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)

[X]ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Fiscal Year Ended July 31, 2001

[_]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	04-2921333
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

100 Brickstone Square	01810
Andover, Massachusetts	(Zip Code)
(Address of principal executive offices)	

(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 [X] 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 $398,438,310 as of October 19, 2001.

On October 19, 2001, the Registrant had outstanding 353,142,946 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 2001 Annual Meeting of Stockholders are incorporated by reference into Part III of this Report.

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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.

ITEM 1.--BUSINESS

General

CMGI, Inc. (together with its consolidated subsidiaries, "CMGI" or the "Company") is a diversified Internet operating and development company. 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 the Internet and Internet technologies, 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. A description of the Company's 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 from time to time seeks opportunities to provide capital to support the Company's growth through the selective sale of investments or minority interests in subsidiaries or affiliates to outside investors. 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.

The Company's subsidiaries have been classified in the following five operating segments: (i) Interactive Marketing, (ii) eBusiness and Fulfillment, (iii) Search and Portals, (iv) Infrastructure and Enabling Technologies, and (v) Internet Professional 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 Interactive Marketing companies provide services and solutions for marketers and advertisers to enhance the effectiveness and efficiency of their online programs. Engage, Inc. (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.com, inc. (Yesmail) provides comprehensive permission-based email marketing technologies and services.

CMGI's eBusiness and Fulfillment companies work across the entire eBusiness value chain to sell and deliver goods from the manufacturer to the customer. uBid, Inc. (uBid) offers an auction platform and SalesLink Corporation (SalesLink) provides supply chain and fulfillment services. Auction is ideally suited to the medium of the Internet, allowing buyers and sellers to transact independently across borders and across time zones. Taking a business digital entails far more than merely putting customer interaction functions online. It also requires readjustment of internal business processes, coordination of order sources and reorganization of supply chain, inventory and fulfillment processes.

CMGI's Search and Portals companies provide products and services which connect Internet, extranet and intranet users to information. AltaVista Company (AltaVista) is a leading global search provider for Internet users and businesses that delivers access to the most relevant information. MyWay.com Corporation (MyWay) is a provider of services and solutions designed to allow businesses to customize online portals for their employees, vendors and customers.

CMGI's Infrastructure and Enabling Technologies companies include NaviSite, Inc. (NaviSite), Equilibrium Technologies, Inc. (Equilibrium) and CMGion, Inc. (CMGion). These companies provide products and services essential to business operations on the Internet, including outsourced managed applications, technology platforms for automating digital imagery and applications designed to improve the performance of systems and networks.

Tallan, Inc. (Tallan), CMGI's Internet Professional Services company, offers strategy consulting, creative services and infrastructure development to Global 2000 companies seeking to initiate, enhance or redirect their presence on the Internet.

In addition, the Company maintains interests in several venture 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 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.

Products and Services

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

Interactive Marketing

Engage

Engage is a provider of content management software and services for multichannel marketing. Engage's solutions are used by marketers, publishers, printers, direct mailers, Web sites and agencies to improve the performance and efficiency of their marketing efforts across multiple forms of media. Engage's professional services provide customers with project management, project implementation and integration services and training.

Engage's ContentServer(TM) is an all-in-one digital asset management and workflow automation system for print, the Web and other key marketing channels that gives production departments control over the entire production process, providing robust capabilities for planning, managing and publishing communications materials across channels. Engage's ApprovalServer(TM) is a fully featured online digital asset approval system that enables marketers and publishers to digitally proof, correct and revise online and offline marketing materials. Engage's PromoPlanner(TM) is a complete system for planning, previewing and executing catalogs, marketing campaigns and ad pages. Engage's PromoManager(TM) helps marketers deliver dynamic, targeted promotions on their Web sites. Engage's AdManager(TM) is site-side enterprise-level software that enables Web sites to manage their advertising inventory, offering XML functionality and allowing publishers to better integrate their advertising management databases with other internal billing and reporting systems. Engage's AdBureau(TM) is a turnkey, outsourced advertisement management service based on AdManager technology.

Yesmail

Yesmail is a provider of direct permission email marketing solutions. Permission email is a medium that facilitates interaction between organizations and consumers or businesses which have given their permission to receive promotional messages and other information targeted to their interests. YesConnect(TM) is Yesmail's proprietary email marketing technology allowing marketers to select audiences, get counts, develop messages, schedule delivery and track results. Yesmail's innovative email marketing solutions and expertise enable companies to cost effectively acquire and retain customers, sell products and services and drive loyalty by targeting prospects and delivering personalized messages via email. Yesmail delivers to its nearly 25 million members offers, promotions and information about the products and services that match their interests, while protecting their personal information.

eBusiness and Fulfillment

uBid

uBid is a leading online auction and e-commerce marketplace that offers consumers and businesses three ways to buy and sell. uBid Direct(TM) Internet auctions feature a rotating selection of more than 12,000 brand name products, including Compaq, 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. Product categories include computers and accessories, consumer electronics, jewelry and gifts, travel and collectibles. uBid Direct products are typically backed by uBid or brand warranties. 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 business.

uBid also features uBid Preferred Partner(TM) auctions, in which consumers will find products listed by uBid-approved businesses and typically backed by brand warranties. uBid Preferred Partners are established businesses (both small and large) who have completed a thorough review process and whose performances are monitored to ensure that buyers receive the appropriate uBid service levels. uBid Preferred Partners list their items directly and assume responsibility for all aspects of their auction listings including product descriptions, identification of quantities, establishment of starting and maximum bid prices and shipping. uBid processes transactions on behalf of uBid Preferred Providers and handles the initial level of customer service.

Users can also buy or sell products through uBid's Consumer Exchange(TM), a peer-to-peer marketplace in which consumers list their items for auction with no listing fee. Consumer Exchange sellers list their items 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.

In addition to uBid's core auction e-commerce site, uBid licenses the uBid auction technology in exchange for a licensing fee and payments of future royalties from auction sales. Through several co-branded auction sites, uBid constructs and operates auction sites with third parties and provides uBid's auction capabilities.

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.

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.

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 SalesLink's inbound telemarketing staff via phone or 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's telemarketing group offers comprehensive inbound business-to-business telemarketing services to support its sales inquiry management and order processing activities. Telemarketing services include lead qualification, order processing fulfillment and marketing analysis. SalesLink also offers outbound business telemarketing services that are tailored to an individual client's needs.

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(TM), SalesLink's premier Web tool for organizing and distributing products and materials, acts as a central repository for product information to ensure immediate order processing. This powerful online resource center connects to SL FlagShip(TM), SalesLink's comprehensive order fulfillment and management tool that provides customized reporting and analyses. SKU tracking and monitoring capabilities to code, summarize and index information essential to planning future inventory requirements.

Search and Portals

AltaVista

AltaVista's patented search technology positions AltaVista as a leading global search provider for Internet users and businesses. AltaVista is a leading search engine among Web users and a premier provider of high-powered search software to intranet, enterprise and e-commerce clients around the globe. By innovating its proven search technology and adapting to the changing complexity of the Internet, AltaVista helps users find what they need as quickly and as intuitively as possible. AltaVista is organized along two business lines, Internet Search Services and Enterprise Search Software.

AltaVista's Internet Search Services business provides integrated search results from highly targeted search centers, offering users immediate access to the most relevant information including Web pages, multimedia files, products and services, up-to-the minute news, and a free language translation service with Babel Fish. Vertical search centers aggregate information into highly segmented indices, helping users better refine their search and quickly access the most pertinent, useful information. AltaVista also has locally optimized, translated search sites in 20 countries.

AltaVista's Enterprise Search Software business offers scalable and flexible search software that is used by over 1,000 companies, including Amazon.com, Borders.com, Buy.com, the FBI, NASA, DaimlerChrysler and Siemens. This state-of-the-art search technology converts unstructured data across the enterprise into valuable, relevant and accessible information for Internet, intranet or extranet users. With global language support and proven performance, AltaVista's search software is customizable to meet the specific needs of business, government, education and research communities.

MyWay

MyWay is a provider of online portal services and business directories to leading media, telecommunication and other companies. MyWay's flagship product, Homebase(TM), is a portal platform for designing websites that integrate value-added content from leading providers with local content provided by customers and other useful features of interest to online users. Homebase is designed for media companies with valuable brand, content, advertising and merchant connections that can be enhanced online, telecommunications companies with successful online directory services that can be expanded to take advantage of the latest tools and trends on the Internet, and corporations that would like to provide value-added portals to their online offerings for employees, vendors and customers.

MyWay also offers its Business Directory(TM) solution, designed for companies interested in offering online yellow pages or local information services. Business Directory comes complete with location and category search, maps and directions and support for enhanced listings, online shopping and premium advertising and

Web-enabling tools. Business Directory, offered both as a component of Homebase or separately, includes over 20 million businesses nationwide.

Infrastructure and Enabling Technologies

NaviSite

NaviSite is a provider of outsourced Web hosting and managed application services for companies conducting mission-critical business on the Internet, including enterprises and other businesses deploying Internet applications. NaviSite combines a highly scalable and developed infrastructure with experience, intellectual property, skill sets, processes and procedures for delivering managed hosting services. NaviSite helps customers focus on their core competencies by outsourcing the management and hosting of their Web operations and applications, allowing customers to improve the efficiency of their Web operations. NaviSite's SiteHarbor(R) solutions provide secure, reliable, co-location and high-performance hosting services, including high-performance Internet access, and high-availability server management solutions through load balancing, clustering, mirroring and storage services.

In addition, NaviSite also provides related professional and consulting services. NaviSite's enhanced management services, beyond basic co-location and hosting, are designed to meet the expanding needs of businesses as their Web sites and Internet applications become more complex and as their needs for outsourcing all aspects of their online businesses intensify. NaviSite's application services, which include application hosting, management and rental, provide cost-effective access to, as well as rapid deployment and reliable operation of, business-critical applications, including managed services for streaming media.

Equilibrium

Equilibrium develops and markets automated imaging software that streamlines the production and deployment of digital image assets. Equilibrium's products enable companies to reduce image production time and expenses and create more engaging customer experiences by enabling the dynamic preparation, optimization and delivery of digital images to virtually any device.

MediaRich(TM) is server-based imaging software that provides dynamic imaging and automation capabilities for the production, generation and delivery of image assets. Images across an entire Web site can be deployed and modified at any desired frequency to keep content fresh and up-to-date. MediaRich also creates innovative imaging possibilities such as interactivity and personalized user experiences.

DeBabelizer(TM) is desktop software that automatically prepares digital images for delivery in any medium on any platform. DeBabelizer enables users in all areas of the digital convergence, including Web development, imaging, publishing, corporate presentations, multimedia and digital video, to automatically acquire, edit, optimize and convert images, graphics, animations and video frames.

CMGion

CMGion is an early-stage company developing software to provide predictive, automated provisioning of services, aimed at improving the performance and efficiency of systems, applications, storage and networks.

Internet Professional Services

Tallan

Tallan provides business-critical applications strategy, design, development and implementation services for Global 2000 and brand name online firms. With more than 15 years of custom development in large, distributed systems, Tallan combines the best talent with the best technologies to provide critical, complex solutions to satisfy clients' eBusiness demands.

Tallan focuses on strategy, development, creative and infrastructure services to plan, design, build and implement comprehensive solutions for client business and technology needs. Tallan's Strategic Services group provides strategic analysis and consulting to clients to develop a business model and plan, analyze market, industry and competitive information, create financial models, complete a technology assessment and deliver a high-level technical architecture. Tallan's 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.

Venture Capital

The Company's first Internet venture fund, CMG@Ventures I, was formed in April 1995. 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's second Internet venture fund, CMG@Ventures II, was formed in October 1996. The Company owns 100% of the capital and is entitled to 80% of the cumulative net profits of CMG@Ventures II.

CMGI formed the @Ventures III venture capital fund (@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. 78.1% of amounts committed to the @Ventures III Fund are provided through 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. Management of these entities is the responsibility of @Ventures Partners, III, LLC (@Ventures Partners III). CMG@Ventures III co-invests with the @Ventures III Fund in all portfolio companies. 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% committed to the @Ventures III Fund is provided by a fourth entity, @Ventures Investors, LLC, in which CMGI has no ownership. During fiscal year 2000, CMGI formed an expansion fund to the @Ventures III Fund to provide follow-on financing to existing @Ventures III Fund investments. The expansion fund has a structure that is substantially identical to the @Ventures III Fund, and CMGI's interests in such fund are comparable to its interests in the @Ventures III Fund.

In fiscal year 2001, CMGI formed CMGI@Ventures IV, LLC (CMGI@Ventures IV), a single evergreen fund to invest in emerging Internet service and technology companies, by merging three separate venture capital funds formed in fiscal year 2000 (CMGI@Ventures IV, LLC, CMGI@Ventures B2B LLC and CMGI@Ventures Technology Fund, LLC). 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 $435 million has been invested by CMGI's venture capital affiliates through July 31, 2001.

Sales and Marketing

Each CMGI operating company maintains its own separate sales and marketing staffs, enabling the sales personnel to develop strong customer relationships and expertise in their respective areas. Each company has established their own direct sales force experienced in each subsidiary's business to address the new and evolving requirements of the Internet 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, internally sponsored events, externally facing trade shows and the recently acquired stadium naming rights to CMGI Field. 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 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 its markets include name recognition, performance, 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, cable companies, equipment/technology suppliers and traditional retailers. Some of the Company's existing competitors, as well as a number of potential competitors, have greater financial, technical and marketing resources than the Company. The Company may also be affected by competition from licensees of its products and technology. There can be no assurance that the Company's competitors will not develop Internet 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 Internet-related products and services. These industries are 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. 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 2001, 2000 and 1999, the Company expended approximately $159.0 million, $153.9 million and $22.3 million, respectively, or approximately 13%, 17% and 12%, 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.

Intellectual Property Rights

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.

Employees

At July 31, 2001, the Company employed a total of 3,584 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.

Other

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, substantially all of the Company's revenues from external customers were attributed to the Company's North American operations, and substantially all of the Company's assets were located in the United States. None of the Company's segments is dependent on foreign operations.

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, 2001 are as follows:

Interactive Marketing Segment

In its Interactive Marketing segment, the Company leases approximately 630,000 square feet of office, storage, production and assembly, sales and marketing, and operations space, principally in California, Massachusetts, Illinois, North Carolina and Europe under leases expiring from 2001 to 2010. Approximately 50,000 square feet is sublet to third parties.

eBusiness and Fulfillment Segment

In its eBusiness and Fulfillment segment, the Company leases approximately 1,220,000 square feet of office, storage, warehouse, production and assembly, sales and marketing, and operations space, principally in Massachusetts, Tennessee, California, Illinois and Mexico under leases expiring from 2001 to 2013.

Search and Portals Segment

In its Search and Portals segment, the Company leases approximately 450,000 square feet of office, administrative, engineering, sales and marketing, operations and data center space, principally in California, Massachusetts and New York under leases expiring from 2001 to 2009. Approximately 34,000 square feet is sublet to third parties.

Infrastructure and Enabling Technologies Segment

In its Infrastructure and Enabling Technologies segment, the Company leases approximately 447,000 square feet of office, storage, production and assembly, sales and marketing, data center and operations space, principally in Massachusetts, California, Washington and Texas, under leases expiring from 2001 to 2011.

Internet Professional Services Segment

In its Internet Professional Services segment, the Company leases approximately 89,000 square feet of office, storage, production and assembly, sales and marketing, and operations space, principally in Connecticut, Virginia and New York under leases expiring from 2001 to 2007.

Other

In addition, the Company leases approximately 323,000 square feet principally in Massachusetts, California, Illinois, New York and Europe, under leases expiring from 2002 to 2010. These facilities consist of executive office space for the Company's corporate and venture capital line of business headquarters, as well as administrative, engineering, sales and marketing, and operations space.

ITEM 3.--LEGAL PROCEEDINGS

In August 2001, Jeffrey Black, a former employee of AltaVista, filed a complaint in Superior Court of the State of California (Santa Clara County) 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 believe these claims are without merit and plan to vigorously defend against these claims.

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 2001.

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

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 19, 2001, there were approximately 5,400 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.

On June 15, 2001, 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 3,592 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.

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, 2001. 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 1997 acquisition of Pacific Direct Marketing Corporation, the 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 and the fiscal year 2001 acquisitions of Space Media Holding Limited and MediaBridge Technologies, Inc. See Note 8 to the Company's consolidated financial statements for further information concerning these acquisitions. The historical results presented herein are not necessarily indicative of future results.

	Years ended July 31,				
	2001	2000	1999	1998	1997
	(in thousands, except per share data)				
Consolidated Statement of Operations Data:					
Net revenue	$ 1,237,702	$ 890,421	$ 186,389	$ 92,197	$ 67,306
Cost of revenue	1,131,778	735,164	179,553	83,021	42,116
Research and development expenses	158,960	153,930	22,253	19,108	17,767
In-process research and development expenses	1,462	65,683	6,061	10,325	1,312
Selling, general and administrative expenses	674,763	673,801	89,054	46,909	45,777
Amortization of intangible assets and stock-based compensation	1,490,714	1,402,675	16,127	3,093	1,254
Impairment of long lived-assets	3,334,133	34,205	--	--	--
Restructuring	217,219	14,770	--	--	--
Operating loss	(5,771,327)	(2,189,807)	(126,659)	(70,259)	(40,920)
Interest income (expense), net	5,978	(15,096)	269	(870)	1,749
Gains on issuance of stock by subsidiaries and affiliates	121,794	80,387	130,729	46,285	--
Other gains (losses), net	(357,547)	525,265	758,312	96,562	27,140
Other income (expense), net	461,991	113,385	(13,406)	(12,899)	(769)
Income tax benefit (expense)	161,531	121,173	(325,402)	(31,555)	(2,034)
Income (loss) from continuing operations	(5,377,580)	(1,364,693)	423,843	27,264	(14,834)
Discontinued operations, net of income taxes	--	--	52,397	4,640	(7,193)
Net income (loss)	(5,377,580)	(1,364,693)	476,240	31,904	(22,027)
Preferred stock accretion and amortization of discount	(7,499)	(11,223)	(1,662)	--	--
Net income (loss) available to common stockholders	$(5,385,079)	$(1,375,916)	$ 474,578	$ 31,904	$(22,027)
Diluted earnings (loss) per share:					
Earnings (loss) from continuing operations	$ (16.34)	$ (5.26)	$ 2.05	$ 0.15	$ (0.10)
Discontinued operations	--	--	0.25	0.03	(0.05)
Net earnings (loss)	$ (16.34)	$ (5.26)	$ 2.30	$ 0.18	$ (0.15)
Shares used in computing diluted net earnings (loss) per share	329,623	261,555	206,832	180,120	150,864
Consolidated Balance Sheet Data:					
Working capital	$ 581,316	$ 1,110,105	$1,381,005	$ 12,784	$ 38,554
Total assets	2,185,565	8,557,107	2,404,594	259,818	146,248
Long-term obligations	240,911	278,968	34,867	5,801	16,754
Redeemable preferred stock	390,640	383,140	411,283	--	--
Stockholders' equity	883,420	5,785,802	1,062,461	133,136	29,448

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

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.

Overview

CMGI, Inc. (together with its consolidated subsidiaries, "CMGI" or the "Company") is a diversified Internet operating and development company. The Company's subsidiaries have been classified in the following five operating segments: (i) Interactive Marketing, (ii) eBusiness and Fulfillment, (iii) Search and Portals, (iv) Infrastructure and Enabling Technologies and (v) Internet Professional 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 majority-owned subsidiaries focused on the Internet and Internet technologies, 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.

CMGI's Interactive Marketing companies provide services and solutions for marketers and advertisers to enhance the effectiveness and efficiency of their online programs. 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.

CMGI's eBusiness and Fulfillment companies work across the entire eBusiness value chain to sell and deliver goods from the manufacturer to the customer. uBid offers an auction platform and SalesLink provides supply chain and fulfillment services. Auction is ideally suited to the medium of the Internet, allowing buyers and sellers to transact independently across borders and across time zones. Taking a business digital entails far more than merely putting customer interaction functions online. It also requires readjustment of internal business processes, coordination of order sources and reorganization of supply chain, inventory and fulfillment processes.

CMGI's Search and Portals companies provide products and services which connect Internet, extranet and intranet users to information. AltaVista is a leading global search provider for Internet users and businesses that delivers access to the most relevant information. MyWay is a provider of services and solutions designed to allow businesses to customize online portals for their employees, vendors and customers.

CMGI's Infrastructure and Enabling Technologies companies include NaviSite, NaviPath, Inc. (NaviPath) through the end of fiscal year 2001, Equilibrium and CMGion. These companies provide products and services essential to business operations on the Internet, including outsourced managed applications, technology platforms for automating digital imagery and applications designed to improve the performance of systems and networks.

Tallan, CMGI's Internet Professional Services company, offers strategy consulting, creative services and infrastructure development to Global 2000 companies seeking to initiate, enhance or redirect their presence on the Internet.

In addition, the Company maintains interests in several venture funds: CMG@Ventures I, CMG@Ventures II, CMG@Ventures III, CMG@Ventures Expansion and CMGI@Ventures IVCMGI@Ventures IV. CMGI's venture funds 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.

Results of Operations

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)			
Interactive Marketing...	$ 133,449	11%	$187,348	21%	$(53,899)	(29)%
eBusiness and Fulfillment..................	691,414	56%	345,177	39%	346,237	100%
Search and Portals......	182,280	15%	236,778	26%	(54,498)	(23)%
Infrastructure and Enabling Technologies..	136,095	11%	78,620	9%	57,475	73%
Internet Professional Services..............	94,464	7%	42,498	5%	51,966	122%
Total..................	$1,237,702	100%	$890,421	100%	$347,281	39%

The increase in 2001 net revenue compared to 2000 was largely a result of the full year impact of the acquisitions of uBid in April 2000 and Tallan in March 2000 and increased net revenue growth at NaviSite and NaviPath during fiscal year 2001, partially offset by the sale or closing of operations of several companies during fiscal year 2001. The decrease in net revenue within the Interactive Marketing segment was primarily the result of decreased net revenue at Engage resulting from a decline in the on-line advertising market, partially offset by Engage's acquisition of MediaBridge Technologies, Inc. (MediaBridge) during fiscal year 2001 and the full year impact of CMGI's acquisition of Yesmail in March 2000. Subsequent to July 31, 2001, Engage announced it had ceased its media business, which comprised approximately 50% and 69% of the Interactive Marketing segment net revenue for fiscal year 2001 and 2000, respectively, and would be focusing on interactive software and services. 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 SNI, Inc. (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 decrease in net revenue within the Search and Portals segment was primarily the result of a decrease in net revenue at AltaVista 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 focus on on-line advertising to a focus on search software. The increase in net revenue within the Infrastructure and Enabling Technologies segment was primarily the result of increased net revenue from NaviSite and NaviPath and the full year impact of the acquisition of Activate, Inc. (Activate) in November 1999, partially offset by a decrease in net revenue at CMGion's majority-owned subsidiary, AdForce, Inc. (AdForce) primarily due to a decline in its on-line advertising market and the effect of closing AdForce's operations in June 2001. The increase in net revenue for NaviSite during fiscal year 2001 was primarily due to the growth of its customer base facilitated by the build-out of its data center facilities. 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 24% and 21% of the net revenue in the Infrastructure and Enabling Technologies segment in fiscal year 2001 and 2000, respectively. The increase in net revenue within the Internet Professional Services segment was primarily the result of the full year impact of the acquisition of Tallan in April 2000. The Company expects net revenue to decrease in fiscal year 2002 primarily due to the full year impact of management's restructuring initiatives and the full year impact of the sale and closing of operations of several companies and the decline in the Internet professional services market.

COST OF REVENUE:

	2001	% of 2001 Segment Net Revenue	2000	% of 2000 Segment Net Revenue	2001 vs. 2000	% Change
	(in thousands)					
Interactive Marketing...	$ 97,822	73%	$130,198	69%	$(32,376)	(25)%
eBusiness and Fulfillment....................	616,861	89%	293,942	85%	322,919	110%
Search and Portals......	90,335	50%	126,008	53%	(35,673)	(28)%
Infrastructure and Enabling Technologies..	257,366	189%	152,077	193%	105,289	69%
Internet Professional Services...............	69,394	73%	32,939	78%	36,455	111%
Total..................	$1,131,778	91%	$735,164	82%	$396,614	54%

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 2001 cost of revenue compared to 2000 was largely attributable to the full year impact of the fiscal year 2000 acquisitions of uBid and Tallan and the costs associated with the expansion of network infrastructure at NaviSite and NaviPath. These increases were partially offset by decreases related to 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 gross margin percentage decreased to approximately 9% for fiscal year 2001 from 18% for 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 Interactive Marketing segment was primarily 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. Gross margins for the Interactive Marketing segments decreased to approximately 27% for fiscal year 2001 from approximately 31% for the prior fiscal year primarily due to a significant decline in net revenue from the on-line advertising business while content delivery costs remained fixed, partially offset by the positive gross margin contributions of the MediaBridge business. 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. Gross margins in the eBusiness and Fulfillment segment decreased to approximately 11% for fiscal year 2001 from approximately 15% 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 decrease in cost of revenue within the Search and Portals segment was primarily due to the change in the business strategies at AltaVista and MyWay and the closing of operations at iCAST Corporation (iCAST) in January 2001. AltaVista made certain changes in its business strategy in an effort to move from a focus on on-line advertising to a focus on search software. Gross margins increased within the Search and Portal segment to approximately 50% for fiscal year 2001 from approximately 47% for fiscal year 2000 primarily due to the shift in focus from the lower margin on-line advertising model to a higher margin search software business model. The increase in cost of revenue within the Infrastructure and Enabling Technologies segment was primarily due to increased costs to support the growth of the customer base and network usage at NaviSite and NaviPath during fiscal year 2001 and the full year impact of the fiscal year 2000 acquisitions of Activate, AdForce (January 2000) and Equilibrium (January 2000). Gross margins within the Infrastructure and Enabling Technologies segment have increased to (89%) in fiscal year 2001 from (93%) in fiscal year 2000. The negative gross margin within the Infrastructure and Enabling Technologies segment was primarily due to increased costs to build and develop network capacity and price declines as a result of the excess availability of network capacity created by the decline of the "dot com" sector. The increase in cost of revenue within the Internet Professional Services segment was primarily related to the full year impact of the acquisition of Tallan. Gross margins within the Internet Professional Services segment have increased to approximately 27% in fiscal year 2001 from approximately 22% in fiscal year 2000 primarily due to a change in focus from a mix of product offerings and services to solely services.

