.02 Successors and Assigns. Subject to the restrictions on transfer set forth herein, this Agreement, and each and every provision hereof, shall be binding upon and shall inure to the benefit of the Members, their respective successors, successors-in-title, heirs and assigns, and each and every successor-in-interest to any Member, whether such successor acquires such interest by way of gift, purchase, foreclosure, or by any other method, shall hold such interest subject to all of the terms and provisions of this Agreement.

10.03 Amendments. Except as otherwise specifically provided in this Agreement (including without limitation, Section 3.04 and Article VIII), this Agreement may be amended or modified only by a Majority in Number of the Class B Members; provided that (x) no such amendment shall increase the liability of, increase the obligations of or adversely affect the interest of, any Member without the specific approval of such Member (other than upon the occurrence of a Separation Event, or upon admission of a Member in accordance with Section 8.02); (y) if any provision of this Agreement provides for the approval or consent of a greater number of Members or of Members holding a higher percentage of the total Percentage Interests of the Members, any amendment effectuated pursuant to such provision, and any amendment to such provision, shall require the approval or consent of such greater number of Members or of Members holding such higher percentage of Percentage Interests; and (z) subject to clauses (x) and (y) above, any amendment to this Section 10.03 shall require the approval of Class B Members holding not less than two-thirds of all Percentage Interests held by all Class B Members.

10.04 Partition. The Members hereby agree that no Member nor any successor-in-interest to any Member, shall have the right while this Agreement remains in effect to have the property of the LLC partitioned, or to file a complaint or institute any proceeding at law or in equity to have the property of the LLC partitioned, and each Member, on behalf of himself, his successors, representatives, heirs and assigns, hereby waives any such right. It is the intention of the Members that during the term of this Agreement, the rights of the Members and their successors-in-interest, as among themselves, shall be governed by the terms of this Agreement, and that the right of any Member or successor-in-interest to assign, transfer, sell or otherwise dispose of his interest in the LLC shall be subject to the limitations and restrictions of this Agreement.

10.05 No Waiver. The failure of any Member to insist upon strict performance of a covenant hereunder or of any obligation hereunder, irrespective of the length of time for which such failure continues, shall not be a waiver of such Member's right to demand strict compliance in the future. No consent or waiver, express or implied, to or of any breach or default in the performance of any obligation hereunder, shall constitute a consent or waiver to or of any other breach or default in the performance of the same or any other obligation hereunder.

10.06 Entire Agreement. This Agreement constitutes the full and complete agreement of the parties hereto with respect to the subject matter hereof.

10.07 Captions. Titles or captions of Articles or sections contained in this Agreement are inserted only as a matter of convenience and for reference, and in no way define, limit, extend or describe the scope of this Agreement or the intent of any provision hereof.

10.08 Counterparts. This Agreement may be executed in a number of counterparts, all of which together shall for all purposes constitute one Agreement, binding on all the Members notwithstanding that all Members have not signed the same counterpart.

10.09 Applicable Law. This Agreement and the rights and obligations of the parties hereunder shall be governed by and interpreted, construed and enforced in accordance with the laws of the State of Delaware.

10.10 Gender, Etc. In the case of all terms used in this Agreement, the singular shall include the plural and the masculine gender shall include the feminine and neuter, and vice versa, as the context requires.

10.11 Creditors. None of the provisions of this Agreement shall be for the benefit of or enforceable by any creditor of any Member or of the LLC other than a Member who is such a creditor of the LLC.

[SIGNATURE PAGES FOLLOW.]

IN WITNESS WHEREOF, the Members have signed and sworn to this Agreement under penalties of perjury as of the date first above written.

CLASS A MEMBER:

/s/ Denise Ames

Denise Ames

/s/ Joshua Daniels

Joshua Daniels

/s/ Denise W. Marks

Denise W. Marks

/s/ Janet Veino

Janet Veino

CLASS B MEMBERS:

/s/ David S. Wetherell

David S. Wetherell

/s/ Guy A. Bradley

Guy A. Bradley

/s/ Jonathan Callaghan

Jonathan Callaghan

/s/ Andrew J. Hajducky, III

Andrew J. Hajducky, III

/s/ Peter H. Mills

Peter H. Mills

/s/ Marc Poirier

Marc Poirier

/s/ Brad Garlinghouse

Brad Garlinghouse

/s/ David Nerrow

David Nerrow

EXHIBIT 10.75

LIMITED LIABILITY COMPANY AGREEMENT OF
@ VENTURES MANAGEMENT, LLC

THIS LIMITED LIABILITY COMPANY AGREEMENT of @ Ventures Management, LLC (the "LLC"), dated as of May 27, 1998, is by and among the persons named on Schedule A attached hereto. Each of such persons is sometimes hereinafter referred to individually as a "Member," and such persons are sometimes hereinafter referred to collectively as the "Members."

WHEREAS, the Members formed the LLC upon the filing, on May 27, 1998, of a Certificate of Formation for the LLC pursuant to the Delaware Limited Liability Company Act; and

WHEREAS, the Members desire to enter into this Agreement to set forth the agreements among the Members with respect to the LLC, all as more fully set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and in consideration of the agreements hereinafter set forth, the parties hereby agree as follows:

ARTICLE I

DEFINITIONS

The following capitalized terms used in this Agreement shall have the respective meanings ascribed to them below:

"Act" means the Delaware Limited Liability Company Act, in effect at the time of the initial filing of the Certificate with the Office of the Secretary of State of the State of Delaware, and as thereafter amended from time to time.

"Adjusted Capital Account" means, for each Member, such Member's Capital Account balance increased by such Member's share of "minimum gain" and of "partner nonrecourse debt minimum gain" (as determined pursuant to Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5), respectively).

"Affiliate" shall mean, with respect to any specified person or entity, (i) any person or entity that directly or indirectly controls, is controlled by, or is under common control with such specified person or entity; (ii) any person or entity that directly or indirectly controls 10% or more of the outstanding equity securities of the specified entity or of which the specified person or entity is directly or indirectly the owner of 10% or more of any class of equity securities; (iii) any person or entity that is an officer of, director of, manager of, partner in, or trustee of, or serves in a similar capacity with respect to, the specified person or entity or of which the specified person or entity is an officer, director, partner, manager or trustee, or with respect to which the specified person or entity serves in a similar capacity; or (iv) any person that is a spouse, mother, father, brother, sister or lineal descendant of the specified person.

"Agreement" means this Limited Liability Company Agreement as it may be amended, supplemented, or restated from time to time.

"Capital Account" means a separate account maintained for each Member and adjusted in accordance with Treasury Regulations under Section 704 of the Code. To the extent consistent with such Treasury Regulations, the adjustments to such accounts shall include the following:

(i) There shall be credited to each Member's Capital Account the amount of any cash actually contributed by such Member to the capital of the LLC, the fair market value of any property contributed by such Member to the capital of the LLC, the amount of liabilities of the LLC assumed by the Member or to which property distributed to the Member was subject and such Member's share of the Net Profits of the LLC and of any items in the nature of income or gain separately allocated to the Members; and there shall be charged against each Member's Capital Account the amount of all cash distributions to such Member, the fair market value of any property distributed to such Member by the LLC, the amount of liabilities of the Member assumed by the LLC or to which property contributed by the Member to the LLC was subject and such Member's share of the Net Losses of the LLC and of any items in the nature of losses or deductions separately allocated to the Members.

(ii) If the LLC at any time distributes any of its assets in-kind to any Member, the Capital Account of each Member shall be adjusted to account for that Member's allocable share of the Net Profits, Net Losses or items thereof that would be realized by the LLC if it sold the assets that were distributed at their respective fair market values (taking Code Section 7701(g) into account) immediately prior to their distribution.

(iii) If elected by the LLC in accordance with Section 6.01(b) hereof, at any time specified in Treasury Regulation Section 1.704-1(b)(2)(iv)(f), the Capital Account balance of each Member shall be adjusted to the extent provided under such Treasury Regulation to reflect the Member's allocable share (as determined under Article V) of the items of Net Profits or Net Losses that would be realized by the LLC if it sold all of its property at its fair market value (taking Code Section 7701(g) into account) on the day of the adjustment.

"Carrying Value" means, with respect to any asset, the asset's adjusted basis for federal income tax purposes; provided, however, that (i) the initial Carrying Value of any asset contributed to the LLC shall be adjusted to equal its gross fair market value at the time of its contribution and (ii) the Carrying Values of all assets held by the LLC shall be adjusted to equal their respective gross fair market values (taking Code Section 7701(g) into account) upon an adjustment to the Capital Accounts of the Members described in paragraph (iii) of the definition of "Capital Account." The Carrying Value of any asset whose Carrying Value was adjusted pursuant to the preceding sentence thereafter shall be adjusted in accordance with the provisions of Treasury Regulation Section 1.704-1(b)(2)(iv)(g).

"Certificate" means the Certificate of Formation creating the LLC, as it may, from time to time, be amended in accordance with the Act.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Distributable Cash" means, with respect to any fiscal period, the excess of all cash receipts of the LLC from any source whatsoever, including normal operations, sales of assets, proceeds of borrowings, capital contributions of the Members, proceeds from a capital transaction, amounts released from reserves and any and all other sources over the sum of the following amounts:

(i) cash disbursements for salaries, employee benefits (including profit-sharing, bonus and similar plans), fringe benefits, accounting and bookkeeping services and equipment, costs of sales of assets, utilities, rental payments with respect to equipment or real property, management fees and expenses, insurance, real estate taxes, legal expenses, costs of repairs and maintenance, and any and all other items which are customarily considered to be "operating expenses";

(ii) payments of interest, principal and premium and points and other costs of borrowing under any indebtedness of the LLC;

(iii) payments made to purchase inventory or capital assets, and for capital construction, rehabilitation, acquisitions, alterations and improvements; and

(iv) amounts set aside as reserves for working capital, contingent liabilities, replacements or for any of the expenditures described in clauses (i), (ii) and (iii) above which are deemed by the Voting Members to be necessary to meet the current and anticipated future needs of the LLC.