RESEARCH AND DEVELOPMENT EXPENSES:

	2001	% of 2001 Segment Net Revenue	2000	% of 2000 Segment Net Revenue	2001 vs. 2000	% Change
	(in thousands)					
Interactive Marketing...	$ 45,560	34%	$ 31,807	17%	$ 13,753	43%
eBusiness and Fulfill- ment....................	703	1%	2,571	--	(1,868)	(73)%
Search and Portals......	68,950	38%	89,661	38%	(20,711)	(23)%
Infrastructure and En- abling Technologies...........	43,747	32%	26,906	34%	16,841	63%
Internet Professional Services...............	--	N/A	2,985	7%	(2,985)	N/A
Total..................	$158,960	13%	$153,930	17%	$ 5,030	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 2001 research and development expenses compared to 2000 within the Interactive Marketing 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 decrease within the Search and Portals segment was primarily the result of the decrease in research and development expense resulting from the closing of operations at iCAST in January 2001 and the closing of certain operations at MyWay, partially offset by increased efforts at AltaVista related to further development of its search software. The increase in the Infrastructure and Enabling Technologies segment was primarily the result of the full year impact of the acquisitions of Activate and Equilibrium during fiscal year 2000 and increased development efforts at NaviSite and CMGion, partially offset by a decrease in development efforts at NaviPath. The decrease within the Internet Professional Services segment was primarily the result of a change in strategy from a focus on product development and services to solely a focus on service offerings. The Company recognizes that an investment in research and development is required to remain competitive; however, the Company expects research and development costs to decrease in absolute dollars and as a percentage of net revenue in fiscal year 2002 primarily due to the full year impact of the sale and closing of operations of several companies and the restructuring initiatives taken at several of its remaining subsidiaries.

IN-PROCESS RESEARCH AND DEVELOPMENT EXPENSES:

	2001	% of 2001 Segment Net Revenue	2000	% of 2000 Segment Net Revenue	2001 vs. 2000	% Change
	(in thousands)					
Interactive Marketing...	$ 700	--	$50,117	27%	$(49,417)	(99)%
Infrastructure and Enabling Technologies...........	--	--	14,320	18%	(14,320)	(100)%
Other...................	762	--	1,246	--	(484)	(39)%
Total...................	$1,462	--	$65,683	7%	$(64,221)	(98)%

The fiscal year 2001 in-process research and development expenses relate to the one-time charges taken in connection with the 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 LLC (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)					
Interactive Marketing...	$100,272	75%	$106,214	57%	$ (5,942)	(6)%
eBusiness and Fulfillment...................	57,620	8%	27,231	8%	30,389	112%
Search and Portals......	136,830	75%	249,391	105%	(112,561)	(45)%
Infrastructure and Enabling Technologies..	81,382	60%	59,009	75%	22,373	38%
Internet Professional Services...............	4,699	5%	7,112	17%	(2,413)	(34)%
Other...................	12,855	--	6,580	--	6,275	95%
Total...................	$393,658	32%	$455,537	51%	$ (61,879)	(14)%

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 Interactive Marketing segment was primarily the result of the decrease in headcount and the reduction in scope of certain sales and marketing campaigns as a result of the restructuring initiatives at Engage, partially offset by the full year impact of the fiscal year 2000 acquisition of Yesmail. The increase 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 decrease in the Search and Portals segment was primarily the result of the reduction in headcount and certain marketing campaigns at AltaVista, the closing of operations of iCAST and the consolidation of technology platforms at MyWay. The increase in the Infrastructure and Enabling Technologies segment was primarily the result of the full year impact of the fiscal year 2000 acquisitions of Activate and Equilibrium and increased sales and marketing efforts at NaviSite, partially offset by a decrease at NaviPath primarily as a result of a reduction in headcount. The decrease within the Internet Professional Services segment was primarily the result of the change in strategy from a mix of product offerings and services to solely services, partially offset by the full year impact of the acquisition of Tallan. The increase in Other was primarily the result of the costs incurred to develop and produce certain corporate marketing and advertising programs during fiscal year 2001. The Company anticipates its selling costs to decrease in absolute dollars and as a percentage of net revenue in fiscal year 2002 primarily due to the full year impact of the sale and closing of operations of several companies and restructuring initiatives taken at several of its remaining subsidiaries.

GENERAL AND ADMINISTRATIVE EXPENSES:

	2001	% of 2001 Segment Net Revenue	2000	% of 2000 Segment Net Revenue	2001 vs. 2000	% Change
			(in thousands)			
Interactive Marketing...	$ 48,754	37%	$ 37,392	20%	$11,362	30%
eBusiness and Fulfillment..................	38,779	6%	29,274	8%	9,505	32%
Search and Portals......	29,966	16%	48,739	21%	(18,773)	(39)%
Infrastructure and Enabling Technologies..	65,972	48%	42,492	54%	23,480	55%
Internet Professional Services...............	19,780	21%	13,257	31%	6,523	49%
Other...................	77,854	--	47,110	--	30,744	65%
Total...................	$281,105	23%	$218,264	25%	$62,841	29%

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 2001 compared to 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 the Interactive Marketing segment was primarily the result of the full year impact of the fiscal year 2000 acquisitions of AdKnowledge, Flycast 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 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 decrease in the Search and Portals segment was primarily the result of headcount reductions at AltaVista and MyWay and the closing of operations at iCAST. The increase in the Infrastructure and Enabling Technologies segment was primarily due to increased bad debt expense and the building of management infrastructure at NaviSite and the full year impact of the fiscal year 2000 acquisitions of Activate and Equilibrium, partially offset by the closing of operations at 1stUp.com Corporation (1stUp) and ExchangePath. The increase in the Internet Professional Services segment was primarily the result of the full year impact of the acquisition of Tallan during fiscal year 2000, partially offset by the sale of Nascent Technologies, Inc. (Nascent) in January 2001. The increase in the Other expenses, 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. The Company anticipates its general and administrative costs to decrease in absolute dollars and as a percentage of net revenue in fiscal year 2002 primarily due to the full year impact of the sale and closing of operations of several companies and restructuring initiatives taken at several of its remaining subsidiaries.

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)					
Interactive Marketing...	$ 467,923	351%	$ 321,110	171%	$ 146,813	46%
eBusiness and Fulfillment....................	149,688	22%	40,914	12%	108,774	266%
Search and Portals......	585,134	321%	820,358	346%	(235,224)	(29)%
Infrastructure and Enabling Technologies..	139,881	103%	154,397	196%	(14,516)	(9)%
Internet Professional Services...............	147,870	157%	65,680	155%	82,190	125%
Other...................	218	--	216	--	2	1%
Total...................	$1,490,714	120%	$1,402,675	158%	$ 88,039	6%

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 $69.3 million and $84.9 million of stock-based compensation for fiscal years 2001 and 2000, respectively. The increase in amortization in the Interactive Marketing segment primarily reflects a full year of amortization in fiscal year 2001 related to the fiscal year 2000 acquisitions of AdKnowledge, Flycast 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 Engage and Yesmail, including $331.8 million recorded in the fourth quarter. The increase 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 the Search and Portals segment primarily reflects impairment charges recorded during fiscal year 2001 related to certain intangible assets of AltaVista and MyWay, including $223.3 million recorded in the fourth quarter. The decrease in the Infrastructure and Enabling Technologies segment was primarily the result of the closing of operations at 1stUp, CMGion's subsidiary, AdForce, and ExchangePath during fiscal year 2001, partially offset by a full year of amortization in fiscal year 2001 related to certain fiscal year 2000 acquisitions. The increase in the Internet Professional Services segment reflects a full year of amortization in fiscal year 2001 related to the acquisition of Tallan. The Company anticipates its amortization of intangible assets and stock-based compensation costs to decrease in absolute dollars and as a percentage of net revenue in fiscal year 2002 primarily due to the full year impact of the impairment charges taken at several subsidiaries during fiscal 2001.

IMPAIRMENT OF LONG-LIVED ASSETS:

	2001	% of 2001 Segment Net Revenue	2000	% of 2000 Segment Net Revenue	2001 vs. 2000	% Change
	(in thousands)					
Interactive Marketing...	$1,223,786	917%	$ --	--	$1,223,786	N/A
eBusiness and Fulfillment...................	7,138	1%	5,014	1%	2,124	42%
Search and Portals......	1,122,298	616%	11,814	5%	1,110,484	9,400%
Infrastructure and Enabling Technologies..	394,626	290%	13,332	17%	381,294	2,860%
Internet Professional Services...............	586,285	621%	4,045	10%	582,240	14,394%
Total...................	$3,334,133	269%	$34,205	4%	$3,299,928	9,648%

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 increase in impairment charges recorded in the Interactive Marketing segment included the write-down of goodwill and other intangible assets at Engage related to its media and software businesses of approximately $868.4 million, of which approximately $327.6 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 increase in impairment charges recorded in the Search and Portals segment primarily include the write-down of goodwill and other intangible assets at AltaVista of approximately $1.01 billion, of which approximately $127.3 million was recorded in the fourth quarter, and 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 increase in impairment charges recorded in the Infrastructure and Enabling Technologies segment included the write-down of goodwill and other intangible assets of approximately $335.8 million as a result of the closing of operations at CMGion's subsidiary, AdForce, 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 increase in impairment charges recorded in the Internet Professional Services segment related to 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. 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)					
Interactive Marketing...	$ 31,396	24%	$ --	--	$ 31,396	N/A
Search and Portals......	77,452	42%	14,770	6%	62,682	424%
Infrastructure and Enabling Technologies...........	95,247	70%	--	--	95,247	N/A
Internet Professional Services...............	2,043	2%	--	--	2,043	N/A
Other...................	11,081	--	--	--	11,081	N/A
Total...................	$217,219	18%	$14,770	2%	$202,449	1,371%

The Company's restructuring initiatives involved strategic decisions to exit certain businesses or to re-evaluate the current state of on-going 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 of approximately 1,700 positions 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 relate to the write-off of property and equipment. The restructuring charges incurred in the Interactive Marketing segment primarily related to workforce reductions of approximately 550 positions and the closing of several office locations at Engage, future lease commitments of Engage for associated servers, desktop computers and other telecommunications equipment and the write-off of fixed assets by Engage. The restructuring charges incurred in the Search and Portals segment during fiscal year 2001 primarily consisted of workforce reductions of approximately 410 positions at AltaVista, 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. Additional restructuring costs incurred in fiscal year 2001 in the Search and Portals segment included the costs associated with the consolidation of MyWay's technology platforms and the closing of operations at iCAST. The restructuring charges incurred in the Infrastructure and Enabling Technologies segment primarily related to severance costs, the termination of several contracts and other exit costs at NaviPath and CMGion's subsidiary, AdForce, in connection with the closing of their respective operations, severance costs at 1stUp and the write-off of fixed assets by 1stUp and ExchangePath. The increase in the Other expenses 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 $882.8 million, or 168%, to ($357.5) 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 $255.3 million related to the write-down of the carrying value of 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 $145.7 related to the write-down of the carrying value of certain @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 $88.4 million on the sale of 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 $12.5 million to $54.0 million for fiscal year 2001 from $41.5 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 $8.5 million to $48.1 million for fiscal year 2001 from

$56.6 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 2002, 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 $507.7 million for fiscal year 2001 from $165.3 million for fiscal year 2000, primarily reflecting minority interest in net losses of seven subsidiaries during fiscal year 2001, including AltaVista, Engage, MyWay, NaviSite, CMGion, 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 recorded for fiscal year 2001 was approximately $161.5 million and the Company's effective tax rates for fiscal 2001 and 2000 were 3% and 8% respecitvely. 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.

Fiscal 2000 Compared to Fiscal 1999

NET REVENUE:

	2000	As a % of FY 2000 Total Net Revenue	1999	As a % of FY 1999 Total Net Revenue	2000 vs. 1999	% Change
			(in thousands)			
Interactive Marketing...	$187,348	21%	$ 26,830	14%	$160,518	598%
eBusiness and Fulfillment...................	345,177	39%	145,094	78%	200,083	138%
Search and Portals......	236,778	26%	8,238	5%	228,540	2,774%
Infrastructure and Enabling Technologies..	78,620	9%	6,101	3%	72,519	1,189%
Internet Professional Services...............	42,498	5%	126	--	42,372	33,629%
Total...................	$890,421	100%	$186,389	100%	$704,032	378%

The increase in fiscal year 2000 net revenue compared to fiscal year 1999 was largely a result of acquisitions and increased net revenue growth at existing companies during fiscal year 2000. The fiscal year 2000 acquisitions accounted for approximately 77% of the net revenue increase. The increase in net revenue within the Interactive Marketing segment was primarily the result of the acquisitions of AdKnowledge, Flycast and Yesmail during fiscal year 2000 and increased net revenue from Engage due to an approximately $13.0 million transaction with Compaq Computer Corporation (Compaq), an affiliate of CMGI, and the continued expansion of Engage's customer base. The increase in net revenue within the eBusiness and Fulfillment segment was primarily the result of the acquisitions of uBid and Signatures during fiscal year 2000 and increased volume of turnkey business from Cisco Systems, Inc. (Cisco) at SalesLink. The increase in net revenue within the Search and Portals segment was primarily the result of the acquisition of AltaVista during fiscal year 2000. The increase in net revenue within the Infrastructure and Enabling Technologies segment was primarily the result of increased net revenue from NaviSite and NaviPath and the acquisitions of Activate, AdForce and 1stUp during fiscal year 2000. The increase in net revenue for NaviSite was primarily due to the growth in its customer base facilitated by the build-out of its data center facilities. The increase in net revenue for NaviPath during fiscal year 2000 primarily related to the growth in users due to the expansion of its network coverage across the United States and Canada. The increase in net revenue within the Internet Professional Services segment was primarily the result of the acquisition of Tallan during fiscal year 2000.

COST OF REVENUE:

	2000	% of 2000 Segment Net Revenue	1999	% of 1999 Segment Net Revenue	2000 vs. 1999	% Change
	(in thousands)					
Interactive Marketing...	$130,198	69%	$ 20,866	78%	$109,332	524%
eBusiness and Fulfillment..................	293,942	85%	122,728	85%	171,214	140%
Search and Portals......	126,008	53%	10,041	122%	115,967	1,155%
Infrastructure and Enabling Technologies..	152,077	193%	25,827	423%	126,250	489%
Internet Professional Services..............	32,939	78%	91	72%	32,848	36,097%
Total..................	$735,164	82%	$179,553	96%	$555,611	309%

Cost of revenue consisted primarily of expenses related to the content, connectivity and production associated with delivering the Company's products and services. The increase was largely attributable to the increased net revenue due to acquisitions and the acceleration of operations at existing companies across each of the Company's five operating segments during fiscal year 2000. The fiscal year 2000 acquisitions accounted for approximately 66% of the increase in cost of revenue. Cost of revenue as a percentage of net revenue for the Company decreased to 82% for fiscal year ended 2000 from 96% for the prior fiscal year primarily as a result of the substantial net revenue increases across each of the five operating segments and the impact of companies acquired.

RESEARCH AND DEVELOPMENT EXPENSES:

	2000	% of 2000 Segment Net Revenue	1999	% of 1999 Segment Net Revenue	2000 vs. 1999	% Change
	(in thousands)					
Interactive Marketing...	$ 31,807	17%	$ 8,699	32%	$ 23,108	266%
eBusiness and Fulfillment..................	2,571	--	--	--	2,571	N/A
Search and Portals......	89,661	38%	10,694	130%	78,967	738%
Infrastructure and Enabling Technologies..	26,906	34%	2,709	44%	24,197	893%
Internet Professional Services..............	2,985	7%	151	120%	2,834	1,877%
Total..................	$153,930	17%	$22,253	12%	$131,677	592%

Research and development expenses consisted primarily of personnel and related costs to design, develop, enhance, test and deploy the Company's product and service efforts either prior to the development effort reaching technological feasibility or once the product had reached the maintenance phase of its life cycle. Research and development expenses as a percentage of net revenue increased during fiscal year 2000 primarily due to acquisitions and increased research and development efforts at existing companies. The fiscal year 2000 acquisitions accounted for approximately 75% of the increase in research and development expenses. The increase within the Interactive Marketing segment was primarily the result of the acquisitions of AdKnowledge, Flycast and Yesmail during fiscal year 2000 and increased development efforts at Engage. The increase within the Search and Portals segment was primarily the result of the acquisition of AltaVista during fiscal year 2000 and the increased development efforts at iCAST and MyWay. The increase in the Infrastructure and Enabling Technologies segment was primarily the result of the acquisitions of Activate, AdForce, Equilibrium, ExchangePath, 1stUp and Tribal Voice, Inc. (Tribal Voice) during fiscal year 2000 and increased development efforts at NaviSite. The increase within the Internet Professional Services segment was primarily the result of increased development efforts at CMGI Solutions, Inc. (CMGI Solutions) during fiscal year 2000.

IN-PROCESS RESEARCH AND DEVELOPMENT EXPENSES:

	2000	% of 2000 Segment Net Revenue	1999	% of 1999 Segment Net Revenue	2000 vs. 1999	% Change
			(in thousands)			
Interactive Marketing...	$50,117	27%	$4,500	17%	$45,617	1,014%
Search and Portals......	--	--	551	7%	(551)	(100)%
Infrastructure and Enabling Technologies...........	14,320	18%	--	--	14,320	N/A
Internet Professional Services...............	--	--	1,010	802%	(1,010)	(100)%
Other...................	1,246	--	--	--	1,246	N/A
Total...................	$65,683	7%	$6,061	3%	$59,622	984%

The increase in fiscal year 2000 in-process research and development expenses was the result of the acquisitions of AdForce, AdKnowledge, ExchangePath, Equilibrium, Flycast and Yesmail and the Company's investment in AnswerLogic, Inc.

SELLING EXPENSES:

	2000	% of 2000 Segment Net Revenue	1999	% of 1999 Segment Net Revenue	2000 vs. 1999	% Change
			(in thousands)			
Interactive Marketing...	$106,214	57%	$19,368	72%	$ 86,846	448%
eBusiness and Fulfill- ment...................	27,231	8%	3,300	2%	23,931	725%
Search and Portals......	249,391	105%	11,849	144%	237,542	2,005%
Infrastructure and Enabling Technologies..	59,009	75%	9,119	149%	49,890	547%
Internet Professional Services...............	7,112	17%	76	60%	7,036	9,258%
Other...................	6,580	--	1,793	--	4,787	267%
Total...................	$455,537	51%	$45,505	24%	$410,032	901%

Selling expenses consisted primarily of advertising and other general marketing related expenses, compensation and employee-related expenses, sales commissions, facilities costs, trade show expenses and travel costs. Selling expenses increased as a percentage of net revenue during fiscal year 2000 primarily due to acquisitions and the continued growth of the sales and marketing efforts related to product launches and infrastructure at existing companies. The fiscal year 2000 acquisitions accounted for approximately 76% of the increase in selling expenses. The increase within the Interactive Marketing segment was primarily the result of the acquisitions of AdKnowledge, Flycast and Yesmail during fiscal year 2000 and increased sales and marketing efforts at Engage. The increase within the Search and Portals segment was primarily the result of the acquisition of AltaVista during fiscal year 2000 and the increased sales and marketing efforts related to new product launches and infrastructure at iCAST and MyWay. During fiscal year 2000, AltaVista incurred approximately $110.7 million in advertising costs that primarily related to a print and media advertising campaign. The increase in the Infrastructure and Enabling Technologies segment was primarily the result of the acquisitions of Activate, AdForce, Equilibrium, ExchangePath, 1stUp and Tribal Voice during fiscal year 2000 and increased sales and marketing efforts at NaviSite and NaviPath. The increase within the Internet Professional Services segment was primarily the result of increased sales and marketing efforts at CMGI Solutions during fiscal year 2000 and the acquisition of Tallan.

GENERAL AND ADMINISTRATIVE EXPENSES:

	2000	% of 2000 Segment Net Revenue	1999	% of 1999 Segment Net Revenue	2000 vs. 1999	% Change
	(in thousands)					
Interactive Marketing...	$ 37,392	20%	$ 6,003	22%	$ 31,389	523%
eBusiness and Fulfill-ment....................	29,274	8%	10,739	7%	18,535	173%
Search and Portals......	48,739	21%	9,557	116%	39,182	410%
Infrastructure and Enabling Technologies..	42,492	54%	6,189	101%	36,303	587%
Internet Professional Services...............	13,257	31%	708	562%	12,549	1,772%
Other....................	47,110	--	10,353	--	36,757	355%
Total...................	$218,264	25%	$43,549	23%	$174,715	401%

General and administrative expenses consisted primarily of compensation, facilities costs and fees for professional services. General and administrative expenses increased slightly as a percentage of net revenue during fiscal year 2000 primarily due to acquisitions and the building of management infrastructure at the corporate level and at several of the Company's existing subsidiaries. The fiscal year 2000 acquisitions accounted for approximately 48% of the increase in general and administrative expenses. The increase in the Interactive Marketing segment was primarily the result of the acquisitions of AdKnowledge, Flycast and Yesmail during fiscal year 2000 and the continued building of management infrastructure at Engage. Approximately $5.0 million of the increase in the Interactive Marketing segment specifically related to acquisition costs incurred by Engage related to its acquisition of Adsmart Corporation (Adsmart) and Flycast from CMGI. The increase in the eBusiness and Fulfillment segment was primarily the result of the acquisitions of uBid and Signatures during fiscal year 2000 and the building of management infrastructure at SalesLink. The increase in the Search and Portals segment was primarily the result of the acquisition of AltaVista during fiscal year 2000. The increase in the Infrastructure and Enabling Technologies segment was primarily due to the acquisitions of Activate, AdForce, Equilibrium, ExchangePath, 1stUp and Tribal Voice during fiscal year 2000 and the building of management infrastructure at NaviSite and NaviPath. The increase in the Internet Professional Services segment was primarily the result of the acquisition of Tallan. The increase in the Other expenses, 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 professional fees and facilities costs.

AMORTIZATION OF INTANGIBLE ASSETS AND STOCK-BASED COMPENSATION:

	2000	% of 2000 Segment Net Revenue	1999	% of 1999 Segment Net Revenue	2000 vs. 1999	% Change
	(in thousands)					
Interactive Marketing...	$ 321,110	171%	$ 9,872	37%	$ 311,238	3,152%
eBusiness and Fulfillment....................	40,914	12%	2,705	2%	38,209	1,413%
Search and Portals......	820,358	346%	2,230	--	818,128	36,687%
Infrastructure and Enabling Technologies...........	154,397	196%	--	--	154,397	N/A
Internet Professional Services...............	65,680	155%	1,320	--	64,360	4,876%
Other...................	216	--	--	--	216	N/A
Total...................	$1,402,675	158%	$16,127	9%	$1,386,548	8,598%

Amortization of intangible assets and stock-based compensation consisted primarily of goodwill amortization expense related to acquisitions during fiscal year 2000. The fiscal year 2000 acquisitions accounted for approximately 93% of the increase in amortization of intangible assets and stock-based compensation. The intangible assets recorded as a result of the fiscal 2000 acquisitions are being amortized over periods ranging from two to five years. Included within amortization of intangible assets and stock-based compensation expenses was approximately $84.9 million and $1.5 million of stock-based compensation for fiscal years 2000 and 1999, respectively. Approximately $36.6 million of the fiscal 2000 amortization of stock-based compensation expense was related to the acceleration of the vesting of options to purchase approximately 323,000 shares of CMGI stock previously issued to former executives of Flycast under pre-existing severance agreements. The increase in the Interactive Marketing segment was primarily the result of the acquisitions of AdKnowledge, Flycast and Yesmail during fiscal year 2000. The increase in the eBusiness and Fulfillment segment was primarily the result of the acquisitions of uBid and Signatures during fiscal year 2000. The increase in the Search and Portals segment was primarily the result of the acquisition of AltaVista during fiscal year 2000. Intangible assets related to the AltaVista acquisition are being amortized primarily over a three year period. The increase in the Infrastructure and Enabling Technologies segment was primarily the result of the acquisitions of Activate, AdForce, Equilibrium, ExchangePath, 1stUp and Tribal Voice during fiscal year 2000. The increase in the Internet Professional Services segment was primarily the result of the acquisition of Tallan during fiscal year 2000.

IMPAIRMENT OF LONG-LIVED ASSETS:

	2000	% of 2000 Segment Net Revenue	1999	% of 1999 Segment Net Revenue	2000 vs. 1999	% Change
	(in thousands)					
eBusiness and Fulfillment....................	$ 5,014	1%	$--	--	$ 5,014	N/A
Search and Portals......	11,814	5%	--	--	11,814	N/A
Infrastructure and Enabling Technologies...........	13,332	17%	--	--	13,332	N/A
Internet Professional Services..............	4,045	10%	--	--	4,045	N/A
Total...................	$34,205	4%	$--	--	$34,205	N/A

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 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 were not fully recoverable. The impairment charges recorded in the eBusiness and Fulfillment segment primarily relate to the write-down of goodwill at SalesLink. The impairment charges recorded in the Search and Portals segment primarily relate to the write-down of goodwill and other intangible assets at Magnitude Network, Inc. The impairment charges recorded in the Infrastructure and Enabling Technologies segment relate to the write-down of goodwill and other intangible assets related to the closing of the operations at Activerse, Inc. The impairment charges recorded in the Internet Professional Services segment related to the write-down of goodwill and other intangible assets at CMGI Solutions. 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 acquisition.

RESTRUCTURING CHARGES:

During fiscal year 2000 the Company recorded approximately $14.8 million in restructuring charges. The restructuring charges were incurred within the Search and Portals segment and primarily consisted of a $12.3 million charge incurred by AltaVista related to the renegotiation of a contract with a significant customer.

OTHER INCOME/EXPENSE:

Gains on issuance of stock by subsidiaries and affiliates decreased $50.3 million, or 39%, to $80.4 million for fiscal year 2000 from $130.7 million for fiscal year 1999. Gains on the issuance of stock for fiscal year 2000 primarily related to a pre-tax gain of approximately $51.9 million on the issuance of stock by NaviSite and a pre-tax gain of approximately $20.9 million on the issuance of stock by Vicinity Corporation (Vicinity) primarily as a result of each company's respective initial public offerings. Gains on issuance of stock by subsidiaries and affiliates for fiscal year 1999 included a pre-tax gain of approximately $81.1 million on the issuance of stock by Engage in its initial public offering, a pre-tax gain of approximately $20.3 million on issuance of stock by Lycos and a pre-tax gain of approximately $29.4 million on issuance of stock by GeoCities.

Other gains, net decreased $233.0 million, or 31%, to $525.3 million for fiscal 2000 from $758.3 million for fiscal 1999. Other gains, net for fiscal 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 by eBay, partially offset by a pre-tax loss of $35.0 million on the write-down of the Company's Marketing Services Group, Inc. (MSGI) stock. Other gains, net for fiscal 1999 consisted primarily of pre-tax gains of approximately $661.2 million on the conversion of the Company's GeoCities investment to Yahoo! stock, $45.5 million on the sale of Lycos stock, $23.2 million on the sale of the Company's investment in Reel.com, Inc. (Reel.com), and $19.1 million on the sale of the Company's investment in Sage Enterprises, Inc.

Interest income increased $36.9 million to $41.5 million for fiscal 2000 from $4.6 million for fiscal 1999, reflecting increased interest income associated with higher average corporate cash equivalent balances compared with the prior year and interest income earned by Engage and NaviSite on cash raised from their initial public offerings. Interest expense increased $52.2 million to $56.6 million for fiscal 2000 from $4.4 million for fiscal 1999, primarily due to approximately $596.9 million in notes issued as part of the AltaVista and Tallan acquisitions.

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 increased

$32.6 million to $51.9 million for fiscal year 2000, from $15.7 million for fiscal 1999, primarily reflecting an increased level of investment activity by the Company during fiscal 2000.

Minority interest increased to $165.3 million for fiscal 2000 from $2.3 million for fiscal 1999, primarily reflecting minority interest in net losses of four subsidiaries during fiscal 2000, including AltaVista, Engage, MyWay and NaviSite compared to $2.3 million for fiscal year 1999.

The Company's effective tax rates for fiscal 2000 and 1999 were 8% and 43%, respectively. The Company's effective tax rate differs materially from the federal statutory rate primarily due to valuation allowances provided on certain deferred tax assets, the provision for state income taxes, and non-deductible goodwill amortization and in-process research and development charges.

Liquidity and Capital Resources

Working capital at July 31, 2001 decreased to $581.3 million compared to $1.11 billion at July 31, 2000. The $528.8 million decrease in working capital is primarily attributable to a $1.48 billion decrease in available-for-sale securities and a $120.5 million decrease in accounts receivable, partially offset by a $489.4 million decrease in notes payable, a $373.5 million decrease in current deferred tax liabilities, a $154.0 million decrease in accounts payable, accrued expenses and other liabilities, and a $71.0 million increase in cash and cash equivalents. The Company's principal sources of capital during the twelve months ended July 31, 2001 were from the sales of approximately 8.4 million shares of Lycos stock for proceeds of $394.7 million, approximately 241.0 million shares of PCCW stock for proceeds of $190.2 million, approximately 3.7 million shares of Kana stock for proceeds of $137.6 million, approximately 6.8 million shares of Terra Networks stock for proceeds of $78.3 million, approximately 1.3 million shares of Critical Path stock for proceeds of $72.8 million, and approximately 1.3 million shares of eBay stock for proceeds of $66.5 million. The Company's principal uses of capital during the twelve months ended July 31, 2001 were $712.5 million for funding operations, $122.4 million for purchases of property and equipment, $75.5 million for investments in affiliates, primarily through the Company's @Ventures venture capital funds, and $42.1 for repayments of obligations under capital leases.

Under the terms of an agreement with an investment bank entered into during fiscal 2000, the Company agreed to deliver, at its discretion, either cash or Yahoo! 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! 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! 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! stock. The Company received approximately $31.5 million in connection with this agreement. Under the terms of the new contract, the Company delivered 581,499 shares of Yahoo! stock in August 2001.

During the twelve months ended July 31, 2001, the Company, through its limited liability company subsidiaries CMG@Ventures II, CMG@Ventures III, CMGI@Ventures IV and CMG@Ventures Expansion acquired initial or follow-on minority ownership interests in twenty-one Internet and technology companies for an aggregate total of approximately $50.1 million.

In August 2000 and February 2001, the Company issued approximately 313,000 and 2.0 million shares, respectively, of its common stock to Compaq, each as a semi-annual interest payment of approximately $11.5 million related to notes payable issued in the acquisition of AltaVista. During the twelve months 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.

In August 2000, the Company announced it had acquired the exclusive naming and sponsorship rights to the New England Patriots' new stadium, to be known as "CMGI Field," for a period of fifteen years. In return for the naming and sponsorship rights, CMGI will pay $7.6 million per year for the first ten years, with consumer price index adjustments for years eleven through fifteen. CMGI will make its first semi-annual payment under this agreement in January 2002.

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's subsidiary, Engage, completed two acquisitions for combined consideration of approximately $254.9 million consisting of approximately 14.9 million shares of Engage common stock valued at approximately $225.6 million, options to purchase Engage common stock at approximately $31.1 million and direct acquisition costs of approximately $907,000.

In June 2000, the Company's subsidiary, NaviSite, completed its financing of certain of its data center infrastructure and capital equipment under a sale-leaseback arrangement. The transaction has been accounted for as a financing arrangement, wherein the property remains on NaviSite's books and will continue to be depreciated. The total proceeds of $30.0 million were recorded as a capital lease obligation and were being reduced based on payments under the lease. In January 2001, NaviSite paid approximately $27.0 million to settle the remaining capital lease obligation.

Subsequent to July 31, 2001, the Company sold approximately 7.1 million shares of Primedia, Inc. (Primedia) stock for total proceeds of approximately $15.9 million.

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

In August 2001, the Company settled the final tranche under the borrowing arrangement that hedges a portion of the Company's investment in the common stock of Yahoo! through the delivery of 581,499 shares of Yahoo! common stock.

The Company has been contacted by certain of the holders of its Series C Convertible Preferred Stock regarding the potential restructuring or retirement of all or a portion of such securities. The Company has engaged an investment banker regarding possible resolutions. Such resolutions could potentially involve the payment of cash, shares of CMGI's common stock, other CMGI securities or other assets of CMGI. There can be no assurance that the Company will successfully restructure or retire the Series C Convertible Preferred Stock.

The Company may determine to seek to restructure or retire some or all of the promissory notes issued to Compaq. Such resolutions could potentially involve the payment of cash, shares of CMGI securities or other assets of CMGI. There can be no assurance that the Company will successfully restructure or retire the promissory notes.

The Company believes that existing working capital and the availability of marketable securities, which could be sold or posted as collateral for additional loans, will be sufficient to fund its operations, investments, acquisitions of companies and technologies, and capital expenditures for at least the next twelve months. Should additional capital be needed to fund future operations or investment and acquisition activity, the Company may seek to raise additional capital through the sale of 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.

NaviSite

On September 25, 2001, the Company's subsidiary, NaviSite, announced that it expected to incur a charge (the "Impairment Charge") during the fourth quarter of fiscal 2001 for impairment of long lived assets of $60.1

million. This charge was expected to result from a lack of definitive cash funding in the future to allow NaviSite to recover its investment in the impaired assets. As a result of NaviSite's expectation, on September 25, 2001, the Company announced that it expected to record a charge during the fourth quarter of fiscal 2001 for impairment of long lived assets of $60.1 million. NaviSite is currently exploring strategic alternatives and are making every reasonable effort working with a particular strategic partner to provide NaviSite with the definitive cash funding that would, among other things, allow NaviSite to avoid recording the Impairment Charge. At the time of filing of this report, the Company believes that it is reasonable to expect that NaviSite will not record the Impairment Charge. There can be no assurance, however, that NaviSite will be successful in such efforts. In the event that NaviSite is unable to secure such definitive cash funding in the very near future, (i) NaviSite will record the Impairment Charge during the fourth quarter of fiscal 2001 and (ii) the Company will record a charge during the first quarter of fiscal 2002 for impairment of long lived assets of $60.1 million.

Factors That May Affect Future Results Risks Relating to the Merger

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.

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 have operating income or net income in the future.

During the fiscal year ended July 31, 2001, CMGI had an operating loss of approximately $5.77 billion, and a net loss available to common stockholders of approximately $5.39 billion. CMGI anticipates continuing to incur significant operating expenses in the future, including significant costs of revenue and selling, general and administrative and amortization expenses. As a result, CMGI expects to continue to incur operating losses and may not have enough money to grow its business in the future. CMGI can give no assurance that it will achieve profitability or be capable of sustaining profitable operations.

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

In recent years, CMGI has financed its operating losses in part with profits from selling some of the stock of companies in which CMGI had invested directly or through the @Ventures funds. 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 currently outstanding securities. CMGI may also be required to take other actions, which may lessen the value of its common stock, including borrowing money on terms that are not favorable to CMGI.

CMGI's common stockholders may suffer dilution in the future upon the conversion and repayment of outstanding securities.

CMGI has outstanding securities that have conversion or repayment provisions that may result in substantial dilution to CMGI's common stockholders. CMGI currently has 375,000 shares of Series C Convertible Preferred Stock issued and outstanding. The Series C Convertible Preferred Stock is separated into three tranches of 125,000 shares each with separate conversion prices: tranche 1 shares have a current conversion price of $45.72 per share; tranche 2 shares have a current conversion price of $37.58 per share; and tranche 3 shares have a current conversion price of $37.66 per share. The Series C Convertible Preferred Stock may be converted into common stock by the holders at these fixed prices at any time prior to June 30, 2002. On June 30, 2002, any outstanding shares of Series C Convertible Preferred Stock automatically convert into common stock 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. Subject to certain limitations, when converted, the shares of Series C Convertible Preferred Stock convert into the number of shares of common stock determined by taking the $1,000 per share initial stated value, adding to such initial stated value per share any completed or accrued dividend adjustments, and dividing such sum by the applicable conversion price. Upon conversion of the Series C Convertible Preferred Stock into shares of CMGI's common stock, the common stockholders will be diluted.

The Company has been contacted by certain of the holders of its Series C Convertible Preferred Stock regarding the potential restructuring or retirement of all or a portion of such securities. The Company has engaged an investment banker regarding possible resolutions. Such resolutions could potentially involve the payment of cash, shares of CMGI's common stock, other CMGI securities or other assets of CMGI. There can be no assurance that the Company will successfully restructure or retire the Series C Convertible Preferred Stock.

In connection with CMGI's acquisition of AltaVista, CMGI issued to Compaq, among other things, promissory notes in the aggregate principal amount of $220 million. The promissory notes are due on August 18, 2002. Interest on the notes, accruing at a rate of 10.5% per annum, is due and payable semiannually on each February 18 and August 18 until the notes are paid in full. Any principal and interest on the notes is payable, at CMGI's option, in cash, marketable securities or shares of CMGI common stock based on the average of the closing prices of the common stock during the 15-day period ending on the trading day immediately preceding the applicable payment date. If CMGI determines to repay the principal and interest with shares of CMGI's common stock, the common stockholders will be diluted.

The Company may determine to seek to restructure or retire some or all of the promissory notes issued to Compaq. Such resolutions could potentially involve the payment of cash, shares of CMGI securities or other assets of CMGI. There can be no assurance that the Company will successfully restructure or retire the promissory notes.

If CMGI fails to successfully execute on its segmentation strategy, its revenue, earnings prospects and business may be materially and adversely affected.

CMGI has organized its majority-owned operating companies and venture capital affiliates into six segments. These six segments include five operational disciplines--Interactive Marketing; eBusiness and Fulfillment; Search and Portals; Infrastructure and Enabling Technologies; and Internet Professional Services--as well as CMGI's affiliated venture capital arm, @Ventures. To successfully implement its segmentation strategy, CMGI must achieve each of the following:

- overcome the difficulties of integrating its operating companies;
- decrease its cash burn rate;
- attain an optimal number of operating companies through acquisitions, consolidations, dispositions and divestitures; and
- improve its cash position and revenue base.

If CMGI fails to address each of these factors, its business prospects for achieving and sustaining profitability, and the market value of its securities may be materially and adversely affected. Even if its implementation of this segmentation strategy is successful, the revised structure and reporting procedures of the new segmentation strategy may not lead to increased market clarity or stockholder value. In addition, the execution of the segmentation strategy, including planned reductions in the number of operating companies, has resulted in restructuring charges being recorded by CMGI and could result in restructuring charges being recorded in future periods.

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, in particular, David S. Wetherell, CMGI's chairman and chief executive officer, David Andonian, CMGI's president and chief operating officer, and George A. McMillan, CMGI's chief financial officer and treasurer. The familiarity of these individuals with the Internet industry 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 management team. 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.

CMGI may incur significant costs to avoid investment company status and may suffer adverse consequences if deemed to be an investment company.

CMGI may incur significant costs to avoid investment company status and may suffer other adverse consequences if deemed to be an investment company under the Investment Company Act of 1940. Some of CMGI's equity investments in other businesses and its venture subsidiaries may constitute investment securities under the Investment Company Act. A company may be deemed to be an investment company if it owns investment securities with a value exceeding 40% of its total assets, subject to certain exclusions. Investment companies are subject to registration under, and compliance with, the Investment Company Act unless a particular exclusion or safe harbor provision applies. If CMGI were to be deemed an investment company, CMGI would become subject to the requirements of the Investment Company Act. As a consequence, CMGI would be prohibited from engaging in business or issuing securities as it has in the past and might be subject to civil and criminal penalties for noncompliance. In addition, certain of CMGI's contracts might be voidable, and a court-appointed receiver could take control of CMGI and liquidate its business.

Although CMGI's investment securities currently comprise less than 40% of its total assets, fluctuations in the value of these securities or of CMGI's other assets may cause this limit to be exceeded. Unless an exclusion or safe harbor was available to CMGI, CMGI would have to attempt to reduce its investment securities as a percentage of its total assets. This reduction can be attempted in a number of ways, including the disposition of investment securities and the acquisition of non-investment security assets. If CMGI were required to sell investment securities, CMGI may sell them sooner than it otherwise would. These sales may be at depressed prices and CMGI may never realize anticipated benefits from, or may incur losses on, these investments. CMGI may be unable to sell some investments due to contractual or legal restrictions or the inability to locate a suitable buyer. Moreover, CMGI may incur tax liabilities when selling assets. CMGI may also be unable to purchase additional investment securities that may be important to its operating strategy. If CMGI decides to acquire non-investment security assets, CMGI may not be able to identify and acquire suitable assets and businesses or the terms on which CMGI is able to acquire such assets may be unfavorable.

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

Some of CMGI's officers and directors also serve as officers or directors of one or more of CMGI's affiliates. As a result, CMGI, CMGI's officers and directors, and CMGI's affiliates may face potential conflicts of interest with each other and with its stockholders. Specifically, CMGI's officers and directors may be presented with situations in their capacity as officers or directors of one of CMGI's affiliates that conflict with their fiduciary obligations as officers or directors of CMGI or of another affiliate.

CMGI's strategy of selling assets of, or investments in, the companies that it has acquired and developed presents risks.

One element of CMGI's business plan involves raising cash for working capital for its business by selling, in public or private offerings, some of the companies, or portions of the companies, that it has acquired and developed or in which it has invested. Market and other conditions largely beyond CMGI's control affect:

- its ability to engage in such sales;

- the timing of such sales; and

- the amount of proceeds from such sales.

As a result, CMGI may not be able to sell some of these assets. In addition, even if CMGI is able to sell, CMGI may not be able to sell at favorable prices or on favorable terms. If CMGI is unable to sell these assets at favorable prices and terms, its business will be harmed.

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

CMGI intends to continue to expand 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;

- exposure to unforeseen liabilities of acquired companies;

- potential issuance of securities in connection with an acquisition with rights that are superior to the rights of holders of CMGI's currently outstanding securities;

- the need to incur additional debt; and

- the requirement to record potentially significant additional future operating costs for the amortization of goodwill and other 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 manage growth and integrate acquisitions. In addition, many of CMGI's investments are in early-stage companies with limited operating histories and limited or no revenues. CMGI may not be able to successfully develop these young companies.

CMGI faces competition from other acquirors of and investors in Internet-related ventures which may prevent CMGI from realizing strategic opportunities.

CMGI acquires or invests in existing companies that it believes are complementary to its network and further its vision of the Internet. In pursuing these opportunities, CMGI faces competition from other capital providers and operators of Internet-related companies, including publicly traded Internet companies, venture capital companies and large corporations. Some of these competitors have greater financial resources than CMGI does. This competition may limit CMGI's opportunity to acquire interests in companies that could advance its vision of the Internet and increase its value.

CMGI's growth strategy and restructuring efforts place strain on its managerial, operational and financial resources.

CMGI's growth strategy and restructuring efforts have placed, and are expected to continue to place, a significant strain on its managerial, operational and financial resources. CMGI's continued restructuring efforts and future growth will increase this strain on its managerial, operational and financial resources, inhibiting its ability to achieve the rapid execution necessary to successfully implement its business plan.

CMGI must develop and maintain positive brand name awareness.

CMGI believes that establishing and maintaining its brand names 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 because of the growing number of Internet companies that will need 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 widely.

CMGI's operating results have fluctuated widely on a quarterly basis during the last several years, and it expects to experience significant fluctuation 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;
- market acceptance of new products and services;
- charges for impairment of long-lived assets in future periods;
- potential restructuring charges in connection with CMGI's segmentation strategy;
- 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 drop below $1.00 per share for extended periods in the future, it risks delisting from the Nasdaq National Market, which would have an adverse effect on CMGI's business.

In addition, a portion of CMGI's assets includes the equity securities of both publicly traded and non-publicly traded 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.

CMGI relies on NaviSite for Web site hosting.

CMGI and many 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's operating companies depends greatly on increased use of the Internet by businesses and individuals.

The success of CMGI's operating companies depends greatly on increased use of the Internet for 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 market for Internet products and services is highly competitive. Moreover, the market for Internet products and services lacks significant barriers to entry, enabling new businesses to enter this market relatively easily. Competition in the market 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 operating companies. In addition, many of the current and potential competitors of CMGI operating companies have greater financial, technical, operational and marketing resources than those of CMGI operating companies. CMGI operating companies may not be able to compete successfully against these competitors. Competitive pressures may also force prices for Internet goods and services down and such price reductions may reduce the revenues of CMGI 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 and content. The enactment of any additional laws or regulations may impede the growth of the Internet and the Internet-related business of CMGI 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 products and services of CMGI 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 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 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 electronic commerce and communications on the Internet. Many factors may cause compromises or breaches of the security systems CMGI 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 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 operating companies' businesses. 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 operating companies to a risk of loss or litigation and possible liability. CMGI cannot assure that the security measures of CMGI 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 operating companies have begun, and 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 operating companies to expand their offerings of CMGI's products and services internationally will be limited by the general acceptance of the Internet and intranets in other countries. In addition, CMGI and its operating companies have limited experience in such international activities. Accordingly, CMGI and its operating companies expect 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 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.

From time to time, CMGI 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 operating companies by:

- subjecting them to significant liability for damages;

- resulting in invalidation of their proprietary rights;

- being time-consuming and expensive to defend even if such claims are not meritorious; and

- resulting in the diversion of management time and attention.

CMGI's operating companies may have liability for information retrieved from the Internet.

Because materials may be downloaded from the Internet and subsequently distributed to others, CMGI 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, 2001 include equity positions in companies in the Internet industry sector, many of 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 Company's available-for-sale securities portfolio as of July 31, 2001, would result in an approximate $22.0 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 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 exposure. The derivatives the Company uses are straightforward instruments with liquid markets. At July 31, 2001 the Company was primarily exposed to the London Interbank Offered Rate (LIBOR) interest rate on its bank borrowing arrangements. Information about the Company's borrowing arrangements including principal amounts and related interest rates appears in Note 14 of the Notes to Consolidated Financial Statements referred to in Item 8 below and is incorporated herein by reference.

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. As the Company expands globally, the risk of foreign currency exchange rate fluctuation may dramatically increase. Therefore, in the future, the Company may consider utilizing derivative instruments to mitigate such risks.