"LLC" means the limited liability company formed pursuant to the Certificate and governed by this Agreement, as it may from time to time be constituted and amended.

"LLC Capital" means an amount equal to the sum of all of the Members' Adjusted Capital Account balances determined immediately prior to the allocation to the Members pursuant to Sections 5.01(a)(ii) or 5.01(b)(i) of any Net Profits or Net Losses, increased by the aggregate amount of Net Profits then to be allocated to the Members pursuant to Section 5.01(a)(ii) or decreased by the aggregate amount of Net Losses then to be allocated to the Members pursuant to Section 5.01(b)(i).

"Majority in Number of the Voting Members" means, with respect to a particular action, a majority in number of all Voting Members then entitled to vote on such action.

"Member" shall refer severally to any person named as a Member in this Agreement (whether a Voting Member or a Non-Voting Member) and any person who becomes an additional, substitute or replacement Member as permitted by this Agreement, in such person's capacity as a Member of the LLC. "Members" shall refer collectively to all such persons in their capacities as Members. Except as expressly set forth in this Agreement, the rights, obligations and interests of the Voting Members and the Non-Voting Members shall be identical.

"Net Profits" and "Net Losses" mean the taxable income or loss, as the case may be, for a period as determined in accordance with Code Section 703(a) computed with the following adjustments:

(i) Items of gain, loss, and deduction shall be computed based upon the Carrying Values of the LLC's assets (in accordance with Treasury Regulation Sections 1.704(b)(2)(iv)(g) and/or 1.704-3(d)) rather than upon the assets' adjusted bases for federal income tax purposes;

(ii) Any tax-exempt income received by the LLC shall be included as an item of gross income;

(iii) The amount of any adjustments to the Carrying Values of any assets of the LLC pursuant to Code Section 743 shall not be taken into account;

(iv) Any expenditure of the LLC described in Code Section 705(a)(2)(B) (including any expenditures treated as being described in Section 705(a)(2)(B) pursuant to Treasury Regulations under Code Section 704(b)) shall be treated as a deductible expense;

(v) The amount of items of income, gain, loss or deduction specially allocated to any Members pursuant to Section 5.02 shall not be included in the computation; and

(vi) The amount of any items of Net Profits or Net Losses deemed realized pursuant to paragraphs (ii) and (iii) of the definition of "Capital Account" shall be included in the computation.

"Non-Voting Member" shall refer severally to any Member identified as a Non-Voting Member on Schedule A hereto and any person who becomes an additional, substitute or replacement Non-Voting Member as permitted by this Agreement, in such person's capacity as a Non-Voting Member of the LLC. "Non-Voting Members" shall refer collectively to all such persons in their capacities as Non-Voting Members.

"Percentage Interest" shall be the percentage interest of a Member set forth in Schedule A, as amended from time to time.

"Permitted Transferee" means (A) any Member, (B) any spouse, parent or lineal descendant of a Member; (C) any trust, corporation or partnership or other entity in which any Member and/or one or more of the persons described in clause (B) are the only principals, beneficiaries, stockholders, member or limited or general partners; (D) grantors or beneficiaries of a trust which is (or of which the trustees thereof are, in their capacities as trustees) a Member; or (E) charitable foundations created or primarily endowed by a Member or a member of his or her family.

"Securities Act" means the Securities Act of 1933, as amended.

"75% in Number of the Voting Members" means, with respect to a particular action, 75% of all Voting Members then entitled to vote on such action.

"Two-thirds in Number of the Voting Members" means, with respect to a particular action, two-thirds of all Voting Members then entitled to vote on such action.

"Voting Member" shall refer severally to any Member identified as a Voting Member on Schedule A hereto and any person who becomes an additional, substitute or replacement Voting Member as permitted by this Agreement, in such person's capacity as a Voting Member of the LLC. "Voting Members" shall refer collectively to all such persons in their capacities as Voting Members.

ARTICLE II

GENERAL PROVISIONS

2.01 Formation of Limited Liability Company; Foreign qualification. The Members formed the LLC as a limited liability company under the Act. The term of the LLC commenced on May 27, 1998, upon the filing of the Certificate in the Office of the Secretary of State of the State of Delaware. The LLC shall comply with all requirements necessary to qualify the LLC as a foreign limited liability company in each such jurisdiction where foreign qualification is either necessary or appropriate. Each Member shall execute, acknowledge, swear to and deliver all certificates and other instruments conforming to this Agreement that are necessary or appropriate to qualify, or, as appropriate, to continue or terminate such qualification of, the LLC as a foreign limited liability company in all such jurisdictions in which the LLC may conduct business.

2.02 Name of the LLC. The name of the LLC shall be @ Ventures Management, LLC.

2.03 Business of the LLC. The general character of the business of the LLC is to provide management services to venture capital and other investment funds, including without limitation, CMG @ Ventures, LLC, CMG @ Ventures II, LLC, @ Ventures Ill, L.P., @ Ventures Foreign Fund III, L.P. and CMG (C) Ventures III, LLC; and to engage in any activities directly or indirectly related or incidental thereto or convenient for the conduct of such activities.

2.04 Place of Business of the LLC; Resident Agent. The address of the principal place of business of the LLC, and the office of the LLC in the Commonwealth of Massachusetts at which the LLC will maintain its records will be at 100 Brickstone Square, Andover, Massachusetts 01810. The LLC's registered office in the State of Delaware shall be located at c/o The

Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19810, and the LLC's resident agent for service of process in Delaware shall be The Corporation Trust Company, at 1209 Orange Street, Wilmington, Delaware 19810. The LLC may at any time and from time to time establish additional places of business and close places of business. The LLC shall provide prompt notice to all Members if at any time the LLC opens an additional office, or changes its principal place of business or registered office or registered agent in Delaware, any such notice to specify the location of any new office, principal place of business or registered office in Delaware, or the identity of any new registered agent, as applicable.

2.05 Duration of the LLC. The term of the LLC commenced upon the filing of the Certificate, and the LLC shall have perpetual existence, unless earlier terminated in accordance with Article IX hereof.

2.06 Members' Names and Addresses. The name and business address of each Member are set forth on Schedule A. Additional Members may be admitted in accordance with the procedures specified in Article VIII. A Member may not resign from the LLC at any time without the prior approval of a 75% in Number of the Voting Members.

2.07 No Partnership. The LLC is not intended to be a general partnership, limited partnership or joint venture, and no Member shall be considered to be a partner or joint venturer of any other Member, for any purposes other than foreign and domestic federal, state and local income tax purposes, and this Agreement shall not be construed to suggest otherwise.

2.08 Title to LLC Property. All property owned by the LLC, whether real or personal, tangible or intangible, shall be deemed to be owned by the LLC as an entity, and no Member, individually, shall have any ownership of such property. The LLC may hold any of its assets in its own name or in the name of its nominee, which nominee may be one or more trusts. Any property held by a nominee trust for the benefit of the LLC shall, for purposes of this Agreement, be treated as if such property were directly owned by the LLC.

2.09 Nature of Member's Interest. The interests of all of the Members in the LLC are personal property and shall not, under any circumstances, be considered real property.

2.10 Investment Representations. Each Member, by execution of this Agreement or an amendment hereto reflecting such Member's admission to the LLC, hereby represents and warrants to the LLC that:

(a) It is acquiring an interest in the LLC for its own account for investment only, and not with a view to, or for sale in connection with, any distribution thereof in violation of the Securities Act or any rule or regulation thereunder.

(b) It understands that (i) the interest in the LLC it is acquiring has not been registered under the Securities Act or applicable state securities laws and cannot be resold unless subsequently registered under the Securities Act and such laws or unless an exemption from such registration is available, (ii) such registration under the Securities Act and such laws is unlikely at any time in the future and neither the LLC nor the Members are obligated to file a registration statement under the Securities Act or such laws, and (iii) the assignment, sale, transfer, exchange, or other disposition of the interests in the LLC is restricted in accordance with the terms of this Agreement.

(c) It has had such opportunity as it has deemed adequate to ask questions of and receive answers from representatives of the LLC concerning the LLC, and to obtain from representatives of the LLC such information which the LLC possesses or can acquire without unreasonable effort or expense, as is necessary to evaluate the merits and risks of an investment in the LLC.

(d) It has, either alone or with its professional advisers, sufficient experience in business, financial and investment matters to be able to evaluate the merits and risks involved in investing in the LLC and to make an informed investment decision with respect to such investment.

(e) It can afford a complete loss of the value of its investment in the LLC and is able to bear the economic risk of holding such investment for an indefinite period.

ARTICLE III

CAPITAL CONTRIBUTIONS

3.01 Capital Contributions. Each Member has contributed, in cash, to the capital of the LLC the amount set forth opposite his or her name on Schedule A.

3.02 No Additional Capital. No Member shall be obligated or permitted to contribute any additional capital to the LLC. No interest shall accrue on any contributions to the capital of the LLC, and no Member shall have the right to withdraw or to be repaid any capital contributed by it or to receive any other payment in respect of its interest in the LLC, including without limitation as a result of the withdrawal or resignation of such Member from the LLC, except as specifically provided in this Agreement.

ARTICLE IV

CASH DISTRIBUTIONS

4.01 Distribution of Distributable Cash. Except as provided in Section 9.02(b) below, Distributable Cash of the LLC shall be distributed to the Members, at such times and in such amounts as the Voting Members may determine, in proportion to their respective Percentage Interests.

4.02 Distributions in Kind. A Member, regardless of the nature of his contribution to the LLC, shall have no right to demand or receive any distribution from the LLC in any form other than cash. The LLC may, at any time and from time to time, make distributions in kind to the

Members. If any assets of the LLC are distributed in kind, such assets shall be distributed on the basis of their fair market value as determined by the Voting Members. Any Member entitled to any interest in such assets shall, unless otherwise determined by the Voting Members, receive separate assets of the LLC and not an interest as a tenant-in-common with other Members so entitled in any asset being distributed.