ITEM 8.--FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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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, 2001 and 2000, 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, 2001. 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, 2001 and 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended July 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

Boston, Massachusetts
September 25, 2001, except as to Note 22,
which is as of October 29, 2001

CMGI, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	July 31, 2001	July 31, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 710,704	$ 639,666
Available-for-sale securities	110,134	1,595,011
Accounts receivable, trade, net of allowance for doubtful accounts of $36,175 and $34,618 at July 31, 2001 and 2000, respectively	111,593	232,104
Prepaid expenses and other current assets	93,273	105,094
Total current assets	1,025,704	2,571,875
Property and equipment, net	209,554	259,270
Investments in affiliates	239,127	583,648
Goodwill and other intangible assets, net of accumulated amortization of $2,886,811 and $1,516,045 at July 31, 2001 and 2000, respectively	561,501	4,955,076
Other assets	149,679	187,238
	$ 2,185,565	$8,557,107
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 33,594	$ 523,022
Current installments of long-term debt	6,213	6,649
Accounts payable	69,841	128,627
Accrued restructuring	95,552	13,683
Accrued income taxes	35,912	36,318
Accrued other	148,559	232,606
Deferred income taxes	18,860	392,340
Other current liabilities	35,857	128,525
Total current liabilities	444,388	1,461,770
Long-term debt, less current installments	221,814	228,023
Deferred income taxes	20,795	61,365
Other long-term liabilities	19,097	50,945
Minority interest	205,411	586,062
Commitments and contingencies		
Preferred stock, $0.01 par value. Issued 375,000 shares of Series C redeemable, convertible preferred stock at July 31, 2001 and 2000, dividend at 2% per annum; carried at liquidation value	390,640	383,140
Stockholders' equity:		
Common stock, $0.01 par value per share. Authorized 1,400,000,000 shares at July 31, 2001 and 2000; issued and outstanding 346,725,404 and 296,487,502 shares at July 31, 2001 and 2000, respectively	3,467	2,965
Additional paid-in capital	7,138,132	6,190,182
Deferred compensation	(291)	(45,202)
Accumulated deficit	(6,242,893)	(857,814)
	898,415	5,290,131
Accumulated other comprehensive income (loss)	(14,995)	495,671
Total stockholders' equity	883,420	5,785,802
	$ 2,185,565	$8,557,107

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,		
	2001	2000	1999
Net revenue	$ 1,237,702	$ 890,421	$ 186,389
Operating expenses:			
Cost of revenue	1,131,778	735,164	179,553
Research and development	158,960	153,930	22,253
In-process research and development	1,462	65,683	6,061
Selling	393,658	455,537	45,505
General and administrative	281,105	218,264	43,549
Amortization of intangible assets and stock-based compensation	1,490,714	1,402,675	16,127
Impairment of long-lived assets	3,334,133	34,205	--
Restructuring	217,219	14,770	--
Total operating expenses	7,009,029	3,080,228	313,048
Operating loss	(5,771,327)	(2,189,807)	(126,659)
Other income (expense):			
Interest income	54,033	41,521	4,640
Interest expense	(48,055)	(56,617)	(4,371)
Gains on issuance of stock by subsidiaries and affiliates	121,794	80,387	130,729
Other gains (losses), net	(357,547)	525,265	758,312
Equity in losses of affiliates	(45,661)	(51,886)	(15,737)
Minority interest, net	507,652	165,271	2,331
	232,216	703,941	875,904
Income (loss) from continuing operations before income taxes	(5,539,111)	(1,485,866)	749,245
Income tax expense (benefit)	(161,531)	(121,173)	325,402
Income (loss) from continuing operations	(5,377,580)	(1,364,693)	423,843
Discontinued operations, net of income taxes:			
Gain on sale of CMG Direct Corporation	--	--	53,203
Loss from discontinued operations	--	--	(806)
Net income (loss)	(5,377,580)	(1,364,693)	476,240
Preferred stock accretion and amortization of discount	(7,499)	(11,223)	(1,662)
Net income (loss) available to common stockholders	$(5,385,079)	$(1,375,916)	$ 474,578
Basic earnings (loss) per share:			
Earnings (loss) from continuing operations available to common stockholders	$ (16.34)	$ (5.26)	$ 2.26
Gain on sale of CMG Direct Corporation	--	--	0.29
Loss from discontinued operations	--	--	(0.01)
Net earnings (loss) available to common stockholders	$ (16.34)	$ (5.26)	$ 2.54
Diluted earnings (loss) per share:			
Earnings (loss) from continuing operations available to common stockholders	$ (16.34)	$ (5.26)	$ 2.05
Gain on sale of CMG Direct Corporation	--	--	0.26
Loss from discontinued operations	--	--	(0.01)
Net earnings (loss) available to common stockholders	$ (16.34)	$ (5.26)	$ 2.30
Shares used in computing earnings (loss) per share:			
Basic	329,623	261,555	186,532
Diluted	329,623	261,555	206,832

see accompanying notes to consolidated financial statements

CMGI, INC. AND SUBSIDIARIES

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

	Common stock	Additional paid-in capital	Accumulated other comprehensive income (loss)	Deferred compensation	Retained earnings (accumulated deficit)	Total stockholders' equity
Balance at July 31, 1998 (184,271,544 shares)...............	1,843	89,647	(436)	(1,442)	43,524	133,136
Comprehensive income, net of taxes:						
Net income..........	--	--	--	--	476,240	476,240
Other comprehensive income:						
Net unrealized holding gain arising during period...........	--	--	314,910	--	--	314,910
Less: Reclassification adjustment for gain realized in net income.......	--	--	(6,120)	--	--	(6,120)
Total comprehensive income..........						785,030
Conversion of redeemable preferred stock to common stock (1,168,008 shares)...	12	15,175	--	--	--	15,187
Preferred stock accretion............	--	--	--	--	(1,662)	(1,662)
Issuance of common stock pursuant to employee stock purchase plans and stock options (3,890,344 shares)...	39	7,915	--	--	--	7,954
Issuance of common stock and common stock equivalents for acquisitions and investments (1,838,384 shares)...	18	63,882	--	--	--	63,900
Amortization of deferred compensation.........	--	--	--	1,262	--	1,262
Tax benefit of stock option exercises.....	--	43,202	--	--	--	43,202
Effect of subsidiaries' equity transactions.........	--	14,452	--	--	--	14,452
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

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 (loss)	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...........	--	--	--	--	(5,377,580)	(5,377,580)
Other comprehensive income:						
Net unrealized holding loss arising during period..........	--	--	(794,446)	--	--	(794,446)
Less: Reclassification adjustment for loss realized in net loss.........	--	--	283,780	--	--	283,780
Total comprehensive loss...........	--	--	--	--	--	(5,888,246)
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	$ (14,995)	$ (291)	$(6,242,893)	$ 883,420

see accompanying notes to consolidated financial statements

CMGI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years ended July 31, 2001	2000	1999
Cash flows from operating activities:			
Income (loss) from continuing operations	$(5,377,580)	$(1,364,693)	$ 423,843
Adjustments to reconcile income (loss) from continuing operations to net cash used for continuing operations:			
Depreciation, amortization and impairment charges	5,012,775	1,501,583	22,669
Deferred income taxes	(211,272)	(280,450)	312,445
Non-operating gains (losses), net	235,753	(605,652)	(889,041)
Equity in losses of affiliates	45,661	51,886	15,737
Minority interest	(507,652)	(165,271)	(2,331)
In-process research and development	1,462	65,683	6,061
Changes in operating assets and liabilities, excluding effects from acquired and divested subsidiaries:			
Trade accounts receivable	117,535	(91,383)	(17,208)
Prepaid expenses and other current assets	(5,390)	(42,191)	(2,764)
Accounts payable and accrued expenses	26,919	19,984	34,749
Refundable and accrued income taxes, net	(28,611)	(46,712)	(41,003)
Tax benefit from exercise of stock options	--	189,944	43,202
Other assets and liabilities	(22,138)	3,538	3,557
Net cash used for operating activities of continuing operations	(712,538)	(763,734)	(90,084)
Net cash used for operating activities of discontinued operations	--	--	(280)
Net cash used for operating activities	(712,538)	(763,734)	(90,364)
Cash flows from investing activities:			
Additions to property and equipment--continuing operations	(122,380)	(177,637)	(16,211)
Additions to property and equipment--discontinued operations	--	--	(63)
Proceeds from sale of property and equipment	35,779	--	--
Proceeds from liquidation of stock investments	979,933	1,143,574	84,668
Proceeds from sale of CMG Direct Corporation--discontinued operations	--	--	12,835
Cash impact of acquisitions and divestitures of subsidiaries	(14,432)	(185,127)	(54,016)
Investments in affiliates	(75,540)	(299,330)	(48,211)
Net proceeds from maturities of (purchases of) available-for-sale securities	9,995	11,182	(31,123)
Other, net	(240)	(301)	1,510
Net cash provided by (used for) investing activities	813,115	492,361	(50,611)
Cash flows from financing activities:			
Net proceeds from (repayments of) obligations under capital leases	(42,106)	47,299	(648)
Net proceeds from (repayments of) notes payable	(2,082)	160,672	(6,654)
Repayments of long-term debt	(6,645)	(4,935)	(5,609)
Net proceeds from issuance of Series B and Series C redeemable, convertible preferred stock	--	--	424,805
Net proceeds from issuance of common stock	19,913	47,237	7,613
Net proceeds from issuance of stock by subsidiaries	6,713	209,207	129,461
Other	(5,332)	(17,353)	(618)
Net cash provided by (used for) financing			

activities	(29,539)	442,127	548,350
Net increase in cash and cash equivalents	71,038	170,754	407,375
Cash and cash equivalents at beginning of year	639,666	468,912	61,537
Cash and cash equivalents at end of year	$ 710,704	$ 639,666	$ 468,912

see accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1)Nature of Operations

CMGI, Inc. (together with its consolidated subsidiaries, "CMGI" or the "Company") is a diversified Internet operating and development company. The Company's subsidiaries have been classified in the following five operating segments: (i) Interactive Marketing, (ii) eBusiness and Fulfillment, (iii) Search and Portals, (iv) Infrastructure and Enabling Technologies and (v) Internet Professional 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 majority-owned subsidiaries focused on the Internet and Internet technologies, 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

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 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 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 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.

As a result of the adoption of Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements", during fiscal year 2001, the Company determined that installation services performed by its subsidiary, NaviSite, do not represent a separate earning process. Therefore, revenue from such installation services is deferred and recognized over the contractual term of the arrangement. Prior to the adoption of SAB No. 101, the Company recognized revenue for installation services upon installation. The associated incremental costs are recognized as incurred.

The Company adopted SAB No. 101 and Emerging Issues Task Force (EITF) 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.

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

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.

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.

Net cash used for operating activities reflect cash payments for interest and income taxes, net of income tax refunds received, as follows:

	Years ended July 31,		
	2001	2000	1999
	(in thousands)		
Interest	$ 6,428	$16,143	$ 3,910
Income taxes	$20,213	$14,574	$10,764

Portions of the consideration for acquisitions of businesses by the Company, or its subsidiaries, during fiscal years 2001, 2000 and 1999 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 year 2001, significant non-cash investing activities included the issuance of approximately 2.3 million shares of the Company's common stock to Compaq as consideration for $23.0 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. 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., an @Ventures investee company. In connection with the merger, CMG@Ventures III received approximately 91,000 shares 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.

During fiscal year 1999, significant non-cash investing activities included the sale of the Company's investments in GeoCities, Reel.com and Sage Enterprises, Inc. in exchange for common stock of Yahoo!, Hollywood Entertainment Corporation (Hollywood Entertainment) and Amazon.com, Inc. (Amazon), respectively (see note 13). In addition, the Company completed the sale of its wholly-owned subsidiary, CMG Direct Corporation (CMG Direct) to MSGI in exchange for cash and shares of MSGI common stock (see note 4).

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

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. Also 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 $51.5 million, $161.7 million and $6.8 million for the years ended July 31, 2001, 2000 and 1999, 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.

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 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, 2001, 2000 and 1999.

The reconciliation of the denominators of the basic and diluted earnings (loss) per share computations for the Company's reported net income (loss) is as follows:

	Years Ended July 31,		
	2001	2000	1999
	(in thousands)		
Weighted average number of common shares outstanding--basic	329,623	261,555	186,532
Weighted average number of dilutive common stock equivalents outstanding	--	--	17,810
Weighted average effect of assumed conversion of convertible preferred stock	--	--	2,490
Weighted average number of common shares outstanding--diluted	329,623	261,555	206,832

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 8%, 11% and 34% of consolidated net revenue and 14%, 28% and 43% of eBusiness and Fulfillment segment net revenue for fiscal years 2001, 2000 and 1999, respectively. Accounts receivable from this customer amounted to approximately 9% and 2% of total trade accounts receivable at July 31, 2001 and 2000, respectively. Customer advertising contracts serviced by DoubleClick, Inc. accounted for approximately 1% and 13% of consolidated net revenue and 7% and 47% of Search and Portals segment net revenue for fiscal years 2001 and 2000, respectively. 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 conditions and 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 new 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 currently holds derivative instruments and engages in certain hedging activities, which have been accounted for as described in Note 14. The Company adopted SFAS No. 133 on August 1, 2000 and recorded a transition gain, net of tax, 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 other comprehensive income (loss). The Company reports comprehensive income (loss) in the Consolidated Statements of Stockholders' Equity.

Recent Accounting Pronouncements

In June 2001, the 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 these Statements for accounting for goodwill and other intangible assets beginning in the first quarter of fiscal year 2003. Application of the non-amortization provisions of the Statement is indeterminable at July 31, 2001 as the Company intends to continue to perform an impairment analysis of the remaining goodwill and other intangible assets through the end of fiscal year 2002. Upon adoption on August 1, 2002, the Company will perform the required impairment tests of goodwill and indefinite lived intangible assets and has not yet determined what effect these tests will be on the earnings and financial position of the Company.

(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 continuing operations have been classified in five operating segments that are strategic business units offering distinctive products and services that are marketed through different channels.

The five operating segments are: (i) Interactive Marketing, (ii) eBusiness and Fullfillment, (iii) Search and Portals, (iv) Infrastructure and Enabling Technologies and (v) Internet Professional Services. The Interactive Marketing segment companies provide services and solutions for marketers and advertisers to enhance the effectiveness and efficiency of their online programs. The eBusiness and Fulfillment segment companies work across the entire eBusiness value chain to sell and deliver goods from the manufacturer to the customer. The Search and Portals segment companies provide products and services that connect Internet, Extranet and Intranet users to information. The Infrastructure and Enabling Technologies segment companies provide products and services essential to business operations on the Internet, including outsourced managed applications, technology platforms for automating digital imagery and applications designed to improve the performance of systems and networks. The Company's Internet Professional Services company offers strategy consulting, creative services and infrastructure development to Global 2000 companies seeking to initiate, enhance or redirect their presence on the Internet.

The Company's accounting policies for segments are the same as those described in note 2 "Summary of Significant Accounting Policies". Management evaluates segment performance based on segment "recurring operating income (loss)," which is defined as the operating income (loss) excluding in-process research and development expenses, depreciation, amortization, and long-lived asset impairment and restructuring charges.

In October 2000, CMGion acquired AdForce from the Company. In November 2000, the Company announced its decision to cease funding the operations of iCAST in the second quarter of fiscal 2001, but to continue to operate Signatures, a business previously included in the operations of iCAST, as an independent

CMGI majority-owned subsidiary. As a result of these transactions, the results of AdForce, which were previously included in the Interactive Marketing segment, are included in the Infrastructure and Enabling Technologies segment and the results of Signatures (until the Company sold its majority interest in February 2001), which were previously included in the Search and Portals segment, are included in the eBusiness and Fulfillment segment. For comparative purposes, all prior period segment results and certain other amounts for prior periods have been reclassified to reflect these transactions and conform to current period presentation.

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

	Years Ended July 31, 2001	2000	1999
	(in thousands)		
Net revenue:			
Interactive Marketing	$ 133,449	$ 187,348	$ 26,830
eBusiness and Fulfillment	691,414	345,177	145,094
Search and Portals	182,280	236,778	8,238
Infrastructure and Enabling Technologies	136,095	78,620	6,101
Internet Professional Services	94,464	42,498	126
	$ 1,237,702	$ 890,421	$ 186,389
Operating income (loss):			
Interactive Marketing	$(1,882,764)	$ (489,490)	$ (42,478)
eBusiness and Fulfillment	(179,375)	(53,769)	5,622
Search and Portals	(1,928,685)	(1,123,963)	(36,684)
Infrastructure and Enabling Technologies	(942,126)	(383,913)	(37,743)
Internet Professional Services	(735,607)	(83,520)	(3,230)
Other	(102,770)	(55,152)	(12,146)
	$(5,771,327)	$(2,189,807)	$(126,659)
Recurring operating income (loss):			
Interactive Marketing	$ (142,767)	$ (110,947)	$ (26,936)
eBusiness and Fulfillment	(16,461)	(4,076)	10,664
Search and Portals	(117,668)	(244,256)	(33,201)
Infrastructure and Enabling Technologies	(279,121)	(184,084)	(35,780)
Internet Professional Services	2,842	(11,854)	(855)
Other	(85,858)	(52,554)	(11,821)
	$ (639,033)	$ (607,771)	$ (97,929)

	July 31, 2001	July 31, 2000
	(in thousands)	
Total assets:		
Interactive Marketing	$ 225,626	$1,614,863
eBusiness and Fulfillment	357,569	508,380
Search and Portals	211,413	2,115,894
Infrastructure and Enabling Technologies	194,073	823,706
Internet Professional Services	124,555	848,332
Other	1,072,329	2,645,932
	$2,185,565	$8,557,107

"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 five operating business segments.

(4)Discontinued Operations

In May 1999, the Company completed the sale of its subsidiary, CMG Direct to MSGI. At the time, CMG Direct comprised the Company's entire lists and database services segment. As a result of the sale of CMG Direct the Company received total proceeds valued at approximately $91.4 million consisting of approximately $12.3 million in cash and approximately 2.3 million shares of MSGI common stock. As a result of the sale, the net gain of $53.2 million recorded by the Company and the historical operations of the Company's lists and database services segment have been reflected as income from discontinued operations in the accompanying consolidated financial statements. Certain prior period amounts in the consolidated financial statements have been reclassified in accordance with accounting principles generally accepted in the United States of America to reflect the Company's previously reported lists and database services segment as discontinued operations. Summarized financial information for discontinued operations is as follows:

	Year ended July 31, 1999
	(in thousands)
Net revenues	$ 6,998
Operating expenses	8,343
Operating loss	(1,345)
Gain on sale of CMG Direct	90,444
Income before income taxes	89,099
Income tax expense	36,702
Net income from discontinued operations	$52,397

(5)Deconsolidation of Lycos, Inc., Vicinity Corporation and Signatures SNI, Inc.

As a result of the Company's sale of Lycos shares during January 1999, the Company's ownership interest in Lycos fell below 20% of Lycos' outstanding shares. With this decline in ownership below 20%, CMGI began accounting for its investment in Lycos (net of shares attributable to CMG@Ventures I's profit members) as available-for-sale securities, carried at fair value.

Beginning in November 1998, CMGI's ownership interest in Vicinity was reduced to below 50% as a result of employee stock option exercises. As such, beginning in November 1998, the Company began to account for its investment in Vicinity under the equity method of accounting, rather than the consolidation method. Prior to these events, the operating results of Vicinity were consolidated within the operating results of the Company's Search and Portals segment, and the assets and liabilities of Vicinity 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 fiscal quarter ended October 31, 1998 included Vicinity net revenue of approximately $1.5 million and operating losses of approximately $621,000.

As a result of Vicinity's initial public offering and subsequent issuances of its common stock, the Company's ownership interest in Vicinity fell below 20% of Vicinity's outstanding shares. With this decline in ownership below 20%, CMGI began accounting for its investment in Vicinity (net of shares attributable to CMG@Ventures I's and to CMG@Ventures II's profit members) as available-for-sale securities, carried at fair value.

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, 2001 and 2000, available-for-sale securities primarily consist of stock investments, carried at fair value and based on quoted market prices, net of a market value discount to reflect any remaining restrictions on transferability. 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. Available-for-sale securities at July 31, 2000 primarily consisted of approximately 12.9 million shares of Lycos stock valued at $781.6 million, 1.2 million shares of Yahoo! stock valued at $155.8 million, 8.0 million shares of Primedia stock valued at $150.0 million, 3.7 million shares of Kana stock valued at $135.7 million, 1.3 million shares of Critical Path stock valued at $73.3 million and 1.5 million shares of eBay stock valued at $69.6 million. The net unrealized holding gain (loss) of approximately ($15.0) million and $495.7 million, net of deferred income taxes, has been presented as "Accumulated other comprehensive income (loss)" within the Consolidated Statements of Stockholders' Equity at July 31, 2001 and 2000, respectively. Also included in available-for-sale securities at July 31, 2000, were approximately 1.2 million shares of Lycos stock, which the Company had a potential obligation to sell to Lycos, at prices ranging from $0.0025 to $2.40 per share, pursuant to employee stock option exercises. A corresponding liability, carried at market value, of approximately $71.0 million has been included in other current liabilities as of July 31, 2000.

(7)Property and Equipment

Property and equipment consists of the following:

	July 31, 2001	July 31, 2000
	(in thousands)	
Machinery and equipment	$186,770	$143,677
Other	140,212	174,246
	326,982	317,923
Less: Accumulated depreciation and amortization	117,428	58,653
Net property and equipment	$209,554	$259,270

(8)Business Combinations

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, the performance goals were not met by Space, and Engage expects the contingent consideration shares in escrow will be returned during the first quarter of fiscal year 2002.

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. Approximately twelve percent of the shares issued are subject to an escrow period of one year to secure certain indemnification obligations of the former stockholders of MediaBridge. 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).

The acquisitions completed during fiscal years 2001, 2000 and 1999 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.

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. In the first step of the AdKnowledge transaction, CMGI acquired an 88% equity stake in AdKnowledge. The second step of the AdKnowledge transaction, the contribution of AdKnowledge shares held by AdKnowledge shareholders, including CMGI, to Engage in exchange for approximately 10.3 million shares of Engage common stock, closed in December 1999. Upon completion of the transaction, CMGI received approximately 9.8 million shares of Engage, and AdKnowledge became a wholly-owned subsidiary of Engage.

Fiscal 1999

During the third fiscal quarter of 1999, CMGI exercised its right to invest an additional $22 million in cash to increase its ownership in Magnitude Network, Inc. (Magnitude Network) from 23% to 92%. CMGI had previously invested total cash of $2.5 million in Magnitude Network in June and October 1998. Accordingly, beginning in February 1999, CMGI began accounting for its investment in Magnitude Network under the consolidation method of accounting, rather than the equity method. CMGI's ownership interest in Magnitude Network was contributed to CMGI's subsidiary, iCAST, during fiscal 2000.

In March 1999, CMGI completed the acquisition of 2CAN Media, Inc. (2CAN) for initial consideration of approximately $27.5 million. Immediately following the completion of the acquisition, 2CAN was merged with and into CMGI's subsidiary, Adsmart. As the primary component of the initial consideration paid for 2CAN, CMGI and Adsmart jointly issued convertible promissory notes in the aggregate principal amount of approximately $27.0 million. Pursuant to the conversion terms of the notes, approximately $26.7 million of the convertible notes have been converted as of July 31, 2001. Additionally, the initial consideration was subject to increase if Adsmart and 2CAN achieved certain revenue targets. During the second quarter of fiscal 2000, CMGI recorded additional purchase consideration of approximately $5.2 million as a result of contingent consideration performance goals having been met by Adsmart and 2CAN. The additional consideration was paid in shares of CMGI common stock and cash.

In April 1999, the Company's subsidiary, Engage, acquired Internet Profiles Corporation (I/PRO), which provides Web site traffic measurement and audit services, for approximately $32.7 million including acquisition costs of $244,000. Of the purchase price, $4.5 million was allocated to in-process research and development that was charged to operations during fiscal 1999.

Also during fiscal 1999, the Company, or its subsidiaries, completed the acquisitions of four other companies for purchase prices valued at a combined total of approximately $19.8 million including acquisition costs of $300,000. Those acquisitions were Activerse, Inc. ($14.1 million purchase price), Nascent ($4.9 million), Netwright (66% ownership in exchange for $5.0 million in future funding commitments) and Digiband, Inc. ($845,000).

The purchase prices for the fiscal year 2001, 2000 and 1999 acquisitions were allocated as follows:

	Years ended July 31,		
	2001	2000	1999
	(in thousands)		
Working capital, including cash (cash over-draft) acquired	$(11,219)	$ 115,810	$ (6,859)
Property and equipment	2,468	89,834	2,388
Other assets (liabilities), net	(404)	54,753	(646)
Goodwill	239,028	5,532,078	103,808
Developed technology	--	220,418	3,000
Other identifiable intangible assets	24,300	224,615	1,920
In-process research and development	700	64,437	6,061
Minority interest	--	--	(119)
Losses recorded under equity method	--	--	388
Purchase price	$254,873	$6,301,945	$109,941

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

	Years ended July 31,		
	2001	2000	1999
	(in thousands)		
Amortization of intangible assets	$1,421,372	$1,317,795	$14,672
Amortization of stock-based compensation	69,342	84,880	1,455
Total	$1,490,714	$1,402,675	$16,127

The amortization of intangible assets and impairment of long-lived assets for the years ended July 31, 2001, 2000 and 1999 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, 2001, 2000 and 1999 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 2000 acquisitions of AltaVista, AdForce, Flycast, Yesmail, Tallan, 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 acquisitions and the fiscal year 2001 acquisitions since they are not material to the Company's consolidated financial statements.

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, 2000	1999
	(in thousands, except per share data)	
Net revenue	$ 1,228,633	$ 481,290
Net loss	$(1,918,717)	$(1,179,750)
Net loss per share (basic and diluted)	$ (6.68)	$ (4.51)

(9)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 were identified, management determined the amount of the impairment charge by comparing the carrying value of goodwill and certain other intangible 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. As a result, during management's quarterly review of the value and periods of amortization of both goodwill and other intangible assets, it was determined that the carrying value of goodwill and certain other intangible assets were not fully recoverable.

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 CMGion.

During the second quarter of fiscal 2001, the Company recorded impairment charges totaling approximately $2.02 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, CMGion'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 $886.5 million, respectively, totaling $2.0 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 past few quarters 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 subsidiary, Activate, and AdForce, a subsidiary of CMGion. 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 $692.3 million. Due to 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 $327.6 million, $127.3 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 Company had recorded impairment charges totaling approximately $34.2 million during fiscal 2000. The significant components of this balance include an impairment charge of approximately $13.3 million related to the closing of operations at Activerse, Inc. and a net impairment charge of approximately $11.8 million related to the sale of substantially all of the assets of Magnitude Network.

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

During the fiscal year ended July 31, 2001, the Company recorded restructuring charges of approximately $217.2 million in accordance with EITF No. 94-3, EITF No. 95-3 and SAB No. 100. The Company's restructuring initiatives involved strategic decisions to exit certain businesses or to re-evaluate the current state of on-going businesses. The restructuring charges recorded during the first, second third and fourth quarters of fiscal 2001 (Q1 Restructuring, Q2 Restructuring, Q3 Restructuring and Q4 Restructuring, respectively) primarily relate to contract terminations, severance charges and equipment charges resulting from the closing of operations at iCAST, 1stUp, ExchangePath and AdForce and the Company's decision to cease funding the operations at NaviPath and to streamline its remaining operations in connection with cost reduction initiatives. Severance charges include employee termination costs as a result of a reduction in workforce of approximately 1,700 positions and salary expense for certain employees involved in the restructuring efforts. Engage and AltaVista, who eliminated approximately 550 and 410 positions, respectively, incurred the majority of these severance charges. 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 majority of the contract terminations were incurred by Engage in connection with the closing of several office locations, by CMGion's subsidiary, AdForce, and by NaviPath in connection with the termination of bandwidth agreements, by MyWay due to the termination of a contract with a significant customer and by AltaVista in connection with the termination of a contract with a significant customer, the termination of an office lease commitment and the termination of other contracts due to a change in its business strategy. The asset impairment charges primarily relate to the write-off of property and equipment by Engage, 1stUp, ExchangePath and NaviPath.

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 Q2 Restructuring, primarily related to an additional payment made by AltaVista to a third party to terminate a service contract.

The restructuring charges incurred during fiscal year 2000 primarily consisted of a $12.3 million charge incurred by AltaVista related to the renegotiation of a contract with a significant customer.