4.03 Certain Payments to Tax Authorities Treated as Distributions. Notwithstanding anything to the contrary herein, to the extent that the LLC is required, or elects, pursuant to applicable law, either (i) to pay tax (including estimated tax) on a Member's allocable share of any LLC items of income or gain, whether or not distributed, or (ii) to withhold and pay over to the tax authorities any portion of a distribution otherwise distributable to a Member, and such tax or withheld amount shall be treated as a distribution to such Member at the time it is paid to the tax authorities. In the event that the amount paid (or paid over) to the tax authorities on behalf of a Member exceeds the amount that would then have been distributed to the Member absent such tax obligation, such excess shall be treated as a demand loan from the LLC to such Member, which loan shall bear interest at the prime rate announced from time to time by The Wall Street Journal, until paid in full.

ARTICLE V

ALLOCATION OF NET PROFITS AND NET LOSSES

5.01 Basic Allocations.

(a) Except as provided in Section 5.02 below (which shall be applied first), Net Profits of the LLC for any relevant period shall be allocated as follows:

(i) First, to any Members having negative Adjusted Capital Account balances, in proportion to and to the extent of such negative balances; and

(ii) The balance, if any, to the Members in such proportions and in such amounts as would result in the Adjusted Capital Account balance of each Member equaling, as nearly as possible, such Member's share of the then LLC Capital determined by calculating the amount the Member would receive if an amount equal to the LLC Capital were distributed to the Members in accordance with the provisions of Section 4.01 hereof.

(b) Except as provided in Section 5.02 below (which shall be applied first), Net Losses of the LLC for any relevant period shall be allocated among the Members as follows:

(i) First, to each Member with a positive Adjusted Capital Account balance, in the amount of such positive balance; provided, however, that if the amount of Net Losses to be allocated is less than the sum of the Adjusted Capital Account balances of all Members having positive Adjusted Capital Account balances, then the Net Losses shall be allocated to the Members in such proportions and in such amounts as would result in the Adjusted Capital Account balance of each Member equaling, as nearly as possible, such Member's share of the then LLC Capital determined as set forth in Section 5.01(a) above; and

(ii) The balance, if any, to the Members in proportion to their respective Percentage Interests.

(c) If the amount of Net Profits allocable to the Members pursuant to Section 5.01(a)(ii) or the amount of Net Losses allocable to them pursuant to Section 5.01(b)(i) is insufficient to allow the Adjusted Capital Account balance of each Member to equal such Member's share of the LLC Capital, such Net Profits or Net Losses shall be allocated among the Members in such a manner as to decrease the differences between the Members' respective Adjusted Capital Account balances and their respective shares of the LLC Capital in proportion to such differences.

(d) Allocations of Net Profits and Net Losses provided for in this Section 5.01 shall generally be made as of the end of the fiscal year of the LLC; provided, however, that allocations of items of Net Profits and Net Losses described in clause (vi) of the definition of "Net Profits" and "Net Losses" shall be made at the time deemed realized as described in the definition of "Capital Account."

(e) Upon admission of any Member to the LLC following the date of formation of the LLC, any deduction attributable to such admission shall be allocated among the Members of the LLC (determined immediately prior to the admission of such new Member), in proportion to such Members' respective Percentage Interests as in effect immediately prior to such admission.

5.02 Regulatory Allocations. Notwithstanding the provisions of Section 5.01 above, the following allocations of Net Profits, Net Losses and items thereof shall be made in the following order of priority:

(a) Items of income or gain (computed with the adjustments contained in paragraphs (i), (ii) and (iii) of the definition of "Net Profits and Net Losses") for any taxable period shall be allocated to the Members in the manner and to the minimum extent required by the "minimum gain chargeback" provisions of Treasury Regulation Section 1.704-2(f) and Treasury Regulation Section 1.704-2(i)(4).

(b) All "nonrecourse deductions" (as defined in Treasury Regulation Section 1.704-2(b)(1)) of the LLC for any year shall be allocated to the Members in accordance with their respective Percentage Interests; provided, however, that nonrecourse deductions attributable to "partner nonrecourse debt" (as defined in Treasury Regulation Section 1.704-2(b)(4)) shall be allocated to the Members in accordance with the provisions of Treasury Regulation Section 1.704-2(i)(1).

(c) Items of income or gain (computed with the adjustments contained in paragraphs (i), (ii) and (iii) of the definition of "Net Profits and Net Losses") for any taxable period shall be allocated to the Members in the manner and to the extent required by the "qualified income offset" provisions of Treasury Regulation Section 1.704-1(b)(2)(ii)(d).

(d) In no event shall Net Losses of the LLC be allocated to a Member if such allocation would cause or increase a negative balance in such Member's Adjusted Capital Account (determined for purposes of this Section 5.02(d) only, by increasing the Member's Adjusted Capital Account balance by the amount the Member is obligated to restore to the LLC pursuant to Treasury Regulation Section 1.704-1(b)(2)(ii)(c).

(e) Except as otherwise provided herein or as required by Code Section 704, for tax purposes, all items of income, gain, loss, deduction or credit shall be allocated to the Members in the same manner as are Net Profits and Net Losses; provided, however, that if the Carrying Value of any property of the LLC differs from its adjusted basis for tax purposes, then items of income, gain, loss, deduction or credit related to such property for tax purposes shall be allocated among the Members so as to take account of the variation between the adjusted basis of the property for tax purposes and its Carrying Value in the manner provided for under Code Section 704(c).

ARTICLE VI

MANAGEMENT

6.01 Management of the LLC.

(a) Subject to the provisions of this Agreement and the Act, all powers shall be exercised by or under the authority of, and the business and affairs of the LLC shall be controlled by the Members.

(b) Except to the extent that this Agreement specifically provides for a higher or lower number or percentage or group of Members, all decisions respecting any matter set forth herein or otherwise affecting or arising out of the conduct of the business of the LLC shall be made by action of a Majority in Number of the Voting Members. Subject to the foregoing, the Voting Members shall have the exclusive right and full authority to manage, conduct and operate the LLC business. Specifically, but not by way of limitation, the Voting Members (by action of such Majority in Number) shall be authorized, for and on behalf of the LLC:

(i) to borrow money, to issue evidences of indebtedness and to guarantee the debts of others for whatever purposes they may specify, whether or not related to the LLC or the LLC's assets, and, as security therefor, to mortgage, pledge or otherwise encumber the assets of the LLC;

(ii) to cause to be paid on or before the due date thereof all amounts due and payable by the LLC to any person or entity;

(iii) to employ such agents, employees, managers, accountants, attorneys, consultants and other persons necessary or appropriate to carry out the business and affairs of the LLC, whether or not any such persons so employed are Members or are affiliated or related to any Member, and to pay such fees, expenses, salaries, wages and other compensation to such persons as the Voting Members shall in their sole discretion determine;

(iv) to pay, extend, renew, modify, adjust, submit to arbitration, prosecute, defend or compromise, upon such terms as they may determine and upon such evidence as they may deem sufficient, any obligation, suit, liability, cause of action or claim, including taxes, either in favor of or against the LLC;

(v) to pay any and all fees and to make any and all expenditures which the Voting Members, in their discretion, deem necessary or appropriate in connection with the organization of the LLC, and the carrying out of its obligations and responsibilities under this or any other Agreement;

(vi) to lease, sell, finance or refinance all or any portion of the LLC's property;

(vii) to cause the LLC to make or revoke any of the elections referred to in Sections 108, 704, 709, 754 or 1017 of the Code or any similar provisions enacted in lieu thereof, or in any other Section of the Code;

(viii) to establish and maintain reserves for such purposes and in such amounts as it deems appropriate from time to time;

(ix) to pay all organizational expenses and general and administrative expenses of the LLC;

(x) to deal with, or otherwise engage in business with, or provide services to and receive compensation therefor from, any person who has provided or may in the future provide any services to, lend money to, sell property to, or purchase property from the LLC, including without limitation, a Member;

(xi) to engage in any kind of activity and to perform and carry out contracts of any kind necessary to, or in connection with, or incidental to the accomplishment of the purposes of the LLC;

(xii) to compromise the obligation of a Member to make a contribution to the capital of the LLC or to return to the LLC money or other property paid or distributed to such Member in violation of this Agreement or the Act;

(xiii) to cause to be paid any and all taxes, charges and assessments that may be levied, assessed or imposed upon any of the assets of the LLC, unless the same are contested by the Voting Members; and

(xiv) to exercise all powers and authority granted by the Act to members, except as otherwise specifically provided in this Agreement.

(c) Any Member is authorized to execute, deliver and file on behalf of the LLC any documents to be filed with the Secretary of States of the State of Delaware, the Commonwealth of Massachusetts or any other jurisdiction in which the LLC may qualify to transact business. The signature of one Member on any agreement, contract, instrument or other document shall be sufficient to bind the LLC in respect thereof and conclusively evidence the authority of such Member and the LLC with respect thereto, and no third party need look to any other evidence or require the joinder or consent of any other party.

(d) The Voting Members, by action of a Majority in Number thereof, may at any time and from time to time change the status of any Member from Voting to Non-Voting, and vice versa. The Voting Members may, from time to time, designate officers of the LLC, with such titles and authority as the Voting Members shall determine. Each Member is authorized to use the title "Managing Director" when acting on behalf of the LLC in the conduct of its business.

6.02 Tax Matters Partner. Andrew J. Hajducky III shall be the tax matters partner for the LLC pursuant to Code Sections 6221 through 6231. The tax matters partner may be removed or replaced, at any time, by action of a Majority in Number of the Voting Members.

6.03 Liability of the Members; Indemnification. Neither the Members, nor any of their respective Affiliates shall have any liability to the LLC or to any other Member for any loss suffered by the LLC which arises out of any action or inaction of such Member or their Affiliates if such Member or its Affiliates, as the case may be, in good faith, determined that such course of conduct was in the best interests of the LLC and such course of conduct did not constitute gross negligence, willful misconduct, fraud or intentional violation of the law on the part of such Member or its Affiliates. Each Member and its Affiliates shall be indemnified by the LLC against any losses, judgments, liabilities, expenses and amounts paid in settlement of any claims sustained by them with respect to actions taken by them on behalf of the LLC, provided that the same were not the result of gross negligence, willful misconduct, fraud or intentional violation of the law on the part of such Member or its Affiliates. Without limiting the foregoing, the Voting Members may elect (on a case by case basis) to permit such indemnification to include payment by the LLC of expenses incurred in defending a civil or criminal action or proceeding in advance of the final disposition of such action or proceeding, upon receipt of an undertaking by the person indemnified to repay such payment if he shall be adjudicated not to be entitled to indemnification under this Section 6.03, which undertaking may be accepted without reference to the financial ability of such person to make repayment. Any indemnity under this Section 6.03 shall be paid from, and only to the extent of, LLC assets, and no Member shall have any personal liability on account thereof.

6.04 Liability of Members. The liability of the Members for the losses, debts and obligations of the LLC shall be limited to their capital contributions; provided, however, that under applicable law, the Members may under certain circumstances be liable to the LLC to the extent of previous distributions made to them in the event that the LLC does not have sufficient assets to discharge its liabilities.

6.05 Certain Fees and Expenses. All out-of-pocket expenses reasonably incurred by any Member in connection with the LLC's business (other than overhead and similar expenses of any Member) shall be paid by the LLC or reimbursed to the Member by the LLC.

6.06 Conflicts of Interest. No contract or transaction between the LLC and one or more of its Members or Affiliates, or between the LLC and any other corporation, partnership association or other organization in which one or more of its Members or Affiliates are directors, officers or partners or have a financial interest, shall be void or voidable solely for such reason, or solely because the Member or Affiliate is present at or participates in any meeting of Members which authorizes the contract or transaction, or solely because his, her or its vote is counted for such purpose, if:

(a) the material facts as to his, her or its interest as to the contract or transaction are disclosed or are known to the Voting Members and the Voting Members authorize the contract or transaction by a vote sufficient for such purpose without counting the vote of the interested Member even though the disinterested Voting Members may be less than a Majority in Number of the Voting Members;

(b) the material facts as to his, her or its interest and as to the contract or transaction are disclosed or are known to the Voting Members entitled to vote thereon, and the contract or transaction is specifically approved by a vote of the Voting Members; or

(c) the contract or transaction is fair to the LLC or its Affiliates as of the time it is authorized, approved or ratified by the Voting Members.

6.07 Other Activities. Each of the Members hereby agrees to use its best efforts in connection with the purposes and objectives of the LLC and to devote to such purposes and objectives such of his time and resources as shall be necessary for the management of the affairs of the LLC. Subject to Section 8.03 below and the terms of any other agreement between the LLC and any Member, the Members and their respective Affiliates may engage in and possess interests in other business ventures and investment opportunities of every kind and description, independently or with others, including serving as directors, officers, stockholders, managers, members and general or limited partners of corporations, partnerships or other limited liability companies with purposes similar to or the same as those of the LLC. Neither the LLC nor any other Member or Manager shall have any rights in or to such ventures or opportunities or the income or profits therefrom.

ARTICLE VII

BOOKS, RECORDS AND BANK ACCOUNTS

7.01 Books and Records. The Members shall keep or cause to be kept just and true books of account with respect to the operations of the LLC. Such books shall be maintained at the

LLC's principal place of business, or at such other place as the Voting Members shall determine, and all Members, and their duly authorized representatives, shall at all reasonable times have access to such books as well as any information required to be made available to the Members under the Act. The Members shall not be required to deliver or mail copies of the LLC's Certificate of Formation or copies of certificates of amendment thereto or cancellation thereof to the Members, although such documents shall be available for review and/or copying by the Members at the LLC's principal place of business.

7.02 Accounting Basis and Fiscal Year. The LLC's books shall be kept on the accrual method of accounting, or on such other method of accounting as the Voting Members may from time to time determine, and shall be closed and balanced at the end of each fiscal year of the LLC. The fiscal year of the LLC shall be the calendar year, or such other fiscal year as the Voting Members may from time to time determine.

7.03 Bank Accounts. The Voting Members shall be responsible for causing one or more accounts to be maintained in a bank (or banks), which accounts shall be used for the payment of the expenditures incurred by the Members in connection with the business of the LLC, and in which shall be deposited any and all cash receipts of the LLC. All deposits and funds not needed for the operations of the LLC may be invested in such short-term investments as the Voting Members may determine. All such amounts shall be and remain the property of the LLC, and shall be received, held and disbursed by the Voting Members for the purposes specified in this Agreement. There shall not be deposited in any of said accounts any funds other than funds belonging to the LLC, and no other funds shall in any way be commingled with such funds.

7.04 Reports to Members. Within 120 days after the end of each fiscal year, the Members shall cause the LLC to furnish to each Member such information as may be needed to enable the Members to file their federal income tax returns and any required state income tax returns. The cost of such reporting shall be paid by the LLC as an LLC expense. Any Member may, at any time, at its own expense, cause an audit of the LLC books to be made by a certified public accountant of its own selection. All expenses incurred by such accountant shall be borne by such Member.

ARTICLE VIII

TRANSFERS OF INTERESTS OF MEMBERS

8.01 Substitution and Assignment of Member's Interest.

(a) No Member may sell, transfer, assign, pledge, hypothecate or otherwise dispose of all or any part of its interest in the LLC (whether voluntarily, involuntarily or by operation of law), unless a Majority in Number of the Voting Members (exclusive of the transferring Member) shall have previously consented to such assignment in writing, the granting or denying of which consent shall be in the such Voting Members' absolute discretion. The provisions of this Section 8.01(a) shall not be applicable to (i) any transfer of an interest in the LLC pursuant to Sections 8.03 or 8.04, or (ii) any assignment of an interest to a Permitted

Transferee (provided that such Permitted Transferee may not be admitted as a substitute Member without compliance with this Section 8.01(a)).

(b) No assignment of the interest of a Member shall be made if, in the opinion of counsel to the LLC, such assignment (i) may not be effected without registration under the Securities Act of 1933, as amended, (ii) would result in the violation of any applicable state securities laws, (iii) would result in a termination of the LLC under Section 708 of the Code, unless such a transfer is consented to by a Majority in Number of the Voting Members without regard to the transferring Member or (iv) would result in the treatment of the LLC as an association taxable as a corporation or as a "publicly-traded limited partnership" for tax purposes, unless such a transfer is consented to by a Majority in Number of the Voting Members without regard to the transferring Member. The LLC shall not be required to recognize any assignment until the instrument conveying such interest has been delivered to the LLC for recordation on the books of the LLC. Unless an assignee becomes a substituted Member in accordance with the provisions of Section 8.01(c), it shall not be entitled to any of the rights granted to a Member hereunder, other than the right to receive all or part of the share of the Net Profits, Net Losses, items of income, gain, loss or deduction, distributions or returns of capital to which his assignor would otherwise be entitled.

(c) An assignee of the interest of a Member, or any portion thereof, shall become a substituted Member entitled to all the rights of a Member if, and only if:

(i) the assignor gives the assignee such right;

(ii) the Voting Members by action of a Majority in Number thereof (without regard to the transferring Member) consent to such substitution, the granting or denying of which consent shall be in such Voting Members' absolute discretion;

(iii) the assignee or the assignor pays to the LLC all costs and expenses incurred in connection with such substitution, including specifically, without limitation, costs incurred in the review and processing of the assignment and in amending this Agreement; and

(iv) the assignee executes and delivers such instruments, in form and substance satisfactory to the LLC, as may be necessary or desirable to effect such substitution and to confirm the agreement of the assignee to be bound by all of the terms and provisions of this Agreement.

The provisions of clause (ii) of this Section 8.01(c) shall not be applicable to any transfer of an interest in the LLC pursuant to Sections 8.03 or 8.04.

(d) Unless a Majority in Number of the Voting Members (exclusive of the assignor) otherwise approve, any assignee of the interest of a Voting Member who becomes a substitute Member shall be and become a Voting Member, and any assignee of the interest of a Non-Voting Member who becomes a substitute Member shall be and become a Non-Voting Member.

(e) The LLC and the Members shall be entitled to treat the record owner of any interest in the LLC as the absolute owner thereof in all respects, and shall incur no liability for distributions of cash or other property made in good faith to such owner until such time as a written assignment of such interest has been received and accepted by the Members and recorded on the books of the LLC. The Voting Members may refuse to accept an assignment until the end of the next successive quarterly accounting period. In no event shall any interest in the LLC, or any portion thereof, be sold, transferred or assigned to a minor or incompetent, and any such attempted sale, transfer or assignment shall be void and ineffectual and shall not bind the LLC.

(f) Subject to Section 8.04, if a Member who is an individual dies or a court of competent jurisdiction adjudges him to be incompetent to manage his person or his property, the Member's executor, administrator, guardian, conservator or other legal representative may exercise all of the Member's rights hereunder, but solely for the purpose of settling his estate or administering his property, and in no event shall such executor, administrator, guardian, conservator or legal representative participate in any way in the conduct of the business of the LLC, or in the making of any decision or the taking of any action provided for hereunder (including without limitation, Section 6.01(a) or (b)) for any other purpose. If a Member is a corporation, trust or other entity, and is dissolved or terminated, the powers of that Member may be exercised by its legal representative or successor.

8.02 Additional Members. Except as provided in Sections 8.01, 8.03 and 8.04, additional Members may be admitted to the LLC only upon the written consent of 75% in Number of the Voting Members, and any such consent shall specify whether the Member is a Voting or Non-Voting Member and the capital contribution, Percentage Interest and any other rights and obligations of such additional Member. Such approval shall bind all Members. In connection with any such admission, this Agreement (including Schedule A) shall be amended to reflect the additional Member, its capital contribution, if any, its Percentage Interest, and any other rights and obligations of the additional Member.

In connection with any such admission of additional Members, the Percentage Interests of the Members shall be diluted proportionately, based on their respective Percentage Interests immediately prior to any such dilution. Without in any way limiting the foregoing, the interest of any third party admitted to the LLC pursuant to this Section 8.02 in the Net Profits, Net Losses, items of income, gain, loss or deduction, and distributions of cash or property of any nature may have such priority or priorities in relationship to the interests therein of the Members as 75% in Number of the Voting Members may in their sole discretion determine, provided that, the relative priorities of the Members in the Net Profits, Net Losses, items of income, gain, loss or deduction, and distributions of any nature of the LLC shall not be altered as a result of the admission of any such new member.