The following table summarizes the activity in the accrued restructuring accounts from July 31, 2000 to July 31, 2001:

	Employee Related Expenses	Contractual Obligations	Asset Impairments	Total
	(in thousands)			
Beginning 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
Restructuring adjustments	92	1,293	2,431	3,816
Q4 Restructuring	7,728	63,788	18,305	89,821
Cash charges	(23,490)	(47,301)	924	(69,867)
Non-cash charges	--	(25,635)	(39,848)	(65,483)
Accrued restructuring balance at July 31, 2001	$ 4,168	$ 86,643	$ 4,741	$ 95,552

The Company anticipates that the remaining restructuring charges will be settled by February 2003. The payments of employee related expenses are substantially complete. The remaining contractual obligation payments are primarily related to lease obligations.

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

	Years ended July 31, 2001	2000
	(in thousands)	
Cost of revenue	$103,633	$ 2,071
Research and development	17,128	44
Selling	31,617	12,304
General and administrative	64,841	351
	$217,219	$14,770

(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 80% of cumulative net profits of CMG@Ventures II. The remaining interest in these investments are attributed to profit members, including the Chief Executive Officer of the Company. The Company is responsible for all operating expenses of CMG@Ventures I and CMG@Ventures II. CMG@Ventures II invested a total of approximately $26.4 million in nine companies during fiscal year 1999, approximately $7.3 million in four companies during fiscal year 2000 and approximately $1.8 million in two companies during fiscal year 2001.

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. 78.1% of amounts committed to the @Ventures III Fund are provided through 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. Management of these entities is the responsibility of @Ventures Partners III, LLC (@Ventures Partners, III), which is entitled to 20% of their net gains. 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 $53.1 million has been funded as of July 31, 2001. CMG@Ventures III co-invests with the @Ventures III Fund in all portfolio companies. 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 cumulative net capital gains realized by CMG@Ventures III. The remaining 2% committed to the @Ventures III Fund is provided by a fourth entity, @Ventures Investors, LLC (@Ventures Investors), in which CMGI has no ownership. The Company's 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 $20.3 million in 23 companies during fiscal year 1999, approximately $29.7 million in 25 companies during fiscal year 2000 and approximately $300,000 in one company during fiscal 2001.

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. 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 14 companies during fiscal year 2000 and approximately $4.3 million in nine companies in fiscal year 2001.

Also during fiscal year 2000, CMGI announced the formation of three new venture capital funds: CMGI@Ventures IV, the B2B Fund and 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. During fiscal year 2001, CMGI @Ventures IV, the B2B Fund and the Tech Fund were merged into a single evergreen fund called CMGI@Ventures IV LLC. During fiscal year 2001, CMGI@Ventures IV LLC invested $43.7 million in nine 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,		
	2001	2000	1999
	(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	81,103
Gain on stock issuance by GeoCities...............	--	--	29,373
Gain on stock issuance by Lycos...................	--	--	20,253
	$121,794	$80,387	$130,729

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.

During the fiscal year ended July 31, 1999, the gain on issuance of stock by Engage related primarily to the issuance by Engage of approximately 15.6 million shares of its common stock in its initial public offering ($7.50 per share) and in a private placement of its common stock ($6.98 per share). Engage received net proceeds totaling approximately $108.0 million from these stock issuances and the Company's ownership in Engage was reduced from approximately 96% to 79%. The Company provided for deferred income taxes resulting from the gain on issuance of stock by Engage.

Also during the fiscal year 1999, the Company's affiliate, GeoCities, completed its initial public offering of common stock, issuing approximately 5.5 million shares at a price of $17 per share, which raised approximately $84.5 million in net proceeds for GeoCities. As a result of the initial public offering, the Company's ownership interest in GeoCities was reduced from approximately 34% to 28%. The Company recorded a pre-tax gain of approximately $24.1 million related to the issuance of stock by GeoCities in its initial public offering. The Company also recorded net pre-tax gains totaling approximately $5.3 million related to other issuances of stock by GeoCities during fiscal year 1999 which included stock issued by GeoCities in its acquisition of Starseed, Inc. (known as WebRing) and Futuretouch.

The gain on issuance of stock by Lycos in fiscal year 1999 was primarily related to the issuance of approximately 4.1 million shares by Lycos, valued at approximately $158.0 million during August 1998 in its acquisition of WhoWhere? Inc. With this transaction, the Company's ownership interest in Lycos was reduced from approximately 24% to 22%.

(13)Other Gains (Losses), Net

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

	Years ended July 31,		
	2001	2000	1999
	(in thousands)		
Gain on sale of marketable securities, net....	$ 336,978	$ 505,965	$ 45,475
Loss on impairment of marketable securities...	(442,763)	(35,000)	--
Loss on impairment of @Ventures investments...	(145,733)	(3,332)	--
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	--	--
Gain on sale of @Ventures investments.........	--	53,641	703,386
Other.......................................	(11,435)	3,991	9,451
	$(357,547)	$ 525,265	$758,312

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 $337.0 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, $90.1 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, 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 the fiscal year ended July 31, 2001, the Company recorded an impairment charge of approximately $145.7 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.

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.

During fiscal year 1999, the Company recorded a pre-tax gain of approximately $661.2 million on the sale of its investment in GeoCities to Yahoo!. The Company's subsidiaries, CMG@Ventures I and CMG@Ventures II converted their holdings in GeoCities into approximately 5.6 million shares and 341,000 shares of Yahoo! stock, respectively, valued at a total of approximately $878.7 million. The gain was recorded net of the interest attributable to CMG@Ventures I's and II's profit members. In addition, the Company recorded a pre-tax gain of approximately $19.1 million on the sale of CMG@Ventures II's investment in Sage Enterprises, Inc. CMG@Ventures II converted its holdings in Sage Enterprises, Inc. into approximately 226,000 shares of Amazon stock, valued at approximately $26.5 million, as part of a merger wherein Amazon acquired Sage Enterprises, Inc. This gain was recorded net of the 20% interest attributable to CMG@Ventures II's profit members.

During fiscal 1999, the Company recorded a pre-tax gain of approximately $23.2 million on the sale of CMG@Ventures II's investment in Reel.com. CMG@Ventures II's holdings in Reel.com were converted into approximately 1.9 million restricted common and approximately 486,000 restricted, convertible preferred shares of Hollywood Entertainment, valued at a total of approximately $32.8 million, as part of a merger wherein Hollywood Entertainment acquired Reel.com. The preferred shares were subsequently converted into common shares on a 1-for-1 basis. The gain is reported net of the 20% interest attributable to CMG@Ventures II's profit members.

Also during fiscal 1999, the Company sold 818,000 of its Lycos shares on the open market. As a result of the sale, the Company received proceeds of approximately $53.1 million, and recognized a pre-tax gain of approximately $45.5 million, reported net of the associated interest attributed to CMG@Ventures I's profit members. As a result of the Company's sale of Lycos shares, during fiscal 1999, the Company's ownership interest in Lycos fell below 20% of Lycos' outstanding shares. With this decline in ownership below 20%, CMGI began accounting for its investment in Lycos (net of shares attributable to CMG@Ventures I's profit members) as available-for-sale securities, carried at fair value, rather than under the equity method.

(14)Borrowing Arrangements

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. At July 31, 2000, notes payable totaling approximately $523.0 million consisted of three short-term promissory notes issued in connection with the Company's acquisition of Tallan and the agreement entered into by the Company to hedge its Yahoo! common stock.

In March 2000, the Company issued three short-term promissory notes totaling approximately $376.9 million as consideration for the Company's acquisition of Tallan. 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 new agreement. Under the terms of the new contract, the Company delivered 581,499 shares of Yahoo! common stock on August 1, 2001.

SalesLink has a revolving credit agreement with a bank. The revolving credit agreement provides for the option of interest at LIBOR or the higher of 1) Prime, or 2) 0.5% above the Federal Funds Effective Rate plus, in any case, an applicable margin based on SalesLink's leverage ratio (7.25% and 8.12% effective rates at July 31, 2001 and 2000, respectively).

At July 31, 2001 and 2000, SalesLink's revolving line of credit agreement totaled $9.0 million, of which approximately $500,000 and $800,000 had been reserved in support of outstanding letters of credit for operating leases, respectively, and approximately $8.5 and $8.2 million was available for future borrowings, respectively.

Long-term debt consists of the following:

	July 31, 2001	July 31, 2000
	(in thousands)	
Notes payable to Compaq	$220,000	$220,000
Term notes payable to a bank issued by SalesLink	7,363	12,400
Other	664	2,272
	228,027	234,672
Less: Current portion	6,213	6,649
	$221,814	$228,023

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

SalesLink's term notes payable to a bank provide for the option of interest at LIBOR or the higher of 1) Prime, or 2) 0.5% above the Federal Funds Effective Rate plus, in any case, an applicable margin based on SalesLink's leverage ratio (7.25% and 8.12% effective rates at July 31, 2001 and 2000, respectively). The bank term notes outstanding at July 31, 2001 provide for repayment in quarterly installments through October 2002.

The obligations of SalesLink, under its bank line of credit and bank term loans have been guaranteed by CMGI. SalesLink had no violations as of July 31, 2001. As of July 31, 2000, SalesLink was not in compliance with a certain covenant of its borrowing arrangements. SalesLink has received a waiver for such covenant violation.

Maturities of long-term debt are approximated as follows: 2002, $6.2 million; 2003, $221.5 million; 2004, $0.3 million.

(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 June 2016. Future minimum lease payments as of July 31, 2001 are as follows:

	(in thousands)
Fiscal 2002	$178,887
2003	104,387
2004	52,842
2005	43,683
2006	36,421
Thereafter	159,522
	$575,742

Total future minimum lease payments have not been reduced by future minimum sublease rentals of approximately $24.6 million.

Total rent and equipment lease expense charged to continuing operations was approximately $114.4 million, $79.0 million, and $16.3 million for the years ended July 31, 2001, 2000 and 1999, respectively.

In August 2000, the Company announced it had acquired the exclusive naming and sponsorship rights to the New England Patriots' new stadium, to be known as "CMGI Field", for a period of fifteen years. In return for the naming and sponsorship rights, CMGI will pay $7.6 million per year for the first ten years, with consumer price index adjustments for years eleven through fifteen. CMGI will not make its first semi-annual payment under this agreement until January 2002.

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 are $23.6 million.

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.

(16) Redeemable, 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 has a stated value of $1,000 per share. The Company pays 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, if any, also increase the number of shares into which the Series C Preferred Stock is convertible into common stock. The Series C Preferred Stock is segregated into three separate tranches of 125,000 shares each. The shares in each tranche have identical rights and preferences to shares in other tranches except as to conversion price. The three tranches are 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 is also subject to adjustment for certain actions taken by the Company. The Series C Preferred Stock may be converted into common stock by the holders any time and automatically converts 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 is redeemable at the option of the holders upon the occurrence of certain events.

(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 1999, May 1999 and January 2000 the Company effected 2-for-1 common stock splits in the form of stock dividends. 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 1999 primarily related to equity transactions of NaviSite and Engage, prior to their initial public offerings. In June 1999, NaviSite completed a private equity placement of approximately 4.2 million preferred shares at $3.70 per share, raising net proceeds to NaviSite of approximately $15.4 million. With this transaction, the Company's ownership in NaviSite was reduced from approximately 99% to 89%. An increase of approximately $7.9 million, net of deferred income taxes, has been recorded in the accompanying Consolidated Statement of Stockholders' Equity to reflect the increase in the Company's net equity in NaviSite as a result of NaviSite's private placement. During April 1999, Engage acquired I/PRO for consideration that included the issuance of approximately 1.0 million shares of Engage common stock and Engage stock options valued at a total of approximately $10.2 million. As a result of the issuance, the Company's ownership in Engage was reduced from approximately 98% to 96%. An increase of approximately $4.7 million, net of deferred income taxes, has been recorded in the accompanying Consolidated Statement of Stockholders' Equity to reflect the increase in the Company's net equity in Engage as a result of this transaction.

Effect of subsidiaries' equity transactions during fiscal 2000 was primarily related to the equity transactions of Engage, AltaVista, CMGion 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 Compaq to satisfy AltaVista's borrowings from CMGI and Compaq. 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, CMGion 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 CMGion 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 CMGion'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 Tallan. Also during fiscal 2001, the Company issued approximately 2.3 million shares of its common stock to Compaq as the interest payments valued at approximately $23.0 million related to notes payable issued in the acquisition of AltaVista.

(18) Stock Option Plans

The Company currently awards stock options under two plans: the 2000 Stock Option Plan (2000 Plan), which 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). Options granted under 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. Options under the 1999 Directors' Plan become exercisable in 36 equal monthly installments beginning on 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 October 2000, the Board of Directors adopted the 2000 Stock Incentive Plan (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, selects 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, 2001 expire through 2006.

During fiscal 2000, the 1999 Directors' Plan replaced the Company's 1995 Directors' Plan, however, all outstanding options under the 1995 Directors' Plan remained in effect. Options under the plans are granted at fair market value on the date of the grant. Options under the 1995 Directors' Plan were amended in fiscal year 2000 to provide that all options previously granted under the plan vest monthly for the remainder of the five-year vesting term (in contrast to the previous vesting schedule which consisted of five annual 20% installments). Options under the 1999 Directors' Plan are 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. Outstanding options under the 1995 Directors' Plan and the 1999 Directors' Plan at July 31, 2001 expire through 2011.

Pursuant to the 1995 Directors' Plan, 4,512,000 shares of the Company's common stock were initially reserved. Under the 1995 Directors' Plan, options for 752,000 shares were to be granted to each Director who is neither an officer or full time employee of the Company, nor an affiliate of an institutional investor which owns shares of common stock of the Company. Options were granted to existing Directors with five years of continuous service at the date the Plan was adopted, and were granted to subsequent Directors at the time of election to the Board.

The 1999 Directors' Plan, approved in fiscal year 2000, replaces the Company's 1995 Directors' Plan. No further option grants shall be made under the 1995 Directors' Plan, however, all outstanding options under the 1995 Directors' Plan remain in effect. 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.

The status of the plans during the three fiscal years ended July 31, 2001, was as follows:

	2001		2000		1999	
	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......	33,927	$30.09	20,829	$ 7.29	17,819	$1.11
Granted...............	9,097	3.95	23,727	40.63	7,378	18.97
Exercised.............	(3,307)	2.29	(8,152)	4.43	(3,781)	1.55
Canceled..............	(11,465)	37.32	(2,477)	28.46	(587)	3.08
Options outstanding, end of year................	28,252	$22.02	33,927	$30.09	20,829	$7.29
Options exercisable, end of year................	11,302	$21.80	8,974	$10.21	5,993	$0.41
Options available for grant, end of year.....	10,465		8,713		20,936	

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, 2001:

	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)				
$ 0.08-- $ 1.34	5,315	2.4 years	$ 0.23	3,677	$ 0.25
$ 1.35-- $ 3.94	8,492	4.9	2.43	1,710	2.13
$ 3.95-- $ 14.31	3,529	3.4	5.74	1,456	5.71
$ 14.32-- $ 28.87	1,376	3.1	21.78	859	21.61
$ 29.23-- $ 42.94	4,085	3.0	40.50	1,507	40.91
$ 42.95-- $ 69.50	4,240	3.4	56.10	1,593	56.93
$ 69.51-- $105.94	183	3.4	92.50	72	91.81
$105.95-- $120.81	676	3.4	113.39	244	113.24
$120.82-- $221.65	332	4.2	139.27	160	138.43
$221.66-- $510.13	24	6.7	259.13	24	259.13

28,252	3.6 years	$22.02	11,302	$21.80
======	=========	======	======	======

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 1998, 1997 and 1996 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 income (loss) and earnings (loss) per share would have been as follows:

	Years Ended July 31,		
	2001	2000	1999
	(in thousands, except per share data)		
Pro forma net income (loss)	$(5,786,292)	$(2,108,145)	$454,631
Pro forma net earnings (loss) per share:			
Basic	$ (16.28)	$ (8.06)	$ 2.44
Diluted	$ (16.28)	$ (8.06)	$ 2.20

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,		
	2001	2000	1999
Volatility	126.9%	103.4%	97.3%
Risk-free interest rate	4.2%	6.3%	5.7%
Expected life of options (in years)	4.4	3.1	3.1

The weighted average fair value per share of options granted during fiscal years 2001, 2000 and 1999 was $2.34, $33.85 and $13.01, 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.

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 752,705; 118,719; and 109,060 shares of common stock of the Company under the Plan during fiscal years 2001, 2000 and 1999, respectively.

(20) Income Taxes

The total income tax provision (benefit) was allocated as follows:

	Years Ended July 31,		
	2001	2000	1999
	(in thousands)		
Income (loss) from continuing operations...	$(161,531)	$(121,173)	$ 325,402
Discontinued operations....................	--	--	37,240
Unrealized holding gain (loss) included in comprehensive income (loss), but excluded from net income...........................	(374,950)	167,020	215,835
Subsidiaries' equity transactions charged directly to stockholders' equity..........	(20,498)	(43,230)	4,538
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)	(43,202)
Total tax provision (benefit)..............	$(527,392)	$(187,326)	$ 539,813

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

	Current	Deferred	Total
	(in thousands)		
July 31, 1999:			
Federal..................................	$ 7,262	$ 237,980	$ 245,242
State....................................	5,695	74,465	80,160
	$ 12,957	$ 312,445	$ 325,402
July 31, 2000:			
Federal..................................	$ 137,197	$(209,903)	$ (72,706)
State....................................	22,080	(70,547)	(48,467)
	$ 159,277	$(280,450)	$(121,173)
July 31, 2001:			
Federal..................................	$ 20,005	$(137,273)	$(117,268)
State....................................	24,332	(68,595)	(44,263)
	$ 44,337	$(205,868)	$(161,531)

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, 2001			July 31, 2000		
	Current	Non-current	Total	Current	Non-current	Total
	(in thousands)					
Deferred tax assets:						
Accruals and reserves..	$ 201,853	$ --	$ 201,853	$ 185,924	$ --	$ 185,924
Tax basis in excess of financial basis of available-for-sale securities...........	30,626	--	30,626	29,770	--	29,770
Tax basis in excess of financial basis of investments in subsidiaries and affiliates...........	--	116,574	116,574	--	31,353	31,353
Net operating loss carryforwards.........	--	469,408	469,408		208,124	208,124
Tax basis in excess of financial basis for intangible assets.....	--	498,888	498,888	--	144,588	144,588
Total gross deferred tax assets...........	232,479	1,084,870	1,317,349	215,694	384,065	599,759
Less: valuation allowance............	(232,479)	(1,084,870)	(1,317,349)	(110,682)	(331,298)	(441,980)
Net deferred tax assets................	--	--	--	105,012	52,767	157,779
Deferred tax liabilities:						
Financial basis in excess of tax basis of investments in subsidiaries and affiliates...........	--	--	--	--	(17,536)	(17,536)
Financial basis in excess of tax basis of available-for-sale securities...........	(18,860)	--	(18,860)	(497,352)	--	(497,352)
Financial basis in excess of tax basis for intangible assets and fixed assets......	--	(20,795)	(20,795)	--	(96,596)	(96,596)
Total gross deferred tax liabilities...........	(18,860)	(20,795)	(39,655)	(497,352)	(114,132)	(611,484)
Net deferred tax liability.............	$ (18,860)	$ (20,795)	$ (39,655)	$(392,340)	$ (61,365)	$(453,705)

Subsequently reported tax benefits relating to the valuation allowance for deferred tax assets as of July 31, 2001 will be allocated as follows:

	(in thousands)
Income tax benefit recognized in the Consolidated Statement of Operations..	$1,238,388
Goodwill and other intangible assets..........................	48,335
Accumulated other comprehensive income........................	30,626
	$1,317,349

The net change in the total valuation allowance for the year ended July 31, 2001 was an increase of $875.4 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 $1.04 billion and $493.7 million, of which, approximately $762.3 million and $325.0 million, respectively, are subject to significant limitations. The federal net operating losses will expire from 2009 through 2021 and the state net operating losses will expire from 2002 through 2016. 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. 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,		
	2001	2000	1999
	(in thousands)		
Computed "expected" tax expense (benefit)....	$(1,938,689)	$(520,035)	$262,236
Increase (decrease) in income tax expense resulting from:			
Non-deductible goodwill amortization and impairment charges.........................	1,256,429	250,797	5,316
Losses not benefited.......................	473,894	144,393	(2,813)
Non-deductible in-process research and development charge related to acquisition of subsidiaries...........................	512	22,989	2,121
State income taxes, net of federal benefit..	44,753	(31,504)	52,104
Other......................................	1,570	12,187	6,438
Actual income tax expense (benefit)..........	$ (161,531)	$(121,173)	$325,402

(21)Selected Quarterly Financial Information (unaudited)

The following table sets forth selected quarterly financial for the years ended July 31, 2001 and 2000. The operating results for any given quarter are not necessarily indicative of results for any future period. The Company's common stock is traded on the Nasdaq National Market under the symbol CMGI. 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 2001 Quarter ended				Fiscal 2000 Quarter ended			
	Oct. 31	Jan. 31	Apr. 30	Jul. 31	Oct. 31	Jan. 31	Apr. 30	Jul. 31
	(in thousands)							
Net revenue.............	$ 358,050	$ 334,962	$ 289,143	$ 255,547	$ 129,118	$ 158,540	$ 233,144	$ 369,619
Cost of revenue.........	325,087	310,518	260,054	236,119	114,460	128,520	190,618	301,566
Research and development expenses...............	51,669	46,093	35,621	25,577	20,188	31,424	49,671	52,647
In-process research and development expenses...	1,462	--	--	--	--	4,717	41,220	19,746
Selling expenses........	131,322	119,321	82,691	60,324	71,601	111,037	126,612	146,287
General and administrative expenses...............	84,250	75,242	64,999	56,614	30,053	43,564	61,314	83,333
Amortization of intangible assets and stock based compensation...........	582,533	549,484	213,714	144,983	170,039	253,831	465,287	513,518
Impairment of long-lived assets.................	69,606	2,022,825	609,491	632,211	--	--	16,700	17,505
Restructuring expenses..	8,841	100,031	18,526	89,821	--	--	--	14,770
Operating loss..........	(896,720)	(2,888,552)	(995,953)	(990,102)	(277,223)	(414,553)	(718,278)	(779,753)
Interest income (expense), net.........	(10,469)	9,387	5,880	1,180	171	2,819	1,443	(19,529)
Non-operating gains (losses), net..........	323,927	(80,631)	(48,587)	(430,462)	94,717	171,720	233,525	105,690
Equity in losses of affiliates............	(15,872)	(13,556)	(9,948)	(6,285)	(1,796)	(3,633)	(10,290)	(36,167)
Minority interest.......	88,852	250,907	43,202	124,691	23,288	31,576	55,980	54,427
Income tax benefit								

(expense)	(126,282)	160,912	42,130	84,771	43,431	26,496	9,581	41,665
Net loss	$(636,564)	$(2,561,533)	$(963,276)	$(1,216,207)	$(117,412)	$(185,575)	$(428,039)	$(633,667)
Market Price								
High	$ 49.13	$ 24.81	$ 6.94	$ 6.50	$ 57.59	$ 163.50	$ 151.50	$ 75.13
Low	$ 12.88	$ 3.63	$ 1.75	$ 1.95	$ 33.13	$ 48.09	$ 49.38	$ 33.56

(22) Subsequent Events

Subsequent to July 31, 2001, the Company sold approximately 7.1 million shares of Primedia stock for total proceeds of approximately $15.9 million.

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

In August 2001 the Company settled the final tranche under the borrowing arrangement that hedges a portion of the Company's investment in the common stock of Yahoo! through the delivery of 581,499 shares of Yahoo! common stock.

In October 2001, the Company's Board of Directors approved, subject to stockholder approval, an additional 2.0 million shares to be reserved for issuance under the Company's Employee Stock Purchase Plan.

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."

In addition, Mr. John G. McDonald, a director of the Company since April 2001, resigned from the Board of Directors on October 24, 2001 as a result of increased faculty responsibilities at the Graduate School of Business at Stanford University.

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

Incorporated by reference to the portion of the Definitive Proxy Statement entitled "Security Ownership of Certain Beneficial Owners and Management."

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."

PART IV

ITEM 14.--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

The Company filed no reports on Form 8-K during the fourth quarter of 2001.

SIGNATURES

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

CMGI, INC.

By:____/s/ David S. Wetherell_____
David S. Wetherell
Chairman and Chief Executive Officer

Date: October 29, 2001

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, Chief Executive Officer and Director (Principal Executive Officer)
____/s/ George A. McMillan_____ George A. McMillan	Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)
______/s/ Barry K. Allen_______ Barry K. Allen	Director
____/s/ Virginia G. Bonker_____ Virginia G. Bonker	Director
______/s/ Jonathan Kraft_______ Jonathan Kraft	Director
______/s/ Peter McDonald_______ Peter McDonald	Director

EXHIBIT INDEX

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	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	Promissory note, dated August 18, 1999, issued to Digital Equipment Corporation, in the principal amount of $138,000,000 is incorporated herein by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated August 18, 1999 (File No. 000-23262).
4.3	Promissory note, dated August 18, 1999, issued to Compaq Computer Corporation, in the principal amount of $82,000,000 is incorporated herein by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K dated August 18, 1999 (File No. 000-23262).
4.4	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).
4.5	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 Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 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*	CMGI and Participating Subsidiaries Deferred Compensation Plan, is incorporated by reference to Exhibit 10.9 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 1999 (File No. 000-23262).
10.7*	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).