Each Member, and each person who is hereinafter admitted to the LLC as a Member, hereby (i) consents to the admission of any such third party on such terms as 75% in Number of the Voting Members may determine (subject to the provisions of this Section 8.02), and to any amendment to this Agreement which may be necessary or appropriate to reflect the admission of any such third party and the terms on which it invests in the LLC, and (ii) acknowledges that, in connection with any admission of any such person, such Member's interest in allocations of Net Profits, Net Losses, items of income, gain, loss or deduction, and distributions of cash and property of the LLC, and net proceeds upon liquidation of the LLC, may be diluted or otherwise altered (subject to the provisions of this Section 8.02). Any amendment to this Agreement which shall be made in order to effectuate the provisions of this Section 8.02 shall be executed by not less than 75% in Number of the Voting Members, and any such amendment shall be binding upon all of the Members.

8.03 Right to Remove a Member.

(a) The Members, by action of Two-thirds in Number of the Voting Members (determined exclusive of the Member which is the subject of removal pursuant to this Section 8.03(a) (the "Subject Member")), may remove any Member from the LLC, with or without cause, for any reason or for no reason. Following the effective date of any such removal, the removed Member shall be deemed to have withdrawn from the LLC, and thereafter shall not be entitled to participate in allocations of Net Profits or Net Losses of the LLC, or in distributions of cash and property of the LLC or net proceeds upon liquidation of the LLC. A removed Member shall not be entitled to any distribution, payment or other compensation from the LLC in respect of his removal as a Member of the LLC pursuant to this Section 8.03(a).

(b) Any Member may be removed from the LLC, for Cause (as defined below), by action of a Majority in Number of the Voting Members (determined exclusive of the Subject Member). Following the effective date of any such removal, the removed Member shall be deemed to have withdrawn from the LLC, and thereafter shall not be entitled to participate in allocations of Net Profits, Net Losses or items of income gain, loss or deduction of the LLC, or in distributions of cash and property of the LLC or net proceeds upon liquidation of the LLC. A removed Member shall not be entitled to any distribution, payment or other compensation from the LLC in respect of his removal as a Member of the LLC pursuant to this Section 8.03(b).

For purposes of this Section 8.03(b), the LLC shall have "Cause" to remove a Member if:

(i) the Member is convicted of a felony involving dishonesty or moral turpitude; or

(ii) the Member engages in any business or enterprise (whether as owner, partner, officer, director, employee, consultant, investor, lender or otherwise, except as the holder of not more than 1% of the outstanding stock of a publicly-held company) that is competitive with the business of the LLC or the entities to which the LLC provides management services, as reasonably determined by 75% in Number of the Voting Members exclusive of the Subject Member.

8.04 Death or Disability of a Member. Upon the death or disability (as hereinafter defined) of any Member, the LLC may, but shall not be obligated to, purchase the interest of such Member. The purchase price for such interest shall equal the fair market value of such interest, as reasonably determined by agreement of (x) the legal representatives of the deceased or disabled Member and (y) a Majority in Number of the Voting Members. If such persons are unable to agree upon such fair market value, such value shall be determined by an independent appraiser, mutually acceptable to the legal representatives of the deceased or disabled Member and a Majority in Number of the Voting Members. For purposes of this Agreement, a Member shall be deemed to be disabled if he is unable, as a result of mental or physical incapacity, to render services to the LLC on a regular ongoing basis for a period of 180 days.

The purchase price for the interest shall be paid in cash, or by delivery of a promissory note of the LLC, or some combination thereof, as the LLC may determine. Any such promissory note shall be unsecured, and shall provide for payment of equal annual installments over a term not to exceed four years, and shall bear interest at the then Applicable Federal Rate (as defined in Code Section 1274(d)) for a note with the maturity date of such promissory note. Such promissory note shall be prepayable by the LLC at any time without premium or penalty.

The closing of a purchase pursuant to this Section 8.04 shall be held at the principal office of the LLC within 60 days after the date on which the purchase price for the interest is determined, but in no event more than one year after the date of death or the date on which the disabled Member is determined to be disabled, as applicable. The estate or legal representative of the deceased or disabled Member shall transfer to the LLC (or its designee) the entire interest of such Member in the LLC, free and clear of all liens, security interests and competing claims, and shall deliver to the LLC or its designee such instruments of assignment, transfer, releases and such evidence of due authorization, execution and delivery and of the absence of any liens, security interests or competing claims as the LLC shall reasonably request. Each Member shall execute and deliver at such closing such other instruments as shall be necessary, appropriate or convenient to effectuate such transfer.

ARTICLE IX

DISSOLUTION AND TERMINATION

9.01 Events of Dissolution.

(a) The LLC shall be dissolved:

(i) on a date designated in writing by 75% in Number of the Voting Members;

(ii) upon the sale or other disposition of all of the LLC's assets; or

(iii) upon the entry of a decree of judicial dissolution under Section 18-802 of the Act.

(b) Dissolution of the LLC shall be effective on the day on which the event occurs giving rise to the dissolution, but the LLC shall not terminate until the LLC's Certificate of Formation shall have been cancelled and the assets of the LLC shall have been distributed as provided herein. Notwithstanding the dissolution of the LLC, prior to the termination of the LLC, as aforesaid, the business of the LLC and the affairs of the Members, as such, shall continue to be governed by this Agreement. A liquidator appointed by the Voting Members (which liquidator may be a Member), shall liquidate the assets of the LLC, and distribute the proceeds thereof as contemplated by this Agreement and cause the cancellation of the LLC's Certificate of Formation.

9.02 Distributions Upon Liquidation.

(a) After payment of liabilities owing to creditors, the liquidator shall set up such reserves as it deems reasonably necessary for any contingent or unforeseen liabilities or obligations of the LLC. Said reserves may be paid over by such liquidator to a bank, to be held in escrow for the purpose of paying any such contingent or unforeseen liabilities or obligations and, at the expiration of such period as such liquidator may deem advisable, such reserves shall be distributed to the Members or their assigns in the manner set forth in paragraph (b) below.

(b) After paying such liabilities and providing for such reserves, the liquidator shall cause the remaining net assets of the LLC to be distributed to all Members with positive Capital Account balances (after such balances have been adjusted to reflect all debits and credits required by applicable Treasury Regulations under Section 704(b) of the Code for all events through and including the distribution in liquidation of the LLC), in proportion to and to the extent of such positive balances. In the event that any part of such net assets consists of notes or accounts receivable or other non-cash assets, the liquidator may take whatever steps it deems appropriate to convert such assets into cash or into any other form which would facilitate the distribution thereof. If any assets of the LLC are to be distributed in kind, such assets shall be distributed on the basis of their fair market value net of any liabilities.

ARTICLE X

MISCELLANEOUS

10.01 Notices. Any and all notices, requests, elections, consents or demands permitted or required to be made under this Agreement shall be in writing, signed by the Member giving such notice, request, election, consent or demand, and shall be delivered personally, or sent by registered or certified mail, or by overnight mail, Federal Express or other similar commercial overnight courier, to the other Member or Members at their addresses set forth in Schedule A, and, in the case of a notice to the LLC, at the address of its principal office as set forth in Article I hereof, or at such other address as may be supplied by written notice given in conformity with the terms of this Section 10.01. The date of personal delivery, three days after the date of mailing, the business day after delivery to an overnight courier, as the case may be, or the date of actual delivery if sent by any other method, shall be the date of such notice.

10.02 Successors and Assigns. Subject to the restrictions on transfer set forth herein, this

Agreement, and each and every provision hereof, shall be binding upon and shall inure to the benefit of the Members, their respective successors, successors-in-title, heirs and assigns, and each and every successor-in-interest to any Member, whether such successor acquires such interest by way of gift, purchase, foreclosure, or by any other method, shall hold such interest subject to all of the terms and provisions of this Agreement.

10.03 Amendments. Except as otherwise specifically provided in this Agreement (including without limitation, Article VIII), this Agreement may be amended or modified only by a Majority in Number of the Voting Members; provided that (x) no such amendment shall increase the liability of, increase the obligations of or, except as specifically provided in this Agreement (such as, for example, in Section 8.03), adversely affect the interest of, any Member without the specific approval of such Member; (y) if any provision of this Agreement provides for the approval or consent of a greater number of Members or of Members holding a higher percentage of the total Percentage Interests of the Members, any amendment effectuated pursuant to such provision, and any amendment to such provision, shall require the approval or consent of such greater number of Members or of Members holding such higher percentage of Percentage Interests; and (z) subject to clauses (x) and (y) above, any amendment to this Section 10.03 shall require the approval of 75% in Number of the Voting Members.

10.04 Partition. The Members hereby agree that no Member nor any successor-in-interest to any Member, shall have the right while this Agreement remains in effect to have the property of the LLC partitioned, or to file a complaint or institute any proceeding at law or in equity to have the property of the LLC partitioned, and each Member, on behalf of himself, his successors, representatives, heirs and assigns, hereby waives any such right. It is the intention of the Members that during the term of this Agreement, the rights of the Members and their successors-in-interest, as among themselves, shall be governed by the terms of this Agreement, and that the right of any Member or successor-in-interest to assign, transfer, sell or otherwise dispose of his interest in the LLC shall be subject to the limitations and restrictions of this Agreement.

10.05 No Waiver. The failure of any Member to insist upon strict performance of a covenant hereunder or of any obligation hereunder, irrespective of the length of time for which such failure continues, shall not be a waiver of such Member's right to demand strict compliance in the future. No consent or waiver, express or implied, to or of any breach or default in the performance of any obligation hereunder, shall constitute a consent or waiver to or of any other breach or default in the performance of the same or any other obligation hereunder.

10.06 Entire Agreement. This Agreement constitutes the full and complete agreement of the parties hereto with respect to the subject matter hereof.

10.07 Captions. Titles or captions of Articles or sections contained in this Agreement are inserted only as a matter of convenience and for reference, and in no way define, limit, extend or describe the scope of this Agreement or the intent of any provision hereof.

10.08 Counterparts. This Agreement may be executed in a number of counterparts, all of which together shall for all purposes constitute one Agreement, binding on all the Members notwithstanding that all Members have not signed the same counterpart.

10.09 Applicable Law. This Agreement and the rights and obligations of the parties hereunder shall be governed by and interpreted, construed and enforced in accordance with the laws of the State of Delaware.

10.10 Gender, etc. In the case of all terms used in this Agreement, the singular shall include the plural and the masculine gender shall include the feminine and neuter, and vice versa, as the context requires.

10.11 Creditors. None of the provisions of this Agreement shall be for the benefit of or enforceable by any creditor of any Member or of the LLC other than a Member who is such a creditor of the LLC.

IN WITNESS WHEREOF, the Members have signed and sworn to this Agreement under penalties of perjury as of the date first above written.

MEMBERS:

/s/ David S. Wetherell

David S. Wetherell

/s/ Peter H. Mills

Peter H. Mills

/s/ Jonathan Callaghan

Jonathan Callaghan

/s/ Guy A. Bradley

Guy A. Bradley

/s/ Andrew J. Hajducky III

Andrew J. Hajducky III

/s/ Marc D. Poirier

Marc D. Poirier

EXHIBIT 10.76

@VENTURES III, L.P.

MANAGEMENT CONTRACT

AGREEMENT between @Ventures III, L.P., a limited partnership organized under the laws of the State of Delaware (the "Partnership"), and @Ventures Management, LLC, a limited liability company organized under the laws of the State of Delaware with its principal office in Andover, Massachusetts (the "Company"). Capitalized terms used herein and not otherwise defined shall have the meaning set forth in the Agreement of Limited Partnership of the Partnership.

WHEREAS, the Partnership has been formed pursuant to an Agreement of Limited Partnership (the "Agreement") for the purpose of making investments in Portfolio Companies; and

WHEREAS, the Partnership wishes to engage the Company to provide certain services to further the objectives and purposes of the Partnership, and the Company is willing to provide such services;

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

1. Services to be Rendered by the Company to the Partnership. The Company will use its best efforts to provide the Partnership with investment opportunities in Portfolio Securities meeting the requirements of the Agreement. The Company shall provide such assistance as the Partnership may reasonably request in identifying, evaluating, structuring, consummating, monitoring and disposing of potential investments by the Partnership. All investment decisions shall be made by the general partner of the Partnership on behalf of the Partnership, and nothing in this contract shall be construed to constitute the Company an agent of the Partnership.

2. Other Activities. It is understood and agreed that the Company may have management, consulting, service or other contracts with other entities, including companies in which the Partnership invests. The Partnership agrees that the Company shall be free to pursue such opportunities, and that the Partnership shall have no interest therein.

3. Payment of Expenses. The Company, so long as this Contract is in effect, shall be responsible for and shall pay all of its out-of-pocket expenses and those of the General Partner, including expenses which relate to salaries, office space, supplies and other facilities of their businesses, except as set forth in Section 6.5A(4) of the Agreement. It is expected that in the case of consummated investments, the Company will use its reasonable best efforts to ensure that all the fees and expenses incurred by the Partnership in connection with identifying, evaluating, structuring and consummating such investments will be paid by the Portfolio Company in which the investment was made.

4. The Management Fee. As full compensation for the services rendered to the

Partnership hereunder and the expenses borne by the Company hereunder, during the period ending four (4) years after the Initial Closing Date (the "Initial Payment Period"), the Partnership shall pay the Company a management fee equal to 2% per annum of the aggregate Capital Commitments of all Partners. The management fee shall be paid semi-annually in advance commencing on the Initial Closing Date of the Partnership and continuing on the first days of each February and August thereafter until termination of this Contract. Subsequent to the end of the Initial Payment Period, the management fee will be equal to 1% per annum of the aggregate Capital Commitments of all Partners. In addition the management fee will be reduced by one-half during any period in which the Partnership is in a Continuity Mode as provided in Section 6.4 of the Agreement and to the extent that the Partnership is placed in a Continuity Mode during any period with respect to which the management fee has already been paid, such reduction shall be reflected as a credit against the management fee to be paid in the following semi-annual period.

5. Set-Offs Against Management Fee. The Company, the General Partner and their respective Affiliates may receive management, directors', consulting and other similar fees and compensation from companies in which the Partnership invests, provided that the amount of such fees and other compensation is reasonable in relation to the work performed by the Company and bear a reasonable relation to fees and compensation charged for similar work by third parties. One half of such fees and other compensation (referred to herein as "Shared Portfolio Company Fees") shall be credited against the management fee payable by the Partnership, the Foreign Fund and CMGI in proportion to their respective aggregate capital commitments. In addition, subject to Section 6.2.0 of the Agreement, any fee, reimbursement or other form of compensation payable by a third party as a result of the failure to consummate an investment ("Break-up Fees") to the Partnership, the General Partner, the Company or their respective Affiliates shall be paid as follows: An amount equal to the aggregate unreimbursed fees and expenses paid by the Partnership, the General Partner, the Company or their Affiliates which were specific to the transaction giving rise to such fee shall be paid to each such entity in proportion to the fees and expenses incurred by it. The balance of any such Break-Up Fee shall be paid to the Company; provided that one-half of the remaining Break-Up Fee shall be credited against the management fee payable by the Partnership, the Foreign Fund and CMGI in proportion to their respective aggregate capital commitments. To the extent that the sum of such Shared Portfolio Company Fees and Break-up Fees exceed the management fee payable to the Company for that period, such excess shall be credited against the management fee payable by the Partnership, the Foreign Fund and CMGI (in proportion to their respective aggregate capital commitments) in subsequent periods. In the event that such amounts exceed total future installments of the management fee, they shall be paid to the Partnership, the Foreign Fund and CMGI (in proportion to their respective aggregate capital commitments) and included as Operating Receipts. A determination of the amount of management fee set-off, if any, shall be made semi-annually as of June 30 and January 31 of each calendar year and any such amount shall be credited against the next installment of the management fee otherwise payable.

6. Term and Termination. This Contract shall become effective on its execution and shall remain in full force and effect continuously thereafter until the earlier to occur of (i) the date the Partnership is wound up, liquidated and dissolved, and (ii) the removal of @Ventures Partners III, LLC as the general partner of the Partnership. This Contract shall automatically terminate,

without the payment of any penalty, in the event of its assignment by the Company without the consent of the Partnership.

7. Liability and Indemnification. The Company shall not be liable to the Partnership or any Partner for any act or omission taken or suffered by the Company in good faith and in the belief that such act or omission is in or is not opposed to the best interests of the Partnership; provided that such act or omission is not in violation of this Contract and does not constitute negligence, misconduct, fraud or a willful violation of the law by the Company. The Partnership agrees to indemnify, hold harmless and release the Company and its respective agents, officers, employees, directors and affiliates to the same extent that such indemnification is provided to the General Partner under Section 9.3 of the Agreement.

IN WITNESS WHEREOF, @Ventures III, L.P. and @Ventures Management, LLC have caused this agreement to be signed in duplicate as of the 7th day of August, 1998.

@VENTURES III, L.P.
By: @Ventures Partners III, LLC,
its general partner

By: /s/ Andrew J. Hajducky III

@VENTURES MANAGEMENT, LLC

By: /s/ Andrew J. Hajducky III

EXHIBIT 10.77

@VENTURES FOREIGN FUND III, L.P.

MANAGEMENT CONTRACT

AGREEMENT between @Ventures Foreign Fund III, L.P., a limited partnership organized under the laws of the State of Delaware (the "Partnership"), and @Ventures Management, LLC, a limited liability company organized under the laws of the State of Delaware with its principal office in Andover, Massachusetts (the "Company"). Capitalized terms used herein and not otherwise defined shall have the meaning set forth in the Agreement of Limited Partnership of the Partnership.

WHEREAS, the Partnership has been formed pursuant to an Agreement of Limited Partnership (the "Agreement") for the purpose of making investments in Portfolio Companies; and

WHEREAS, the Partnership wishes to engage the Company to provide certain services to further the objectives and purposes of the Partnership, and the Company is willing to provide such services;

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

1. Services to be Rendered by the Company to the Partnership. The Company will use its best efforts to provide the Partnership with investment opportunities in Portfolio Securities meeting the requirements of the Agreement. The Company shall provide such assistance as the Partnership may reasonably request in identifying, evaluating, structuring, consummating, monitoring and disposing of potential investments by the Partnership. All investment decisions shall be made by the general partner of the Partnership on behalf of the Partnership, and nothing in this contract shall be construed to constitute the Company an agent of the Partnership.

2. Other Activities. It is understood and agreed that the Company may have management, consulting, service or other contracts with other entities, including companies in which the Partnership invests. The Partnership agrees that the Company shall be free to pursue such opportunities, and that the Partnership shall have no interest therein.

3. Payment of Expenses. The Company, so long as this Contract is in effect, shall be responsible for and shall pay all of its out-of-pocket expenses and those of the General Partner, including expenses which relate to salaries, office space, supplies and other facilities of their businesses, except as set forth in Section 6.5A(4) of the Agreement. It is expected that in the case of consummated investments, the Company will use its reasonable best efforts to ensure that all the fees and expenses incurred by the Partnership in connection with identifying, evaluating, structuring and consummating such investments will be paid by the Portfolio Company in which the investment was made.

4. The Management Fee. As full compensation for the services rendered to the

Partnership hereunder and the expenses borne by the Company hereunder, during the period ending four (4) years after the Initial Closing Date (the "Initial Payment Period"), the Partnership shall pay the Company a management fee equal to 2% per annum of the aggregate Capital Commitments of all Partners. The management fee shall be paid semi-annually in advance commencing on the Initial Closing Date of the Partnership and continuing on the first days of each February and August thereafter until termination of this Contract. Subsequent to the end of the Initial Payment Period, the management fee will be equal to 1% per annum of the aggregate Capital Commitments of all Partners. In addition the management fee will be reduced by one-half during any period in which the Partnership is in a Continuity Mode as provided in Section 6.4 of the Agreement and to the extent that the Partnership is placed in a Continuity Mode during any period with respect to which the management fee has already been paid, such reduction shall be reflected as a credit against the management fee to be paid in the following semi-annual period.