10.8* 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).

10.9* 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).

10.10* Amendment No. 3 to Employment Agreement, dated August 3, 2001, between the Registrant and David S. Wetherell.

10.11* Executive Retention Agreement, dated July 9, 2001, between the Registrant and David Andonian.

10.12* Offer Letter from the Registrant to George A. McMillan, dated June 11, 2001.

10.13* Executive Severance Agreement, dated June 11, 2001, between the Registrant and George A. McMillan.

10.14* Form of Director Indemnification Agreement (executed by the Registrant and each of David S. Wetherell, Barry K. Allen, 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).

10.15 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).

10.16 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).

10.17 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).

10.18 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).

10.19 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).

10.20 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.

10.21 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

10.22 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

10.23 Lease Agreement by and between Carolina Blackhawk, LLC and Engage, Inc. dated October 1999, is incorporated herein by reference to Exhibit 10.3 to Engage's Quarterly Report on Form 10-Q for the quarter ended October 31, 1999 (File No. 000-26671).

10.24 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).

10.25 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).

10.26 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).

10.27 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).

10.28 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).

10.29 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).

10.30 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).

10.31 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).

10.32 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).

10.33 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).

10.34 Capital & Counties plc and Engage Technologies Limited underlease, dated April 27, 1999, is incorporated herein by reference to Exhibit 10.14 to Engage's Registration Statement on Form S-1 (File No. 333-78015).

10.35 Lease dated as of March 21, 1997 by and between William J. Callahan and William J. Callahan, Jr., as trustees of Andover Park Realty Trust, and the Registrant is incorporated herein by reference to Exhibit 10.5 to NaviSite's Registration Statement on Form S-1 (File No. 333-83501).

10.36 Lease dated as of May 14, 1999 by and between 400 River Limited Partnership and NaviSite, Inc. is incorporated herein by reference to Exhibit 10.6 to NaviSite's Registration Statement on Form S-1 (File No. 333-83501).

10.37 Lease made as of April 30, 1999 by and between CarrAmerica Realty Corporation and NaviSite, Inc. is incorporated herein by reference to Exhibit 10.7 to NaviSite's Registration Statement on Form S-1 (File No. 333-83501).

10.38 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).

10.39 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).

10.40 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).

10.41 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).

10.42 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).

10.43 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).

10.44 Lease dated May 9, 2000 by and between CMGI (UK) Limited and SA Daffodil for premises located at 43-45-47 Avenue de la Grande Armee, 22-24 rue Chalgrin, Paris, France is incorporated herein by reference to Exhibit 10.42 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2000 (File No. 000-23262).

10.45 Lease dated September 22, 2000 by and between CMGI (UK) Limited and DIFA for premises located at Chilehaus, Fischertwiete 2, 20095 Hamburg is incorporated herein by reference to Exhibit 10.43 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2000 (File No. 000-23262).

10.46 Sublease by and between the Registrant and Engage, Inc., dated November 1, 2000, is incorporated herein by reference to Exhibit 10.1 to Engage's Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 2001 (File No. 000-26671).

10.47 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).

10.48 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).

10.49 Stock Purchase Agreement, dated as of June 19, 2000, by and among the Registrant, Engage, Inc. and Compaq Computer Corporation is incorporated herein by reference to Exhibit 1 to the Registrant's Schedule 13D/A, dated June 19, 2000 (File No. 005-58487).

10.50 Common Stock Purchase Agreement, dated as of June 8, 2000, by and between the Registrant and NaviSite, Inc. in incorporated herein by reference to Exhibit 10.1 to NaviSite's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2000 (File No. 000-27597).

10.51 Note and Warrant Purchase Agreement, dated as of December 12, 2000, by and between the Registrant and NaviSite, Inc. is incorporated herein by reference to Exhibit 10.3 to NaviSite's Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2000 (File No. 000-27597).

10.52 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).

10.53 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).

10.54 Share Sale Agreement dated as of February 29, 2000 by and between the Registrant and Cable & Wireless Far East 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, 2000 (File No. 000-23262).

10.55 Registration Rights Agreement dated as of August 24, 2000 by and between the Registrant and Cable & Wireless Far East 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, 2000 (File No. 000-23262).

10.56* 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).

10.57* 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).

10.58* 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).

10.59* Summary of Management's Interests in the @Ventures III Venture Capital Funds is incorporated herein by reference to Exhibit 10.45 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1999 (File No. 000-23262).

10.60* 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).

10.61* 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).

10.62* Amendment No. 1 to the 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).

10.63* 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).

10.64* Amendment No. 1 to the 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).

10.65* Agreement of Limited Partnership of @Ventures Expansion Fund, L.P., dated as of February 25, 2000 is incorporated herein by reference to Exhibit 10.64 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2000 (File No. 000-23262).

10.66* Agreement of Limited Partnership of @Ventures Foreign Expansion Fund, L.P., dated as of March 8, 2000 is incorporated herein by reference to Exhibit 10.65 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2000 (File No. 000-23262).

10.67* Limited Liability Company Agreement of @Ventures Expansion Partners, LLC, dated as of February 10, 2000 is incorporated herein by reference to Exhibit 10.66 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2000 (File No. 000-23262).

10.68* Limited Liability Company Agreement of CMG@Ventures Expansion, LLC, dated as of February 10, 2000 is incorporated herein by reference to Exhibit 10.67 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2000 (File No. 000-23262).

10.69 Amended and Restated CMGI @Ventures IV, LLC Limited Liability Company Agreement, dated as of July 27, 2001.

10.70* FY 2002 Bonus Plan for CMGI Corporate.

10.71* FY 2002 Bonus Plan for Operating Companies.

21 Subsidiaries of the Registrant.

23 Consent of Independent Auditors.

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* Management contract or compensatory plan or arrangement filed in response to Item 14(a)(3) of the instructions to Form 10-K.

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENT SCHEDULE

The Board of Directors and Stockholders
CMGI, Inc.:

Under the date of September 25, 2001, except as to Note 22, which is as of October 29, 2001, we reported on the consolidated balance sheets of CMGI, Inc. and subsidiaries as of July 31, 2001 and 2000, 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, 2001, which are included in the Form 10-K for the year ended July 31, 2001. 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.

/s/ KPMG LLP

Boston, Massachusetts
September 25, 2001

CMGI, INC.

SCHEDULE II
Valuation and Qualifying Accounts
For the years ended July 31, 2001, 2000 and 1999

	Additions		Deductions		
Accounts Receivable, Allowance for Doubtful Accounts	Balance at beginning of period	Acquisitions	Additions Charged to Costs and Expenses (Bad Debt Expense)	Deductions (Charged against Accounts Receivable)	(a) Deconsolidation/ Dispositions	Balance at end of period
2001	$34,618,000	$ 1,786,000	$60,463,000	$60,229,000	$463,000	$36,175,000
2000	$ 3,034,000	$12,168,000	$32,231,000	$12,650,000	$165,000	$34,618,000
1999	$ 900,000	$ 484,000	$ 2,528,000	$ 878,000	$ --	$ 3,034,000

(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 10.10

CMGI, INC.

AMENDMENT NO. 3 TO EMPLOYMENT AGREEMENT

August 3, 2001

Mr. David S. Wetherell
CMGI, Inc.
100 Brickstone Square
Andover, MA 01810

Dear Dave:

This Amendment No. 3 to Employment Agreement amends the Employment Agreement between you and CMGI, Inc. (the "Company"), dated as of November 9, 1993, as amended (the "Employment Agreement"). In consideration of the premises herein contained and other good and valuable consideration, you and the Company agree as follows:

1. Amendment of Employment Agreement. Section 3A of the Employment Agreement is hereby deleted in its entirety and replaced with following which is effective as of August 1, 2001:

"3A. Base Salary. As compensation for your services, the Company shall pay to you a Base Salary at the annual rate of $1.00 plus such amounts as are determined by the Board (or the Human Resources and Compensation Committee thereof) as necessary to cover your Medicare, auto lease, medical, dental, vision and similar deductions, plus such additional amounts as may be determined from time to time by the Board (or the Human Resources and Compensation Committee thereof) in its sole discretion and designated as increases in Base Salary. Any such increase in Base Salary may not be subsequently reduced or eliminated without your consent, except as part of a general reduction of executive salaries."

2. Continuing Effect of Employment Agreement. Except as amended hereby, the Employment Agreement shall remain in full force and effect.

* * * * *

IN WITNESS WHEREOF, you and the Company have caused this Agreement to be executed as of the date set forth above.

CMGI, INC.

By: /s/ Jeffrey Yanagi

Name: Jeffrey Yanagi
Title: EVP HR

ACCEPTED AND AGREED TO:

/s/ David S. Wetherell

David S. Wetherell

EXHIBIT 10.11

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 David Andonian (the "Executive"), is made as of July 9, 2001.

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 (i) his then current base salary multiplied by two (2), plus (ii) his then current target bonus multiplied by two (2), within 30 days after the Termination Date (as defined below). 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.

(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), (i) his regular semi-monthly 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), plus (ii) at the end of such year, the amount of Executive's target bonus as in effect on the Executive's last day of employment. Unless the parties agree otherwise, the severance pay provided for in clause (i) above shall be paid in installments, in accordance with the Company's regular payroll practices, and the severance pay set forth in (ii) above shall be paid within 30 days of the end of the fiscal year to which such amount relates. 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.

(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) "Cause" shall mean a good faith finding by the Company 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.

(b) "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.

(c) "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.

(d) "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/ David Andonian

David Andonian

EXHIBIT A

Options to purchase CMGI Common Stock granted on:

September 15, 1999

July 25, 2000

July 9, 2001

EXHIBIT 10.12

June 11, 2001

George A. McMillan
25 Thornbury Lane
Sudbury, MA 01776

Dear George:

It is a distinct pleasure to offer you the position of Chief Financial Officer for CMGI, Inc.

Your starting annualized salary will be $400,000, which represents $16,666.66 semi-monthly. You will also be eligible to receive a target annualized bonus for fiscal year 2002 of $300,000 based on successful satisfaction of fiscal year 2002 business objectives that will be set and agreed to by the Chief Executive Officer of CMGI, Inc. and you. Your fiscal year 2002 bonus will be guaranteed at a minimum of $300,000, with potential for upside based on business achievements and will be paid to you after the end of fiscal year 2002 in accordance with the written business objectives plan. Your target annualized bonus will be 75% of your salary.

You will also receive a one-time sign on bonus in the amount of $300,000. $150,000 of this sign on bonus will be paid to you within 10 business days after your start date (the "First Payment") and the second installment of $150,000 will be paid to you within 5 business days after the 6 month anniversary of your start date (the "Second Payment"), provided, however, that the Second Payment shall not be paid in the event that you voluntarily terminate your employment with CMGI prior to such 6 month anniversary date.

In addition, on the day before the date of our press release announcing you as Chief Financial Officer of CMGI, Inc. (the "Announcement Date"), you will be awarded an option to purchase 2,000,000 shares of CMGI common stock under the CMGI 2000 Stock Incentive Plan (the "Plan"). This option will be priced at the closing price on the Nasdaq National Market (during normal trading hours) on the day before the Announcement Date, and it will vest as follows: 125,000 shares shall vest on the three month anniversary date of your first day of employment and an additional 125,000 shares shall vest every three months thereafter during the first year and the remaining shares underlying the option will vest monthly for the next 3 years (whereby 1/48/th/ of the original number of the shares underlying the option shall vest on each monthly anniversary date of your first day of employment starting on the 13/th/ monthly anniversary date of your first day of employment, until fully vested on the fourth anniversary of the date of your first day employment).

The option shall be subject to all terms, limitations, restrictions and termination provisions set forth in the Plan and in the separate option agreement (which shall be based upon CMGI's standard form option agreement) that shall be executed to evidence the grant of any options.

Enclosed you will find a copy of a Non-Competition Agreement, the execution of which is required as a condition of CMGI granting you an option to purchase CMGI common stock and your employment with CMGI. Additionally, as a condition of employment with CMGI, you are required to execute the enclosed Non-Disclosure and Developments Agreement.

You will also be eligible for annual options grants commensurate with other CMGI senior executives.

You will also receive a car allowance of $1,000 per month.

As an employee of CMGI, you may participate in any and all bonus and benefit programs that CMGI establishes and makes generally available to its employees from time to time, provided you are eligible under (and subject to all provisions of) the plan documents governing those programs.

Additionally, you will accrue vacation at a rate of 10.00 hours per month (3 weeks per year) beginning on your first month of employment. Details of the benefits offered will be reviewed with you in orientation on your first day of employment.

The Executive Severance Agreement attached hereto as Exhibit A contains additional terms that shall be applicable to your employment, and Exhibit A shall be incorporated herein by reference.

In accordance with current federal law, you will be asked to provide documentation proving your eligibility to work in the United States. Please review the enclosed notice regarding the Immigration Reform and Control Act and bring proper documentation with you on your first day.

Please confirm your acceptance of this position and your start date by signing one copy of this letter and returning it to me. Additionally, please sign and return the enclosed Non-Disclosure and Developments Agreement and the Non-Competition Agreement. Both the Non-Disclosure and Developments Agreement and the Non-Competition Agreement must be returned to me no later than one week prior to your start date.

Your employment with CMGI will be "at-will". This means that your employment with CMGI may be terminated by either you or CMGI at any time and for any reason, with or without notice. This offer expires as of the close of business on Wednesday, June 13, 2001. This offer and the Executive Severance Agreement constitute the entire agreement between the parties and supersede all prior offers, both oral and written. This letter does not constitute a guarantee of employment or a contract.

We are very pleased by the prospect of your addition to the CMGI management team, and we are confident that you will make a significant contribution to our future success!

Sincerely,

/s/ David S. Wetherell

David S. Wetherell
Chairman and Chief Executive Officer CMGI, Inc.

/s/ George A. McMillan	June 11, 2001
George A. McMillan	DATE

TBD

START DATE

EXHIBIT 10.13

EXECUTIVE SEVERANCE AGREEMENT

THIS EXECUTIVE SEVERANCE AGREEMENT ("Agreement") by and between CMGI, Inc., a Delaware corporation (the "Company") and George A. McMillan (the "Executive"), is made as of June 11, 2001.

WHEREAS, the Board of Directors of the Company (the "Board") has determined that Executive will play 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. Term of Agreement. The term of this Agreement shall be June 11, 2001 through the last day of Executive's employment with the Company.

2. 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.

3. Severance Payment. (a) In the event 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), the Company shall pay to the Executive a severance payment equal to 12 months of his then-current monthly base salary plus target bonus, as in effect on the Executive's last day of employment, and will reimburse the Executive for cost of COBRA for medical, dental and vision for 12 months following the Executive's last day of employment. The severance payment shall be payable in full within 10 business days after the termination of Executive's employment, unless the parties agree otherwise. Additionally, in the event that prior to 24 months of employment there occurs a termination giving rise to a severance payment by the Company to Executive pursuant to this Section 3(a), 50% of the then-unvested options to purchase shares of common stock of the Company pursuant to options granted to Executive on or prior to his first day of employment with the Company ("Initial Options") shall immediately become exercisable in full and shall be deemed fully vested. In the event of any termination of employment giving rise to a severance payment pursuant to this Section 3(a), the Executive shall have the right to exercise any vested Initial Options following such termination of employment, unless the options terminate sooner by the terms of the underlying option agreement, as follows:

- Executive shall have at least 90 days following the termination date of his employment to exercise his vested Initial Options;

- Executive shall be entitled to exercise his vested Initial Options following the termination date of his employment for a number of months following such termination date equal to the number of months he worked for the Company (rounded up to the next month in the event the Executive's termination date is on or after the 15/th/ day of the month);

- In no event shall Executive be entitled to exercise his vested Initial Options following his termination date for a period greater than 365 days.

In the event the severance payment and other such benefits, including but not limited to Initial Options being accelerated pursuant to this Section 3(a), are paid to the Executive by the Company pursuant to this Section 3(a), then Section 3(b) shall not apply and shall have no further force or effect.

(b) In the event the employment of the Executive is terminated by the Company for a reason other than for Cause within twelve (12) months following a Change of Control (as defined below) of the Company or by the Executive for Good Reason within twelve (12) months following a Change of Control of the Company, the Company shall pay to the Executive a severance payment equal to 24 months of his then-current monthly base salary plus target bonus, as in effect on the Executive's last day of employment, and will reimburse the Executive for cost of COBRA for medical, dental and vision for 12 months following the Executive's last day of employment. The severance payment shall be payable in full within 10 business days after the termination of Executive's employment, unless the parties agree otherwise. Additionally, in the event of a termination giving rise to a severance payment by the Company to Executive pursuant to this Section 3(b), each outstanding option to purchase shares of common stock of the Company then held by the Executive shall immediately become exercisable in full and shall be deemed fully vested. In the event of any termination of employment giving rise to a severance payment pursuant to this Section 3(b), with respect to Initial Options , the Executive shall have the right to exercise any vested Initial 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. All other options shall be exercisable in accordance with their terms. In the event the severance payment and other such benefits (including but not limited to options being accelerated pursuant to this Section 3(b)) are paid to the Executive by the Company pursuant to this Section 3(b), then Section 3(a) shall not apply and shall have no further force or effect.

(c) The Executive agrees that prior to payment of the severance payment pursuant to this Section 3 and prior to the provision of benefits and acceleration of stock options called for by Section 3, Executive shall execute a release, based on the Company's standard form (including mutual confidentiality and non-disparagement provisions), of any and all claims he may have against the Company and its officers, directors, employees and affiliates, except for his right to enforce any post-employment obligations to him, including obligations of the Company under this Agreement and stock option agreements, and indemnification in his capacity as an officer, director or otherwise of the Company and its affiliates. Executive understands and agrees that the payment of the severance payment, provision of benefits and the acceleration of options called for by Section 3 are contingent on his execution of the previously described release of claims. The payment to the Executive of the amounts payable under this Section 3 (and acceleration of options, if applicable) shall constitute the sole remedy of the Executive in the event of a termination of the Executive's employment.

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

(a) "Cause" shall mean a good faith finding by the Board of Directors of the Company, after giving Executive an opportunity to be heard, of: (i) dishonest, gross negligent or willful misconduct by Executive in connection with his employment duties, (ii) continued 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 or other 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 or any crime involving moral turpitude.

(b) "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 (A) then-current base salary without the Executive's consent, or (B) target bonus or a material reduction in benefits without the Executive's consent, or unless other executive officers are similarly treated; or (iii) material dimunition of Executive's duties, authority or position as Chief Financial Officer of the Company, without the Executive's consent.

(c) "Change of Control" shall mean the first to occur of any of the following: (a) any"person" or "group" (as defined in the Securities Exchange Act of 1934) becomes the beneficial owner of a majority of the combined voting power of the then outstanding voting securities with respect to the election of the Board of Directors of the Company; (b) any merger, consolidation or similar transaction involving the Company, other than a transaction in which the stockholders of the Company immediately prior to the transaction hold immediately thereafter in the same proportion as immediately prior to the transaction not less than 50% of the combined voting power of the then voting securities with respect to the election of the Board of Directors of the resulting entity; or (c) any sale of all or substantially all of the assets of the Company.

5. Termination of Employment. Upon termination of Executive's employment with the Company for any reason, in addition to any severance payments or other benefits which may be payable under Section 3 of this Agreement, Executive shall be entitled to receive all salary and benefits through the last day of his employment. In addition, in the event the Executive is terminated for other than Cause or the Executive terminates his employment for Good Reason, Executive shall be entitled to a pro rata share of his earned target bonus, such earned target bonus to be determined in accordance with the terms and provisions of the Executive's target bonus plan.

6. 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.

(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/ David S. Wetherell
Title: Chief Executive Officer

/s/ George A. McMillan

George A. McMillan

EXHIBIT 10.20

AMENDMENT #5 TO LEASE

1. Parties.

This Amendment, dated as of December 18, 2000, 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 no longer wishes to lease the following portions of the Premises in Building 200 (collectively, the "Terminated Space"), totaling 92,700 s.f. of agreed rentable area: Offer Space #1 (2/nd/ Floor, 29,916 s.f.); Fifth Expansion Space #1 (3/rd/ Floor, 14,198 s.f.); Fifth Expansion Space #2 (3/rd/ Floor, 15,695 s.f.); and the Temporary Space (5/th/ Floor, 32,891 s.f.). Accordingly, Landlord and Tenant have agreed that Tenant will assign and transfer its interest in the Terminated Space to Landlord and that the Lease will then terminate with respect to the Terminated Space only. In order to accomplish this and other matters, for 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. Amendments.

3.1 As of the date hereof, Tenant assigns, conveys and transfers to Landlord all of Tenant's right, title and interest in and to the Terminated Space, and: (a) the Lease will terminate and expire as to the Terminated Space only and Tenant and its Affiliates will vacate and surrender possession of the Terminated Space; (b) the agreed rentable area of the remainder of the Premises will be 321,189; and (c) Tenant's parking rights under the Lease will be reduced by two hundred seventy-eight (278) vehicles, Exhibit "A-4" attached to Amendment #3 to Lease will be deemed deleted from the Lease and Exhibit "A-5" attached hereto and incorporated herein (which shows a new parking plan for Tenant) will be substituted in its place. Despite the earlier termination of the Lease with respect to the Terminated Space, and in addition to other rent payable under the Lease, all rent that would have been payable by Tenant in connection with each portion of the Terminated Space absent this termination will continue to be paid as rent under the Lease through the first to occur of: April 30, 2001, or the date that a new tenant under a new lease of that portion of the Terminated Space occupies that portion of the Terminated Space to conduct business, or the rent commencement date under any new lease of that portion of the Terminated Space. (As a hypothetical example, if Offer Space #1, 29,916 s.f., is leased by Landlord pursuant to a new lease with a rent commencement date of February 1, 2001, rent payable by Tenant for Offer Space #1 would be payable only through January 31, 2001.) In Section 27(e)(i) of the Lease, the figure "500,000 square feet" will be deemed reduced to "407,300 square feet". Following the effective termination date of the Lease with respect to the Terminated Space, neither party will have any further rights or obligations to the other with respect thereto (except for any unpaid rent due under the Lease or hereunder for any period before the termination date with respect to the Terminated Space).

3.2 As of the effective termination date of the Lease with respect to the applicable portion of the Terminated Space, Tenant's Percentage will be deemed decreased as follows: Offer Space #1 - 3.18%; Fifth Expansion Space #1 - 1.51%; Fifth Expansion Space #2 - 1.67%; and the Temporary Space - 3.50%. Following the effective termination date of the Lease with respect to all of the Terminated Space, Tenant's Percentage will be 34.15%, assuming that Tenant leases no other space in the Project.

3.3 As a material inducement to Landlord to enter into this Amendment, Tenant agrees that, as of the date hereof, Landlord is not, to Tenant's knowledge, in default under the Lease, and Tenant represents to Landlord that Tenant has not subleased, assigned or conveyed the Terminated Space or its interests therein to anyone else.

3.4 As a material inducement to Tenant to enter into this Amendment, Landlord agrees that, as of the date hereof, Tenant is not, to Landlord's knowledge, in default under the Lease.

Time is of the essence in this Amendment and holding over will not be permitted. Notwithstanding anything herein to the contrary, this Amendment will not be binding on Landlord until and unless Landlord receives approval from its current Landlord's Mortgagee. Promptly after receiving such approval (or disapproval, as the case may be) from its current Landlord's Mortgagee, Landlord will notify Tenant of same in writing. The Lease remains in full force and effect, and except as set forth above, the Lease remains unchanged.

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/ Andrew J. Hajducky, III
Name: Andrew J. Hajducky, III
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/ Martin Spagat
Name: Martin Spagat
Title: Vice President
Authorized Signature

EXHIBIT 10.21

AMENDMENT #6 TO LEASE

1. Parties.

This Amendment, dated as of April 17, 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 grant to Landlord the right and option to terminate the Lease with respect to Offer Space #2, consisting of 9,472 s.f. of agreed rentable area on the 2nd Floor of Building 200. The parties hope that Landlord will be able to lease Offer Space #2 to others and then exercise this termination option, although Landlord is not obligated either to lease or exercise. Subject to the terms of this Amendment, if Landlord validly exercises its option, Tenant will assign and transfer its interest in Offer Space #2 to Landlord and the Lease will then terminate with respect to Offer Space #2 only. 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. Amendments.

3.1 Tenant hereby grants to Landlord the right and option to terminate the Lease with respect to Offer Space #2 only. Landlord has no obligation to exercise this option, but if it elects to exercise it will do so by delivering a written exercise notice to Tenant.