5. Set-Offs Against Management Fee. The Company, the General Partner and their respective Affiliates may receive management, directors', consulting and other similar fees and compensation from companies in which the Partnership invests, provided that the amount of such fees and other compensation is reasonable in relation to the work performed by the Company and bear a reasonable relation to fees and compensation charged for similar work by third parties. One half of such fees and other compensation (referred to herein as "Shared Portfolio Company Fees") shall be credited against the management fee payable by the Partnership, the Domestic Fund and CMGI in proportion to their respective aggregate capital commitments. In addition, subject to Section 6.2.0 of the Agreement, any fee, reimbursement or other form of compensation payable by a third party as a result of the failure to consummate an investment ("Break-up Fees") to the Partnership, the General Partner, the Company or their respective Affiliates shall be paid as follows: An amount equal to the aggregate unreimbursed fees and expenses paid by the Partnership, the General Partner, the Company or their Affiliates which were specific to the transaction giving rise to such fee shall be paid to each such entity in proportion to the fees and expenses incurred by it. The balance of any such Break-Up Fee shall be paid to the Company; provided that one-half of the remaining Break-Up Fee shall be credited against the management fee payable by the Partnership, the Domestic Fund and CMGI in proportion to their respective aggregate capital commitments. To the extent that the sum of such Shared Portfolio Company Fees and Break-up Fees exceed the management fee payable to the Company for that period, such excess shall be credited against the management fee payable by the Partnership, the Domestic Fund and CMGI (in proportion to their respective aggregate capital commitments) in subsequent periods. In the event that such amounts exceed total future installments of the management fee, they shall be paid to the Partnership, the Domestic Fund and CMGI (in proportion to their respective aggregate capital commitments) and included as Operating Receipts. A determination of the amount of management fee set-off, if any, shall be made semi-annually as of June 30 and January 31 of each calendar year and any such amount shall be credited against the next installment of the management fee otherwise payable.

6. Term and Termination. This Contract shall become effective on its execution and shall remain in full force and effect continuously thereafter until the earlier to occur of (i) the date the Partnership is wound up, liquidated and dissolved, and (ii) the removal of @Ventures Partners III, LLC as the general partner of the Partnership. This Contract shall automatically terminate,

without the payment of any penalty, in the event of its assignment by the Company without the consent of the Partnership.

7. Liability and Indemnification. The Company shall not be liable to the Partnership or any Partner for any act or omission taken or suffered by the Company in good faith and in the belief that such act or omission is in or is not opposed to the best interests of the Partnership; provided that such act or omission is not in violation of this Contract and does not constitute negligence, misconduct, fraud or a willful violation of the law by the Company. The Partnership agrees to indemnify, hold harmless and release the Company and its respective agents, officers, employees, directors and affiliates to the same extent that such indemnification is provided to the General Partner under Section 9.3 of the Agreement.

IN WITNESS WHEREOF, @Ventures Foreign Fund III, L.P. and @Ventures Management, LLC have caused this agreement to be signed in duplicate as of the 22nd day of December, 1998.

@VENTURES FOREIGN FUND III, L.P.
By: @Ventures Partners III, LLC,
its general partner

By: /s/ Andrew J. Hajducky III

@VENTURES MANAGEMENT, LLC

By: /s/ Andrew J. Hajducky III

EXHIBIT 10.78

CMG @ VENTURES III, LLC

MANAGEMENT CONTRACT

THIS MANAGEMENT CONTRACT, between CMG @ Ventures III, LLC., a limited liability company organized under the laws of the State of Delaware (the "LLC"), and @Ventures Management, LLC, a limited liability company organized under the laws of the State of Delaware (the "Company"), is dated as of September 4, 1998. Capitalized terms used herein and not otherwise defined shall have the respective meanings ascribed to them in the Limited Liability Company Agreement of the LLC (the "Limited Liability Company Agreement").

WHEREAS, the LLC has been formed pursuant to the Limited Liability Company Agreement for the purpose of making investments in Portfolio Companies; and

WHEREAS, the LLC wishes to engage the Company to provide certain services to further the objectives and purposes of the LLC, and the Company is willing to provide such services.

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

1. Services to be Rendered by the Company to the LLC. The Company will provide the LLC with investment opportunities in Portfolio Securities meeting the requirements of the Limited Liability Company Agreement. The Company shall provide such assistance as the LLC may reasonably request in identifying, evaluating, structuring, consummating, monitoring and disposing of potential investments by the LLC. All investment decisions shall be made by the Managing Member of the LLC on behalf of the LLC, and nothing in this contract shall be construed to constitute the Company an agent of the LLC.

2. Other Activities. It is understood and agreed that the Company may have management, consulting, service or other contracts with other entities, including companies in which the LLC invests. The LLC agrees that the Company shall be free to pursue such opportunities~ and that the LLC shall have no interest therein.

3. Payment of Expenses. The Company, so long as this Contract is in effect, shall be responsible for and shall pay all of its out-of-pocket expenses and those of the Managing Member, including expenses which relate to salaries, office space supplies and other facilities of their businesses. It is expected that in the case of consummated investments, the Company will use its reasonable best efforts to ensure that all the fees and expenses incurred by the LLC in connection with identifying, evaluating, structuring and consummating such investments will be paid by the Portfolio Company in which the investment was made.

4. The Management Fee. As full compensation for the services rendered to the LLC hereunder and the expenses borne by the Company hereunder, during the period ending four (4)

years after the date hereof (the "Initial Payment Period"), the LLC shall pay the Company a management fee equal to 2% per annum of the aggregate Capital Commitments of all Members (such Capital Commitments being in the aggregate amount of $55,762,673). The management fee shall be paid semi-annually in advance commencing on the date hereof and continuing on the first days of each February and August thereafter until termination of this Contract. Subsequent to the end of the Initial Payment Period, the management fee will be equal to 1% per annum of the aggregate Capital Commitments of all Members. The management fee will be reduced by one-half during any period in which the Domestic Fund is in a Continuity Mode as provided in Section 6.4 of the Domestic Fund Agreement and to the extent that the Domestic Fund is placed in a Continuity Mode during any period with respect to which the management fee has already been paid, such reduction shall be reflected as a credit against the management fee to be paid in the following semi-annual period.

5. Set-Offs Against Management Fee. The Company, the Managing Member and their respective Affiliates may receive management, directors', consulting and other similar fees and compensation from companies in which the LLC invests, provided that the amount of such fees and other compensation is reasonable in relation to the work performed by the Company and bear a reasonable relation to fees and compensation charged for similar work by third parties. One-half of such fees and other compensation (referred to herein as "Shared Portfolio Company Fees") shall be credited against the management fee payable by the LLC and the Funds in proportion to their respective aggregate capital commitments. In addition, any Break-up Fee paid to the LLC, the Managing Member, the Company or their respective Affiliates shall be paid as follows: An amount equal to the aggregate unreimbursed fees and expenses paid by the LLC, the Managing Member, the Company or their Affiliates which were specific to the transaction giving rise to such Break-Up Fee shall be paid to each such entity in proportion to the fees and expenses incurred by it. The balance of any such Break-Up Fee shall be paid to the Company; provided that one-half of the remaining Break-Up Fee shall be credited against the management fee payable by the LLC and the Funds in proportion to their respective aggregate capital commitments. To the extent that the sum of such Shared Portfolio Company Fees and Break-up Fees exceed the management fee payable to the Company for any period, such excess shall be credited against the management fee payable by the LLC and the Funds (in proportion to their respective aggregate capital commitments) in subsequent periods. In the event that such amounts exceed total future installments of the management fee, they shall be paid to the LLC and the Funds (in proportion to their respective aggregate capital commitments) and included as operating receipts. A determination of the amount of the management fee set-off, if any, shall be made semi-annually as of June 30 and January 31 of each calendar year and any such amount shall be credited against the next installment of the management fee otherwise payable.

6. Term and Termination. This Contract shall become effective on the date hereof and shall remain in full force and effect continuously thereafter until the earlier to occur of (i) the date the LLC is wound up, its assets are liquidated and it is dissolved, and (ii) the removal of @Ventures Partners III, LLC as the general partner of the Domestic Fund. This Contract shall automatically terminate, without the payment of any penalty, in the event of its assignment by the Company without the consent of the LLC.

7. Liability and Indemnification. The Company shall not be liable to the LLC or any

Member for any act or omission taken or suffered by the Company in good faith and in the belief that such act or omission is in or is not opposed to the best interests of the LLC; provided that such act or omission is not in violation of this Contract and does not constitute negligence, misconduct, fraud or a willful violation of the law by the Company. The LLC agrees to indemnify, hold harmless and release the Company and its respective agents, officers, employees, directors and affiliates to the same extent that such indemnification is provided to the Managing Member under Section 6.03 of the Limited Liability Company Agreement.

IN WITNESS WHEREOF, CMG@Ventures III, LLC and @Ventures Management, LLC have caused this Contract to be executed, in one or more counterparts as of the date first above written.

CMG @ VENTURES III, LLC

By: @Ventures Partners III, LLC, its Managing Member

By: /s/ Andrew J. Hajducky III

Name: Andrew J. Hajducky III
Title: Managing Member

@VENTURES MANAGEMENT, LLC

By: /s/ Andrew J. Hajducky III

Name: Andrew J. Hajducky III
Title: Managing Member

CERTAIN INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS. ASTERISKS DENOTE OMISSIONS.

EXHIBIT 10.79

EXECUTION COPY

@VENTURES III, L.P.

AMENDMENT TO MANAGEMENT CONTRACT

THIS AMENDMENT dated as of June 7, 2002, to the Management Contract dated as of August 7, 1998 (the "Management Contract"), between @Ventures III, L.P., a Delaware limited partnership (the "Partnership"), and @Ventures Management, LLC, a Delaware limited liability company (the "Company"), shall be and become effective on the Amendment Effective Date (as that term is defined in the Agreement of Limited Partnership of the Partnership (as amended and in effect from time to time, the "Agreement").