3.2 As of the date that Landlord validly exercises this option, Tenant will be deemed to have assigned, conveyed and transferred to Landlord all of Tenant's right, title and interest in and to Offer Space #2, and: (a) the Lease will terminate and expire as to Offer Space #2 only and Tenant and its Affiliates will vacate and surrender possession of Offer Space #2; (b) the agreed rentable area of the remainder of the Premises will be reduced by 9,472 s.f.; and (c) Tenant's parking rights under the Lease will be reduced by twenty-eight (28) vehicles, Exhibit "A-5" attached to Amendment #5 to Lease will be deemed deleted from the Lease and Exhibit "A-7" attached hereto and incorporated herein (which shows a new parking plan for Tenant) will be substituted in its place. Despite the earlier termination of the Lease with respect to Offer Space #2, and in addition to other rent payable under the Lease, all rent that would have been payable by Tenant in connection with Offer Space #2 absent this termination will continue to be paid as rent under the Lease through the date (the "Initial Rent Termination Date") that is the first to occur of: ninety (90) days after Landlord exercises this option; or the date that a new tenant under a new lease of Offer Space #2 occupies Offer Space #2 to conduct business; or the rent commencement date under any new lease of Offer Space #2. After the Initial Rent Termination Date, rent will terminate entirely for 5,000 s.f. of Offer Space #2, and for the next one (1) calendar year after the Initial Rent Termination Date, Tenant will continue to pay only the rent that would have been payable by Tenant in connection with Offer Space #2 absent this termination for the remainder of Offer Space #2 (i.e., on 4,472 s.f). Tenant will not be required to pay any rent in connection with Offer Space #2 for any period after this one (1)-year period. (As a hypothetical example, if Landlord exercises this option and leases Offer Space #2 to a new tenant under a new lease with a rent commencement date thirty (30) days after exercise, and no earlier occupation by the new tenant, rent payable by Tenant in connection with Offer Space #2 would continue for all of that space until thirty (30) days after exercise [i.e., until the Initial Rent Termination Date], and it would continue for only 4,472 s.f. of that space until one (1) year after that Initial Rent Termination Date, after which it would terminate entirely.) In Section 27(e)(i) of the Lease, the figure for the area set forth therein will be reduced by 9,472 s.f. Following Landlord's exercise of this option with respect to Offer Space #2, neither party will have any further rights or obligations to the other with respect thereto (except for any unpaid rent due under the Lease or hereunder for any period before the rent is to terminate with respect to that portion of Offer Space #2).

3.3 Following the Rent Termination Date of the Lease with respect to all of Offer Space #2, Tenant's Percentage will be reduced by 1.01%, to a total of 33.14%, assuming that Tenant leases no other space in the Project.

3.4 As a material inducement to Landlord to enter into this Amendment, Tenant agrees that, as of the date hereof, Landlord is not, to Tenant's knowledge, in default under the Lease, and Tenant represents to Landlord that Tenant has not subleased, assigned or conveyed Offer Space #2 or its interests therein to anyone else.

3.5 As a material inducement to Tenant to enter into this Amendment, Landlord agrees that, as of the date hereof, Tenant is not, to Landlord's knowledge, in default under the Lease.

Time is of the essence in this Amendment and holding over will not be permitted. The Lease remains in full force and effect, and except as set forth above, the Lease remains unchanged.

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/ Andrew J. Hajducky III
Name: Andrew J. Hajducky III
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/ Martin Spagat
Name: Martin Spagat
Title: Vice President
Authorized Signature

EXHIBIT 10.22

AMENDMENT #7 TO LEASE

1. Parties.

This Amendment, dated as of April 18, 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 grant to Landlord the right and option to terminate the Lease with respect to all or a part of the Fourth Expansion Space, consisting of 29,186 s.f. of agreed rentable area on the 3rd Floor of Building 100. The parties hope that Landlord will be able to lease the Fourth Expansion Space to others and then exercise this termination option, although Landlord is not obligated either to lease or exercise. Subject to the terms of this Amendment, if Landlord validly exercises its option to lease all or a part of the Fourth Expansion Space, Tenant will assign and transfer its interest in the applicable space to Landlord and the Lease will then terminate with respect to that space only. 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. Amendments.

3.1 Tenant hereby grants to Landlord the right and option to terminate the Lease with respect to all or a part of the Fourth Expansion Space only. Tenant can terminate Landlord's right to exercise this option only be delivering a written notice of termination to Landlord, provided that Tenant will not have the right to deliver such a termination notice for the first six (6) months after the date of this Amendment (and a termination notice delivered earlier will not be effective). If Tenant validly delivers such a termination notice, Landlord's right to exercise this option will terminate on the termination date set forth in the termination notice, or the date that is six (6) months after the termination notice is delivered to Landlord, whichever date is later. Landlord has no obligation to exercise this option, but if it elects to exercise it will do so by delivering a written exercise notice to Tenant specifying whether it is exercising as to all or part of the Fourth Expansion Space and designating the space to be terminated. If on the initial exercise of this option or thereafter the designated space is less than all of the Fourth Expansion Space, then the remainder of the Fourth Expansion Space must retain (or Landlord at its cost will construct in a good and workmanlike manner) legal access in compliance with all applicable laws and codes, and in that case Landlord will retain the right to exercise this option again from time to time as to the remainder of the Fourth Expansion Space, subject in each case to the foregoing requirement to leave Tenant with space that has legal access in compliance with all applicable laws and codes. The space designated by Landlord in an option exercise notice is called the "Designated Space."

3.2 As of the date that Landlord validly exercises this option (and Landlord will have the right to exercise this option more than once under the circumstances described in Section 3.1 above), Tenant will be deemed to have assigned, conveyed and transferred to Landlord all of Tenant's right, title and interest in and to the Designated Space specified in that exercise notice, and: (a) the Lease will terminate and expire as to that Designated Space only and Tenant and its Affiliates will vacate and surrender possession of that Designated Space; (b) the agreed rentable area of the remainder of the Premises will be reduced by the rentable area of that Designated Space; and (c) Tenant's parking rights under the Lease will be reduced by three (3) spaces for each 1,000 square feet of rentable area in that Designated Space (1/3 of which will be assigned spaces), and Tenant's parking plan will be amended accordingly. Despite the earlier termination of the Lease with respect to that Designated Space, and in addition to other rent payable under the Lease, all rent that would have been payable by Tenant in connection with that Designated Space absent this termination will continue to be paid as rent under the Lease through the date (the "Rent Termination Date") that is the first to occur of: ninety (90) days after Landlord exercises this option with respect to that Designated Space; or the date that a new tenant under a new lease of that Designated Space occupies that Designated Space to conduct business; or the rent commencement date under any new lease of that Designated Space. (As a hypothetical example, if Landlord exercises this option for 15,000 s.f. of the Fourth Expansion Space [i.e., a Designated Space of 15,000 s.f.] and leases that Designated Space to a new tenant under a new lease with a rent commencement date thirty (30) days after exercise, rent payable by Tenant for the Fourth Expansion Space would terminate for 15,000 s.f. of that space thirty (30) days after exercise.) In Section 27(e)(i) of the Lease, the figure for the area set forth therein will be reduced by 29,186 s.f. Following Landlord's exercise of this option with respect to a Designated Space, neither party will have any further rights or obligations to the other with respect thereto (except for any unpaid rent due under the Lease or hereunder for any period before the Rent Termination Date with respect to that Designated Space). The Lease will continue for any of the Fourth Expansion Space that is not specified by Landlord as Designated Space in an option exercise.

3.3 Following the Rent Termination Date of the Lease with respect to a Designated Space, Tenant's Percentage will be reduced proportionally.

3.4 As a material inducement to Landlord to enter into this Amendment, Tenant agrees that, as of the date hereof, Landlord is not, to Tenant's knowledge, in default under the Lease, and Tenant represents to Landlord that Tenant has not subleased, assigned or conveyed the Fourth Expansion Space or its interests therein to anyone else.

3.5 As a material inducement to Tenant to enter into this Amendment, Landlord agrees that, as of the date hereof, Tenant is not, to Landlord's knowledge, in default under the Lease.

Time is of the essence in this Amendment and holding over will not be permitted. The Lease remains in full force and effect, and except as set forth above, the Lease remains unchanged.

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/ Andrew J. Hajducky III
Name: Andrew J. Hajducky III
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/ Martin Spagat
Name: Martin Spagat
Title: Vice President
Authorized Signature

EXHIBIT 10.69

AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT OF CMGI @VENTURES IV, LLC

THIS AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT of CMGI @Ventures IV, LLC (the "LLC"), dated as of July 27, 2001, is by and among the persons named on Schedule A attached hereto, each of whom is designated as a Class A Member, a Class B Member or a Class C 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 November 10, 1999, 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 June 1, 2000, certain Class B Members and Class C Members were admitted to the LLC, and such persons, and the Class A Member, executed and delivered a Limited Liability Company Agreement dated as of June 1, 2000, which agreement has been amended through the date hereof by nine amendments thereto (as amended to date, the "Original Agreement");

WHEREAS, the Class A Member and the Class B Members desire to amend and restate in its entirety the Original Agreement, to modify certain of the provisions thereof.

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 Original Agreement is hereby amended and restated to read in its entirety 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 Amended and Restated Limited Liability Company Agreement as it may be amended, supplemented, or restated from time to time.

"Appraiser" shall have the meaning ascribed thereto in Section 8.04.

"Bonus Incentive Fee" shall have the meaning ascribed thereto in Section 4.01(b)(i).

"Budget" shall have the meaning ascribed thereto in Section 6.05(a).

"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.

"Capital Contribution" means the aggregate amount of cash and the fair market value (as determined in accordance with Section 6.09 hereof) of any property contributed to the LLC by a Member.

"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.

"Class C Member" shall refer severally to any person named as a Class C Member in this Agreement and any person who becomes an additional, substitute or replacement Class C Member as permitted by this Agreement, in such person's capacity as a Class C Member of the LLC. "Class C Members" shall refer collectively to all such persons in their capacities as Class C 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 Treasury Regulation Section 1.704-1(b)(2)(iv)(f). 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 Class B or Class C Member's relationship with the Employer:

(i) indictment for commission, 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, embezzlement of assets of, or other financial fraud against, the Employer;

(iii) a material breach of any agreement between the Class B or Class C Member and the Employer including, without limitation, any violation of the covenants set forth in Sections 6.06 and 6.07 below, which breach is not cured within 30 days after written notice of such breach is given to such Member by the Employer;

(iv) the willful and continued failure by the Class B or Class C Member to substantially perform his or her duties (other than as a result of incapacity due to physical or mental illness), which failure is not cured within 30 days after written notice of such breach is given to such Member;

(v) misappropriation for personal use of any material asset or business opportunity of the Employer; or

(vi) willful misconduct, which adversely affects the business of the Employer, but only if there has been a good faith determination by Two-thirds in Number of the Class B Members (excluding any Class B Member which is the subject of the determination) that such misconduct has occurred.

Notwithstanding the foregoing, with respect to Charles Finnie, Finnie shall be deemed to have been terminated with Cause if there occurs a "Cause Termination" under the Finnie Letter Agreement.

"Certificate" means the Certificate of Formation creating the LLC, as it may, from time to time, be amended in accordance with the Act.

"Change of Control" shall have the meaning ascribed thereto in Section 8.04.

"Change of Control Purchase Price" shall have the meaning ascribed thereto in Section 8.04.

"CMGI" means CMGI, Inc., a Delaware corporation.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Employer" shall mean, for any Class B or Class C Member, the LLC, @Ventures Management LLC, CMGI or any Affiliate of any of them that employs the Class B or Class C 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, or CMGI (and a Class B or Class C Member shall not be deemed to be employed by an Employer if such Class B or Class C Member is employed by a Portfolio Company), unless the Class A 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 Class B or Class C 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 which is the subject of the determination) or a conservator or guardian is appointed for the benefit of any Class B or Class C Member or his property;

(y) the relationship of such Class B or Class C Member to all Employers is terminated by such Member or by the Employer, in either case without Cause (subject to clause (z) below in the case of a termination by the Member without cause), or for any reason other than the reasons specified in clauses (x) and (z) of this definition (each of the foregoing, a "Clause Y Event"); or

(z) the relationship of such Class B or Class C Member to the LLC is (I) terminated with Cause (in accordance with the procedures described in Section 6.01(g) below), or (II) terminated by the Class B or Class C Member, following which termination it is determined (in accordance with the procedures described in Section 6.01(g) below) that the LLC had Cause to terminate such Member (each of the foregoing, a "Clause Z Event").

An Event of Forfeiture for a Class B or Class C 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 Class B or Class C Member.

Notwithstanding the foregoing, with respect to Charles Finnie, an Event of Forfeiture shall be deemed to have occurred if an "Event of Termination" occurs with respect to Finnie for purposes of the Finnie Letter Agreement.

A Clause Y Event has occurred with respect to certain Profit Members as of the date of this Amended and Restated Agreement, and such Profit Members have assumed the status of Former Profit Members as of the date hereof. Such Former Profit Members are entitled to certain severance and benefit continuation payments pursuant to separate written agreements, and the receipt of such amounts shall not be deemed to constitute a continuation of the employment relationship of such Former Profit Members with the LLC or any of its Affiliates.

"Finnie Letter Agreement" means that certain letter agreement dated as of September 14, 2000 between Charles Finnie and CMGI @Ventures, Inc.

"Follow-on Investment" shall mean an Investment in securities of a Portfolio Company in which the LLC owns securities or debt instruments.

"Former Profit Member" shall mean any person holding an interest in the LLC as a Profit Member as to whom an Event of Forfeiture has occurred.

"Friendly Change of Control" shall be deemed to have occurred when:

(i) there has occurred a change of control of CMGI which has been approved by a majority of all the members of the Board of Directors of CMGI, and which change of control is of a nature that would be required to be reported in response to Items 6(e) or 14(i), (iv), or (v) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act") provided that, in the case of a change of control reportable under Item 6(e), such change of control involves the acquisition by any "person" (as such term is used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act, but expressly excluding David S. Wetherell) of beneficial ownership, directly or indirectly, of securities or interests in CMGI which represent more than forty percent (40%) of the combined voting power of CMGI's outstanding securities; provided however, that any of the foregoing which results from (X) the conversion of any security or class of securities issued by CMGI and outstanding as of the date of this Amended and Restated Agreement, or any securities issued in respect of or in exchange for any of such outstanding securities or (Y) payment of any amounts due under any debt instruments of CMGI to Compaq Computer Corporation which are outstanding as of the date of this Amended and Restated Agreement, or any securities issued in respect of or in exchange for any of such outstanding debt instruments, shall not constitute a Friendly Change of Control for purposes of this definition; or

(ii) there has occurred a change of control of the Class A Member which has been approved by a majority of all the members of the Board of Directors of CMGI, and which change of control involves (A) the acquisition by any "person" (as such term is used in

Sections 13(d)(3) and 14(d)(2) of the Exchange Act) of beneficial ownership, directly or indirectly, of securities or interests in the Class A Member which represents more than fifty percent (50%) of the combined voting power of the Class A Member's outstanding securities, or (B) a sale of all or substantially all of the assets of the LLC or of the Class A Member, or (C) either the merger or consolidation of the LLC or the Class A Member with another entity which is the surviving entity of such merger or consolidation provided that such other entity, prior to such merger or consolidation, was not controlled directly or indirectly by CMGI; provided however, that any of the foregoing which results from (X) the conversion of any security or class of securities issued by CMGI and outstanding as of the date of this Amended and Restated Agreement, or any securities issued in respect of or in exchange for any of such outstanding securities or (Y) payment of any amounts due under any debt instruments of CMGI to Compaq Computer Corporation which are outstanding as of the date of this Amended and Restated Agreement, or any securities issued in respect of or in exchange for any of such outstanding debt instruments, shall not constitute a Friendly Change of Control for purposes of this definition.

"Fully Loaded Investment Cost" means, for a particular Investment, an amount equal to the sum of (i) the aggregate purchase price paid by the LLC for such Investment, and (ii) the aggregate Unreimbursed Acquisition Expenses attributable to such Investment.

"Incentive Percentage" shall have the meaning ascribed thereto on Exhibit 1.

"Initial Election" shall have the meaning ascribed thereto in Section 8.04.

"Investment" means an investment in a Portfolio Company made by the LLC, including without limitation a Follow-on Investment. As and when the LLC 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 the LLC; provided, however, that investments funded from Net Investment Receipts attributable to a particular Investment shall be considered to be the successor of such Investment and shall be treated for all purposes of this Agreement as the original Investment rather than as one or more Short-Term Investments.

"Investment Receipts" shall mean, with respect to any Investment, the amount of any cash and the fair market value (as determined in accordance with Section 6.09 hereof) of any property received by the LLC with respect to such Investment. For this purpose, any Investment held by the LLC shall be considered to give rise to a receipt at the time it is distributed to the Members.

"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.

"Marketable Securities" means securities of the LLC (i) that are freely tradeable pursuant to a registration under the Securities Act, or an exemption therefrom, (ii) that immediately after giving effect to their distribution will not be subject to any contractual restriction on transfer, (iii) that will be traded on a national securities exchange or reported on the Nasdaq Stock Market of Securities Dealers Automated Quotation System, and (iv) that may be sold without regard to volume limitations.

"Member" shall refer severally to any person named as a Class A Member, Class B Member or Class C Member in this Agreement and any person who becomes an additional, substitute or replacement Class A, Class B or Class C 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 Investment Receipts" shall mean, with respect to any particular Investment for any fiscal period, the excess of all Investment Receipts of the LLC with respect to such Investment for such fiscal period over the aggregate amount of the unreimbursed third party transaction costs, if any, associated with the disposition of such Investment or realization of such Investment Receipts, including without limitation, brokerage commissions, finders fees, and attorneys fees, investment banking fees and accountants fees.

"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 Sections 5.02 or 5.03 shall not be included in the computation;

(vi) The amount of any items of Net Profits or Net Losses deemed realized pursuant to paragraph (ii) of the definition of "Capital Account" shall be included in the computation;

(vii) The amount of any adjustment to the Carrying Value of an asset of the LLC pursuant to clause (ii) of the definition of "Carrying Value" shall be included as an item of gain (if positive) or loss (if negative); and

(viii) The amount of any Net Profits Attributable to Other Cash Receipts shall be excluded from the computation.

"Net Profits Attributable to Other Cash Receipts" means Net Profits computed solely with respect to the activities and assets that produce Other Cash Receipts.

"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 attributable to Investments, and shall include any receipts of the LLC from dispositions of Short-Term Investments.

"Permitted Transferee" means (A) any Member; (B) any spouse, parent, lineal descendant (including a natural or adopted child, grandchild, etc.), 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 has invested, other than issuers in which the LLC has made short-term investments pending the making of long-term investments.

"Profit Member" shall refer severally to any person named as a Class B Member or a C Member in this Agreement and any person who becomes an additional, substitute or replacement Class B Member or Class C Member as permitted by this Agreement, in such person's capacity as a Class B Member or Class C Member of the LLC. "Profit Members" shall refer collectively to all such persons in their capacities as Profit Members.

"Profit Member Investment Percentage Interest" means each Profit Member's percentage of the total amount of such Investment which is allocable or distributable to the Profit Members as a group, as specified on the Investment Schedule for such Investment.

"Profit Member Percentage Interest" shall be the percentage interest of a Profit 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. Each Profit Member's Profit Member Percentage Interest represents his or her share of the total of an amount, distribution or item which is allocable or distributable to the Profit Members as a group.

"Qualifying Change of Control" shall have the meaning ascribed thereto in Section 8.04.

"Securities Act" means the Securities Act of 1933, as amended.

"Short-Term Investment" means any investment (other than an Investment), including any bank, money market or similar account, in which the LLC invests pending the acquisition of one or more Investments. Such term shall not include any investment characterized as an Investment pursuant to the proviso to the last sentence of the definition of "Investment."

"Target Balance" means, for each Member at any point in time, either (i) a positive amount equal to the net amount, if any, the Member would be entitled to receive or (ii) a negative amount equal to the net amount the Member would be required to pay or contribute to the LLC or to any third party, assuming, in each case, that (A) the LLC sold all of its assets for an aggregate purchase price equal to the aggregate Carrying Value of the LLC's assets, (B) any Member that was obligated to contribute to the LLC pursuant to this Agreement or otherwise (including the amount any Member was obligated to pay to any third party pursuant to the terms of any liability of the LLC or pursuant to any guaranty, indemnity or similar ancillary agreement or arrangement entered into in connection with any liability of the LLC) contributed such amount to the LLC, (C) all liabilities of the LLC (including payment of all Bonus Incentive Fees) were paid in accordance with their terms from the amounts specified in clauses (A) and (B) of this sentence and (D) the balance, if any, of the amounts specified in clauses (A) and (B) of this sentence was distributed in accordance with Section 4.01(b)(ii) and (iii) (taking into account the last sentence thereof) and 4.01(c) hereof, as applicable.

"Two-thirds in Number of the Class B Members" means, with respect to a particular action or matter, at least two-thirds in number of the Class B Members entitled to vote on the action.

"Unreimbursed Acquisition Expense" means, with respect to any Investment, the amount of any costs or expenses incurred by the LLC in connection with the acquisition of such Investment, as reasonably determined by the Class B Members, which costs and expenses were not reimbursed by a third party.

"Unreturned Fully Loaded Investment Cost" means, at any point in time, with respect to an Investment (or portion thereof), the excess, if any, of (i) the aggregate Fully Loaded Investment Cost of such Investment (or portion thereof) over (ii) the aggregate cumulative amount previously distributed pursuant to Section 4.01(b)(ii) with respect to such Investment (or portion thereof).

"Vested Percentage" means

(i) with respect to any determination made after the date of this Amended and Restated Agreement but prior to May 15, 2002, for any Profit Member (other than a Former Profit Member), a fraction (expressed as a percentage) the numerator of which is the sum of (x) 12 plus (y) the number of whole calendar months that have elapsed between such Profit Member's Vesting Commencement Date and the date of determination and the denominator of which is 60; and

(ii) with respect to any determination made on or after May 15, 2002, for any Profit Member (other than a Former Profit Member), a fraction (expressed as a percentage) the numerator of which is the sum of (x) 24 plus (y) the number of whole calendar months that have elapsed between such Profit Member's Vesting Commencement Date and the date of determination and the denominator of which is 60;

provided, however, that

(I) upon the occurrence of a Change of Control or a Vesting Event, each Profit Member's Vested Percentage shall equal 100%;

(II) if, for any reason, the Class A Member fails to fund any operating expense included in an approved annual operating Budget in accordance with its terms, the numerator, for purposes of the fraction described in clause (i) or (ii) above, as applicable, shall be increased by 12;

(III) if the relationship of any Profit Member to all Employers or with the LLC is terminated for any reason (including by such Member, the Employer, or the LLC, with or without Cause and/or with or without Good Reason, or upon death or disability such Member), then Two-Thirds in Number of the Class B Members (exclusive of any Class B Member which is the subject of the determination) may elect to increase such Profit Member's Vested Percentage (to a percentage which is in excess of the percentage calculated in accordance with clauses (i) and (ii) above, but not in excess of 100%);

(IV) if an Event of Forfeiture described in clause (x) of the definition of the term "Event of Forfeiture" occurs with respect to a Profit Member (but not a Former Profit Member) prior to May 15, 2002, then for purposes of determining such Profit Member's Vested Percentage, such Event of Forfeiture shall be deemed to have occurred on May 15, 2002, and therefore clause (ii) above shall be applicable;

(V) upon the occurrence of a Friendly Change of Control, a Profit Member's Vested Percentage shall be increased to a Percentage equal to the greater of

(x) the sum of (AA) the Vested Percentage as of the date of the Friendly Change of Control determined in accordance with clause (i) or (ii) above, as applicable plus (BB) 50% of the excess, if any, of 100% minus the Vested Percentage as of the date of the Friendly Change of Control determined in accordance with clause (i) or (ii) above, as applicable, and

(y) the Percentage determined as of the date of the Friendly Change of Control in accordance with clause (i) or (ii), as applicable, if the numerator for purposes of such clause were increased by 12;

and after giving effect to such increase, the Vested Percentage shall continue to vest in monthly installments as contemplated by clauses (i) and (ii) above; and

(VI) in no event shall a Profit Member's Vested Percentage exceed 100%.

Certain of the Profit Members have entered into Retention Agreements and General Releases with the LLC and certain affiliated entities ("Retention Agreements") on or about the date of this Agreement. Such Retention Agreements provide for acceleration of vesting of such Profit Members' Vested Percentages under certain circumstances, and the terms of such agreements, as in effect on the date hereof, are hereby incorporated by reference herein. The adoption of this Amended and Restated Agreement shall not modify the Vested Percentage for any Profit Member who became a Former Profit Member on or prior to the date hereof. Certain of the Former Profit Members entered into severance agreements with the LLC and certain other parties on or about the date hereof (the "Severance Agreements"), and the Vested Percentages of such Former Profit Members have been determined pursuant to and in accordance with the Severance Agreements, and not in accordance with the foregoing definition.

"Vesting Commencement Date" means, for each Class B or Class C Member, the Vesting Commencement Date specified on Schedule A attached hereto.

"Vesting Escrow" shall have the meaning ascribed thereto in Section 4.02.

"Vesting Event" shall mean the occurrence of any of the following:

(i) The failure of the Class A Member for any reason to adopt a budget for Follow-on Investments (x) by September 1, 2001 with respect to the CMGI fiscal year beginning on August 1, 2001, and (y) by September 1, 2002 with respect to the CMGI fiscal year beginning on August 1, 2002;

(ii) The failure of the Class A Member for any reason to adopt by September 1 of each CMGI fiscal year (which begins on the immediately preceding August 1) an annual Budget (a draft of which is submitted to the Class A Member by the Class B Members for approval at least 60 days prior to the first day of the applicable CMGI fiscal year) for operating expenses (and exclusive of amounts for Investments, including Follow-on Investments) in an amount to be mutually agreed on by the Class B Members and the Class A Member (provided that, if no such agreement is reached, the failure to adopt any such budget within the specified time period shall not constitute a Vesting Event).