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Partnership and the Company hereby agree to amend the Management Contract as follows:

1. <u>Amendment to Section 4</u>. Section 4 of the Management Contract is hereby amended by (a) deleting the last sentence thereof, and (b) by adding, at the end thereof, the following paragraph:

> "Notwithstanding the foregoing or any provision of this Contract to the contrary, with respect to all periods from and after February 1, 2002 through [***], the Company hereby waives [***] management fees; provided however, that if, pursuant to Section 11.1(1)(y) of the Agreement, the term of the Partnership is extended by the Limited Partners through [***] following a termination of @Ventures Expansion Fund, L.P. ("Expansion Fund") prior to [***], the Partnership shall pay to the Company a management fee equal to the amount of the management fee which would have been payable by Expansion Fund to @Ventures Expansion Management LLC for the period between the date of the termination of Expansion Fund and [***] (i.e., fees at an annualized rate of $[***], but reduced by amounts paid by Expansion Fund on account of periods preceding the date of termination of the Expansion Fund), any such fee to be payable in advance, in a lump sum, at the time specified in Section 11.1(1)(y) of the Agreement. If, pursuant to Section 11.1(1)(x) of the Agreement, the term of the Partnership is extended, the management fee for any such extension period payable to the Company shall be an amount mutually acceptable to the Company and the Partnership (any such Partnership approval to require the consent of Two-Thirds in Interest of the Limited Partners), but in no event shall such fees exceed $[***] per year, and any such management fee shall be payable in semi-annual installments on January 1 and July 1 of each year during the extension period."

2. <u>Amendment to Section 5</u>. Section 5 of the Management Contract is hereby amended by adding, at the end thereof, the following sentence:

"Notwithstanding the foregoing, any amount which, pursuant to this Section 5, is to be retained by the Company and credited against the management fee payable by the Partnership in respect of any period from and after the Amendment Effective Date through [***], shall, if the Partnership is not at the time paying a management fee equal to or greater than such amount, instead be paid to the Partnership."

3. <u>Amendment to Section 6.</u> Section 6 of the Management Contract is hereby amended by adding, at the end thereof, the following sentence:

"Notwithstanding any provision of the Agreement or this Contract to the contrary, this Contract shall automatically terminate on the last day of the Partnership term determined in accordance with Section 2.5 of the Agreement."

[Signature page follows.]

IN WITNESS WHEREOF, the Partnership and the Company have caused this Amendment be signed (in counterparts) as of the date first above written.

@VENTURES III, L.P.

By: @Ventures Partners III, LLC,
its general partner

By: /s/ Peter H. Mills

Name: Peter H. Mills

Authorized Managing Member

@VENTURES MANAGEMENT, LLC

By: /s/ Peter H. Mills

Name: /s/ Peter H. Mills

Authorized Member

CERTAIN INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS. ASTERISKS DENOTE OMISSIONS.

EXHIBIT 10.80

EXECUTION COPY

AMENDMENT TO THE MANAGEMENT CONTRACT OF @VENTURES FOREIGN FUND III, L.P.

This Amendment (this "Amendment"), dated as of June 7, 2002, to Management Contract of @Ventures Foreign Fund III, L.P. dated as of December 22, 1998 (as amended to date, the "Contract") between @Ventures Foreign Fund III, L.P., a Delaware limited partnership (the "Partnership"), and @Ventures Management, LLC, a Delaware limited liability company (the "Company"). Capitalized terms used herein but not otherwise defined herein shall have the respective meanings ascribed to them in the Contract.

WHEREAS, the Company has executed Amendment No. 2 to the Agreement of Limited Partnership of @Ventures Foreign Fund III, L.P. dated the same date hereof (together with the Agreement of Limited Partnership of the Partnership dated December 22, 1998, as amended to date, the "Agreement"), pursuant to which the Company has agreed to waive [***] management fees and other amounts payable under the Agreement in respect from February 1, 2002 through [***]; and

WHEREAS, the Partnership and the Company desire to effect such waiver of the management fees and other amounts payable under the Contract by amending the Contract through this Amendment.

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

1. Amendments to Section 4 of Contract. Section 4 of the Contract is hereby amended by (a) in the first sentence, deleting the phrase "four (4) years after the Initial Closing Date" and substituting in its place the phrase "[***]", (b) deleting the last two sentences thereof, and (c) by adding, at the end thereof, the following paragraph:

> "Notwithstanding any provision of this Contract to the contrary, with respect to all periods from and after February 1, 2002 through [***], [***] management fees or other amounts shall be payable by the Partnership (or any of its limited partners) to the Company. If, pursuant to Section 11.1(1) of the Agreement, the term of the Partnership is extended, the management fee for any such extension period payable to the Company shall be an amount mutually acceptable to the Company and the Partnership (any such Partnership approval shall require the consent of the Majority in Interest of Limited Partners of the Partnership), but in no event shall such fees exceed $[***] per year, and any such management fee shall be payable in semi-annual installments on January 1 and July 1 of each year during the extension period."

2. *Amendments to Section 5 of Contract.* Section 5 of the Contract is hereby amended by adding at the end thereof, the following sentence:

> "Notwithstanding the foregoing, any amount which is to be retained by the Company under Section 5 of this Contract and credited against the management fee payable by the Partnership in respect of any period after the date hereof, shall instead be paid to the Partnership."

3. *Amendments to Section 6 of Contract.* Section 6 of the Contract is hereby amended by adding at the end thereof, the following sentence:

> "Notwithstanding any provision of this Contract, this Contract shall automatically terminate on the last day of the Partnership term determined in accordance with Section 2.5 of the Agreement."

4. *Legal Fees.* All of the legal, accounting and other fees and expenses relating to this Amendment shall be paid exclusively by the Company.

5. *Ratification.* In all other respects, the Contract is hereby ratified and confirmed and shall remain in full force and effect.

6. *Counterparts.* This Amendment may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

[Signature pages follow.]

IN WITNESS WHEREOF, the parties have duly executed this Amendment as of the date first above written.

COMPANY:

@VENTURES MANAGEMENT, LLC

By: /s/ Peter H. Mills

Authorized Managing Member

PARTNERSHIP:

@VENTURES FOREIGN FUND III, L.P.

By @Ventures Partners III, LLC, its General Partner

By /s/ Peter H. Mills

Name Peter Mills

Title Authorized Member

EXHIBIT 21

SUBSIDIARIES OF CMGI, INC.
As of October 25, 2002

Name	Jurisdiction of Organization
Maktar Limited	Ireland
CMGI Asia Limited	Hong Kong
Lippri Limited	Ireland
CMGI EuroUSA S.L.	Spain
CMGI France S.A.S	France
CMGI Germany GmbH	Germany
CMGI Italia S.r.l.	Italy
CMGI Netherlands B.V.	Netherlands
CMGI Sweden A.B.	Sweden
CMGI EuroHolding Limited	England and Wales
CMGI (UK) Limited	England and Wales
CMGI Europe Limited	England and Wales
AltaVista Company	Delaware
Shopping.com	California
Transium Corporation	Delaware
AltaVista Internet Holding Ltd.	Ireland
AltaVista Internet Operations Ltd.	Ireland
AltaVista Internet Solutions Limited	Ireland
AltaVista AB	Sweden
CMG Securities Corporation	Massachusetts
CMG @ Ventures Capital Corporation	Delaware
CMG @ Ventures Securities Corporation	Delaware
CMG @ Ventures, Inc.	Delaware
CMG @ Ventures I, LLC	Delaware
CMG @ Ventures II, LLC	Delaware
CMG @ Ventures III, LLC	Delaware
CMGI @ Ventures IV, LLC	Delaware
CMG @ Ventures Expansion, LLC	Delaware
ProvisionSoft, Inc.	Delaware
CMGion North America, Inc.	Delaware
CMGion Securities Corporation	Delaware
Fredmay Limited	Ireland
Alyked Limited	Ireland
Rayken Limited	Ireland
SalesLink Corporation	Delaware
Pacific Direct Marketing Corporation	California
SalesLink DE Mexico Holding Corp.	Delaware

SalesLink de Mexico, S. de R.L. de C.V.	Mexico
InSolutions Incorporated	Delaware
On-Demand Solutions, Inc.	Massachusetts
Shortbuzz LLC	Delaware
Tallan, Inc.	Delaware
uBid, Inc.	Delaware
Bondai Limited	Ireland
Brentgrove Limited	Ireland
Yesmail, Inc.	Delaware
SL Supply Chain Services International Corp.	Delaware
SLC Acquisition Netherlands, Inc.	Delaware
SLC Acquisition Dutch, Inc.	Delaware
SLC Acquisition Holland, Inc.	Delaware

Name	Jurisdiction of Organization
SalesLink International C.V.	Netherlands
SalesLink International B.V.	Netherlands
Logistix Holdings Europe Ltd.	Ireland
Logistix Ireland Ltd.	Ireland
Logistix Supply Chain Management Pte. Ltd.	Singapore
Logistix Supply Chain Management Sdn. Bhd.	Malaysia
SB Holdings Pte. Ltd.	Singapore
SB TAC Pte. Ltd.	Singapore

Exhibit 23

INDEPENDENT AUDITORS' CONSENT

The Board of Directors and Stockholders
CMGI, Inc.:

We consent to the incorporation by reference in the registration statements No. 333-71863, No. 333-90587 and No. 333-93005 on Form S-3 and No. 33-86742, No. 333-91117, No. 333-93189, No. 333-94479, No. 333-94645, No. 333-95977, No. 333-33864, No. 333-52636, No. 333-75598, No. 333-84648 and No. 333-90608 on Form S-8 of CMGI, Inc. of our report dated October 28, 2002, with respect to the consolidated balance sheets of CMGI, Inc. as of July 31, 2002 and 2001, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended July 31, 2002, and all related financial statement schedules, which report appears in the July 31, 2002, annual report on Form 10-K of CMGI, Inc.

/s/KPMG LLP

Boston, Massachusetts
October 29, 2002