(iii) The filing, on or before July 31, 2002, of a Report on Form 8-K by CMGI or the issuance, on or before July 31, 2002 of any press release, or the occurrence, on or before July 31, 2002, of any guidance call or earnings call which call includes the Chief Executive Officer, Chief Financial Officer and/or other executive officer of CMGI, which Form 8-K, release or call includes a statement to the effect that CMGI or its venture capital investing unit intends to suspend, terminate or materially reduce its commitment to making Follow-on Investments (and for this purpose, a "material reduction" shall mean a reduction below the respective amount budgeted for the applicable six-month period during which such press release is issued or such call occurs, as specified in clause (i) above).

(iv) Any event as a result of which David S. Wetherell ceases to be a reporting person of CMGI for purposes of Section 16 of the Securities Exchange Act of 1934, as amended; provided that such cessation shall not constitute a Vesting Event if David S. Wetherell is otherwise actively involved in the business of CMGI's venture capital investing unit.

(v) Any insolvency or bankruptcy or similar case or proceeding, or any reorganization, receivership, liquidation, dissolution or winding up of CMGI or the Class A Member, whether voluntary or involuntary, or any assignment for the benefit of creditors or any other marshaling of assets and liabilities of CMGI or the Class A Member.

(vi) Any vote by the Board of Directors of CMGI or the Class A Member to liquidate CMGI or the Class A Member, or to wind down and terminate CMGI's venture capital operating unit.

Pursuant to and in accordance with the Retention Agreements with certain of the Profit Members, in certain cases, following the occurrence of a Vesting Event, such Members shall be entitled to certain severance benefits following a termination of their employment.

ARTICLE II
GENERAL PROVISIONS

2.01 Formation of Limited Liability Company; Foreign Qualification. The Class A Member formed the LLC as a limited liability company under the Act on November 10, 1999, by the filing on such date of the Certificate in the Office of the Secretary of State of the State of Delaware. The Certificate was amended by the filing of a certificate of amendment thereto, which was filed in the Office of the Secretary of State of the State of Delaware on December 10, 1999.

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 jurisdiction in which such 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 LLC was formed under the name CMG @Ventures IV, LLC. The name of the LLC was changed, effective December 10, 1999, to CMGI @Ventures IV, LLC.

2.03 Business of the LLC. The general character of the business of the LLC is to (a) make equity and equity-related investments in business enterprises of all types; (b) manage, supervise, vote, hold and dispose of such investments, and receive the profits and losses therefrom; and (c) 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 Class B Members, with the approval of the Class A Member, 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 November 10, 1999, 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.

(g) In the case of each Profit Member, its interest in the LLC is subject to vesting and forfeiture, as provided in this Agreement.

ARTICLE III
CAPITAL CONTRIBUTIONS

3.01 Capital Contributions.

(a) Each Member shall be required to make Capital Contributions to the LLC in accordance with this Section 3.01.

(b) As and when the LLC requires capital, the Class A Member shall contribute the amount required, subject to and in accordance with the provisions of this Section 3.01(b).

(i) As and when the LLC requires capital to make an Investment, the Class B Members shall provide a notice (which notice may be given in writing or by electronic mail) to the Class A Member which describes (A) the Investment, (B) the aggregate purchase price of such proposed Investment, (C) the Unreimbursed Acquisition Expenses, if any, reasonably expected to be incurred in connection with the acquisition of the Investment, and (D) the expected date on which such Investment is proposed to be made. If, and only if, the Class A Member approves the making of such Investment, it shall contribute to the capital of the LLC the aggregate purchase price and Unreimbursed Acquisition Expenses specified in the notice, on or before the date of the anticipated purchase of the Investment. The Class A Member may approve or disapprove the making of any proposed Investment (including a Follow-on Investment) in its sole and absolute discretion. If the Class A Member fails to notify the Class B Members of its decision with respect to the proposed Investment, it shall be deemed to have disapproved the proposed Investment.

(ii) As and when the LLC requires funds to finance its operations (other than amounts of the types described in Section 3.01(b)(i) above), the Class B Members shall notify the Class A Member of the amount required and the intended uses thereof (which notice may be given in writing or by electronic mail). Provided that such amounts and the purposes for which they are proposed to be used are consistent with the Budget for the LLC as then in effect, the Class A Member shall contribute the funds requested in the notice within 10 business days after receipt of such notice.

(iii) The Class B Members may call for capital from the Class A Member for any other purpose from time to time as needed; provided that the Class A Member shall not be obligated to contribute any such amount unless it consents thereto, which consent may be withheld in the Class A Member's sole and absolute discretion. In connection with any such call, the Class B Members shall provide to the Class A 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, a general statement of the purposes for which such capital call is being made, and the date on which the capital contribution is due (which date shall, to the extent reasonably practicable, be not less than 10 business days after the date of the notice).

(c) The LLC hereby releases each Profit Member from its capital contribution obligations contained in Section 3.01(c) of the Original Agreement.

(d) The LLC shall maintain written records indicating the amount of capital contributed by the Class A Member 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 Capital Contributions of the LLC, and no Member shall have the right to withdraw or to be repaid any Capital Contribution made 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 the LLC acquires an Investment, 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, (d) the number and class or series of shares of such securities, (c) the aggregate purchase price of such Investment, (d) the Unreimbursed Acquisition Expenses incurred by the LLC in connection with the acquisition of such Investment, (e) the Profit Member Investment Percentage Interest of each of the Profit Members 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 Class A Member's share of each Investment shall be determined in accordance with Section 4.01(b).

(c) Subject to Section 3.04, the Profit Member Investment Percentage Interest of each Profit Member for whom an Event of Forfeiture has not occurred in any Investment shall be determined in the manner provided in this Section 3.03(c).

First, the Profit Member Investment Percentage Interest, if any, of Charles Finnie ("Finnie") in the Investment shall be determined. If an Investment is identified to the LLC, and developed, by Finnie (taking into account all relevant facts and circumstances, including whether any other Member was aware of the particular investment opportunity), in accordance with the guidelines specified in the Finnie Letter Agreement, and Finnie will thereafter serve on the board of directors of the Investment as the LLC's designee and actively monitor such Investment, as specified in the Finnie Letter Agreement, Finnie's Profit Member Investment Percentage Interest in such Investment shall be 10%; if an Investment is identified to the LLC, and developed, by Finnie (taking into account all relevant facts and circumstances, including whether any other Member was aware of the particular investment opportunity), in accordance with the guidelines specified in the Finne Letter Agreement, and Finnie will not thereafter serve on the board of directors of the investment as the LLC's designee, Finnie's Profit Member Investment Percentage Interest in such Investment shall be 5%; and in all other cases Finnie's Profit Member Investment Percentage Interest shall be zero. A Majority in Number of the Class B Members shall, in their reasonable judgment, make all determinations as to Finnie's Profit Member Investment Percentage Interest, if any, in each Investment in accordance with the standards enumerated in this paragraph and the Finnie Letter Agreement. The Profit Member Investment Percentage Interest of each other Profit Member (exclusive of any Profit Member for whom an Event of Forfeiture has occurred) in any Investment shall equal (I) 100% minus the Profit Member Investment Percentage Interest, if any, of Finnie in such Investment multiplied by (II) a fraction (x) the numerator of which shall equal such Profit Member's Profit Member Percentage Interest as of the date on which such Investment is made and (y) the denominator of which shall equal the aggregate Profit Member Percentage Interests on such date of all Profit Members exclusive of those for whom an Event of Forfeiture has occurred. The Profit Member Investment Percentage Interest of each Profit Member (including Finnie) in each Investment shall be subject to reduction upon the occurrence of an Event of Forfeiture. If Finnie's Profit Member Investment Percentage Interest in a particular investment is initially fixed at 10%, and thereafter Finnie ceases to serve on the board of the directors of the Investment as the LLC's designee and to actively monitor such Investment (as determined by a Majority in Number of the Class B Members and in accordance with the Finnie Letter Agreement), Finnie's Profit Member Investment Percentage Interest in such Investment shall be reduced to 5%, and the 5% interest in such Investment forfeited by Finnie shall be reallocated among the Class B Members participating in such Investment (exclusive of any Class B Member for whom an Event of

Forfeiture has occurred), pro rata based on their respective Profit Member Investment Percentage Interests in such Investment.

3.04 Event of Forfeiture.

(a) Each Profit Member's Profit Member Percentage Interest and Profit Member Investment Percentage Interest in each Investment are subject to adjustment upon the occurrence of an Event of Forfeiture with respect to such Profit 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 Class A Member.

(b) Upon the occurrence of an Event of Forfeiture with respect to a Profit Member:

(i) Such Profit Member's Profit Member Percentage Interest in the LLC shall, from and after the date of the Event of Forfeiture, be reduced to zero, and the Profit Member Percentage Interest in the LLC of all Class B Members (exclusive of any Class B Member for whom an Event of Forfeiture has occurred) shall be increased by an aggregate amount equal to the amount of the Profit Member Percentage Interest of the Profit Member for whom the Event of Forfeiture has occurred (such increase to be allocated among such Class B Members in proportion to their respective Profit Member Percentage Interests immediately prior to the adjustment contemplated hereby).

(ii) If the Event of Forfeiture is not a Clause Z Event, such Profit Member's Profit Member Investment Percentage Interest in each Investment in which such Profit Member participates shall be reduced to a Percentage determined by multiplying the Profit Member's initial Profit Member Investment Percentage Interest by such Profit Member's then Vested Percentage (giving effect to the Event of Forfeiture); provided that, if the Event of Forfeiture is not a Clause Z Event, Two-thirds in Number of the Class B Members may elect to permit such Profit Member to retain a greater Profit Member Investment Percentage Interest in all or certain Investments, but in no event may such retained Profit Member Investment Percentage Interest in any such Investment exceed such Profit Member's Profit Member Investment Percentage Interest in such Investment immediately prior to the occurrence of the Event of Forfeiture. If the Event of Forfeiture is a Clause Z Event, such Profit Member's Profit Member Investment Percentage Interest in each Investment in which such Profit Member participates shall be reduced to zero; provided that, if the Event of Forfeiture is a Clause Z Event, Two-thirds in Number of the Class B Members may elect to permit such Profit Member to retain a greater Profit Member Investment Percentage Interest in all or certain Investments, but in no event may such retained Profit Member Investment Percentage Interest in any such Investment exceed such Profit Member's Profit Member Investment Percentage Interest in such Investment immediately prior to the occurrence of the Event of Forfeiture. The Profit Member Investment Percentage Interest in each Investment of all Class B Members (exclusive of any Class B 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 Profit Member Investment Percentage Interest of the Profit Member for whom the Event of Forfeiture has occurred (such increase to be allocated among them in proportion to such Class B Members' respective Profit Member 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 Profit Member, to the extent allocable to the portion of each Investment forfeited under clause (ii) above, shall be forfeited. Amounts so forfeited shall (subject to the provisions of this Section 3.04 and Section 4.02) be allocated, on an Investment-by-Investment basis, to all Class B Members (exclusive of any Class B 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 Profit Member Investment Percentage Interests in each such Investment immediately prior to the adjustment contemplated hereby).

(iv) Such Profit Member shall have no right to vote on or participate in any decision or matter on or in which Profit Members (or any Class thereof) are entitled to vote or participate and such Profit Member shall be disregarded for all purposes in determining the number of Class B or Class C Members which constitute a Majority in Number of the Class B or Class C Members, as applicable, or the number or percentage or Class B Members or Class C Members or Profit Members entitled to vote on any matter, as the case may be. Without limiting the foregoing, no Former Profit Member shall be entitled to vote on any proposed amendment to this Agreement, unless such proposed amendment specifically and disproportionately adversely affects such Former Member (as compared to all other Former Members), provided that the consent of a Former Member shall not be required in connection with any amendment adopted in order to implement the provisions of Sections 8.02 and/or 8.03, or to reflect the consequences of an Event of Forfeiture pursuant to and in accordance with this Agreement.

(c) A Profit Member with respect to whom an Event of Forfeiture has occurred: (i) shall not be entitled to participate in any Investment (including without limitation, a Follow-on Investment) made by the LLC after the date of the Event of Forfeiture; and (ii) automatically and without any action on the part of the LLC, such Profit Member or any other Member, shall be deemed to have withdrawn from the LLC on the first date on which the LLC no longer owns any Investment in which such Profit Member has a Profit Member Investment Percentage Interest. In no event shall any portion of the interest of a Profit Member with respect to whom an Event of Forfeiture has occurred vest after the date of such Event of Forfeiture, including without limitation upon the occurrence of a Change of Control or a Vesting Event, except to the extent that Two-Thirds in Number of the Class B Members elect to permit such Profit Member to retain a greater percentage of his or her interest pursuant to clause 3.04(b)(ii) above.

The Class B 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 Profit Member Percentage Interest and Profit Member Investment Percentage Interests of the affected Profit Member in connection therewith), in their reasonable discretion.

ARTICLE IV
DISTRIBUTIONS

4.01 <u>Distribution of Net Investment Receipts and Other Cash Receipts.</u>

(a) Net Investment Receipts of the LLC shall be distributed on an Investment-by-Investment basis, which shall include all partial liquidations or partial dispositions of Investments. To the extent that such Net Investment Receipts constitute (x) Marketable Securities, or (y) cash realized from the sale or disposition of an Investment, such Net Investment Receipts shall be distributed (i) in the case of Marketable Securities, as soon as reasonably practicable after they become Marketable Securities, and (ii) in the case of such cash, as soon as reasonably practicable following receipt by the LLC thereof. Other Cash Receipts shall be distributed at such times and in such amounts as the Class A Member may determine, but not less frequently than quarterly, within 30 days following the last day of each fiscal quarter of the LLC. All other Net Investment Receipts shall be distributed 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, as of the date of distribution, 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 contained in Section 6.09.

(b) Subject to the provisions of Sections 4.02 and 9.02(b) below, Net Investment Receipts related to an Investment shall be distributed as follows:

(i) First, to the Applicable Profit Members (as hereinafter defined), as a group, the LLC shall pay a fee (the "Bonus Incentive Fee") in an amount equal to the Incentive Percentage (determined immediately prior to the proposed distribution in accordance with Exhibit 1 to this Agreement) multiplied by the lower of (A) the amount of the Net Investment Receipts generated by the portion of the Investment then being distributed reduced by the Unreimbursed Acquisition Expense with respect to such portion of the Investment and (B) the aggregate purchase price paid by the LLC for the portion of the Investment generating the Net Investment Receipts then being distributed. The Bonus Incentive Fee shall not be payable in respect of any distribution in respect of the LLC's investment in Half.com or AnswerLogic. The Bonus Incentive Fee shall be subject to reduction in the manner described under clause (iii) below. The Bonus Incentive Fee shall be allocated among the Applicable Profit Members, in proportion to the respective Investment Percentage Interests of the Applicable Profit Members in the Investment generating the particular Net Investment Receipts being distributed, as of the date on which the Bonus Incentive Fee is paid (unless all Applicable Profit Members otherwise unanimously agree). Payment of the Bonus Incentive Fee shall not be subject to the vesting and forfeiture provisions of Sections 3.04 and/or 4.02, but shall be subject to appropriate income and self-employment tax withholding obligations. As used herein, the "Applicable Profit Members" means those persons who are Profit Members as of the date of this Amended and Restated Agreement, exclusive of any of such persons who is a Former Profit Member as of the date hereof, provided that, if an Event of Forfeiture occurs after the date hereof with respect to any such Profit Member, it shall not be an Applicable Profit Member unless, pursuant to the Retention Agreement, if any, of such Profit Member, such Profit Member's Vested Percentage is increased to 100% in connection with such Event of Forfeiture.

(ii) Second, the LLC shall distribute to the Class A Member, an amount equal to the Unreturned Fully Loaded Investment Cost with respect to the Investment (or portion thereof) generating the Net Investment Receipts.

(iii) The balance, if any, as follows:

(A) If and to the extent that total distributions to the Class A Member pursuant to this Section 4.01(b) (including any distributions in respect of the LLC's investment in Half.com and taking into account any amount being distributed to the Class A Member under this clause as part of the then-current distribution), are less than or equal to $85 million, 7.5% to the Profit Members and 92.5% to the Class A Member;

(B) If and to the extent that total distributions to the Class A Member pursuant to this Section 4.01(b) (including any distributions in respect of the LLC's investment in Half.com and taking into account any amount being distributed to the Class A Member under this clause as part of the then-current distribution), are greater than $85 million but less than or equal to $100 million, 8% to the Profit Members and 92% to the Class A Member;

(C) If and to the extent that total distributions to the Class A Member pursuant to this Section 4.01(b) (including any distributions in respect of the LLC's investment in Half.com and taking into account any amount being distributed to the Class A Member under this clause as part of the then-current distribution), are greater than $100 million but less than or equal to $115 million, 9% to the Profit Members and 91% to the Class A Member;

(D) If and to the extent that total distributions to the Class A Member pursuant to this Section 4.01(b) (including any distributions in respect of the LLC's investment in Half.com and taking into account any amount being distributed to the Class A Member under this clause as part of the then-current distribution), are greater than $115 million but less than or equal to $130 million, 10% to the Profit Members and 90% to the Class A Member;

(E) If and to the extent that total distributions to the Class A Member pursuant to this Section 4.01(b) (including any distributions in respect of the LLC's investment in Half.com and taking into account any amount being distributed to the Class A Member under this clause as part of the then-current distribution), are greater than $130 million but less than or equal to $145 million, 11% to the Profit Members and 89% to the Class A Member;

(F) If and to the extent that total distributions to the Class A Member pursuant to this Section 4.01(b) (including any distributions in respect of the LLC's investment in Half.com and taking into account any amount being distributed to the Class A

Member under this clause as part of the then-current distribution), are greater than $145 million but less than or equal to $160 million, 12% to the Profit Members and 88% to the Class A Member;

(G) If and to the extent that total distributions to the Class A Member pursuant to this Section 4.01(b) (including any distributions in respect of the LLC's investment in Half.com and taking into account any amount being distributed to the Class A Member under this clause as part of the then-current distribution), are greater than $160 million but less than or equal to $175 million, 13% to the Profit Members and 87% to the Class A Member;

(H) If and to the extent that total distributions to the Class A Member pursuant to this Section 4.01(b) (including any distributions in respect of the LLC's investment in Half.com and taking into account any amount being distributed to the Class A Member under this clause as part of the then-current distribution), are greater than $175 million but less than or equal to $190 million, 14% to the Profit Members and 86% to the Class A Member;

(I) If and to the extent that total distributions to the Class A Member pursuant to this Section 4.01(b) (including any distributions in respect of the LLC's investment in Half.com and taking into account any amount being distributed to the Class A Member under this clause as part of the then-current distribution), are greater than $190 million but less than or equal to $205 million, 15% to the Profit Members and 85% to the Class A Member;

(J) If and to the extent that total distributions to the Class A Member pursuant to this Section 4.01(b) (including any distributions in respect of the LLC's investment in Half.com and taking into account any amount being distributed to the Class A Member under this clause as part of the then-current distribution), are greater than $205 million but less than or equal to $220 million, 16% to the Profit Members and 84% to the Class A Member;

(K) If and to the extent that total distributions to the Class A Member pursuant to this Section 4.01(b) (including any distributions in respect of the LLC's investment in Half.com and taking into account any amount being distributed to the Class A Member under this clause as part of the then-current distribution), are greater than $220 million but less than or equal to $235 million, 17% to the Profit Members and 83% to the Class A Member;

(L) If and to the extent that total distributions to the Class A Member pursuant to this Section 4.01(b) (including any distributions in respect of the LLC's investment in Half.com and taking into account any amount being distributed to the Class A Member under this clause as part of the then-current distribution), are greater than $235 million but less than or equal to $250 million, 18% to the Profit Members and 82% to the Class A Member;

(M) If and to the extent that total distributions to the Class A Member pursuant to this Section 4.01(b) (including any distributions in respect of the LLC's investment in Half.com and taking into account any amount being distributed to the Class A Member under this clause as part of the then-current distribution), are greater than $250 million but less than or equal to $265 million, 19% to the Profit Members and 81% to the Class A Member; and

(N) If and to the extent that total distributions to the Class A Member pursuant to this Section 4.01(b) (including any distributions in respect of the LLC's investment in Half.com and taking into account any amount being distributed to the Class A Member under this clause as part of the then-current distribution), are greater than $265 million, 20% to the Profit Members and 80% to the Class A Member;

provided, however, that if the distributions payable to the Profit Members pursuant to this clause (iii) in respect of any Investment (or the portion thereof being distributed) cause the total amount distributed to the Profit Members in respect of such Investment (or the portion thereof being distributed), including the Bonus Incentive Fee payable in respect of such Investment (or portion thereof), to exceed the greater of (X) the amount of the Bonus Incentive Fee payable in respect of such Investment (or portion thereof) and (Y) 20% of the sum of the aggregate amount of Net Investment Receipts distributed or paid with respect to such Investment (or portion thereof) pursuant to clauses (i) and (iii), then the aggregate amount payable to the Profit Members in respect of such Investment (or portion thereof) shall be reduced by the amount of any such excess, and such excess amount shall be distributed to the Class A Member. Any such reduction shall be deemed to reduce the amount of the Bonus Incentive Fee, provided that in no event will any such deemed reduction of the Bonus Incentive Fee be taken into account in calculating the amounts which are distributable under Section 4.01(b)(iii) in connection with the particular distribution to which the reduction is applied. The amount paid to the Class A Member as a result of the reduction of the Bonus Incentive Fee shall be treated as a distribution to the Class A Member pursuant to Section 4.01(b) for purposes of making subsequent distributions of Net Investment Receipts. Amounts which are distributable to the Profit Members as a group pursuant to clause (iii) shall be allocated among the Profit Members in proportion to their respective Profit Member Investment Percentage Interests in the Investment (or portion thereof) generating the Net Investment Receipts on the date the LLC makes such distribution (unless all Profit Members and Former Profit Members who have an Investment Percentage Interest in such Investment otherwise unanimously agree (the Profit Members hereby acknowledging that any such agreement shall not limit in any way the rights of the Class B Members under Section 8.03)). The Bonus Incentive Fee is intended to be a fee payable to the Profit Members, and not an allocation of LLC income.

Notwithstanding the foregoing, distributions of Net Investment Receipts from the LLC's investment in Half.com shall be made in accordance with the provisions of Exhibit 2, but shall be subject to the provisions of Section 4.02 and all other provisions of this Agreement. The Class A Member hereby acknowledges that, through the date hereof, it has received aggregate distributions in respect of the LLC's investment in Half.com in an amount equal to $77,305,047 (which distributions shall be deemed to have been made under Section 4.01(b)), and such distributions represent all of the distributions from the LLC received to date by the Class A Member.

(c) Subject to the provisions of Section 9.02(b) below, Other Cash Receipts shall be distributed 100% to the Class A Member.

(d) 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 (including amounts held in a Vesting Escrow for the benefit of such Member) from the inception of the LLC, equals the product of (i) the sum of (X) 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 (Y) the Member's taxable income in respect of all Bonus Incentive Fee amounts received by him and (ii) the Applicable Marginal Rate (as hereinafter defined). The "Applicable Marginal Rate" shall equal the higher of (x) the highest combined marginal rate (taking into account the nature of any income or gain (e.g., ordinary income or capital gain)) of federal and Massachusetts state income tax applicable to individuals for any year since the inception of the LLC and (y) the highest combined marginal rate (taking into account the nature of any income or gain (e.g., ordinary income or capital gain)) of federal and California state income tax applicable to individuals for any year since the inception of the LLC. Separate Tax Distribution Amounts (which take into account the nature of any income or gain) 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 Net Investment Receipts attributable to such Investment.

4.02 Vesting Escrow.

(a) Notwithstanding the provisions of Section 4.01 above, the LLC shall distribute to each Profit Member on the date of any distribution only that portion of any Net Investment Receipts (excluding payments of the Bonus Incentive Fee, which shall not be subject to this Section 4.02) 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, if, on the last day of each calendar quarter following the date of the distribution with respect to any Investment, any Profit Member's Vested Percentage increases, then a portion of the Vesting Escrow of such Profit Member (proportionate to the amount of the increase in the Vested Percentage of such Profit Member) shall be disbursed from such Vesting Escrow to such Profit Member. If and to the extent that a Member is entitled, pursuant to the preceding sentence, to receive a disbursement of any amount held in a Vesting Escrow for such Member, the LLC shall be deemed to be holding such amount as a nominee for such Member (and accordingly, the tax consequences associated with any disposition of any such amount shall be borne solely by such Member, and not by the LLC, and the amount of taxable income or loss, if any, arising as a result of any such disposition shall be recognized solely by such Member, and not by the LLC).

(b) The interest of the Class A 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 Net Investment Receipts allocable to it pursuant to and in accordance with Section 4.01.

(c) Each of the Profit Members hereby agrees and acknowledges that, as a result of the operation of this Section 4.02, (i) such Profit Member may be allocated Net Profits and Net Losses of the LLC without corresponding distributions of Net Investment Receipts; (ii) the Class B 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 Profit Members; (iii) the LLC may hold in a Vesting Escrow securities which would otherwise have been distributed to such Profit 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 Profit 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 Profit Member from and after the date of any Event of Forfeiture with respect to such Profit 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 (and such cash or property may not be invested without the prior approval of Two-Thirds in Number of the Class B Members, and such cash shall not be deemed to be Net Investment Receipts or Other Cash Receipts for purposes of Article IV).

(d) Upon the discontinuance of the investing activities of the LLC, and with the approval of the Class A Member and a Majority in Number of the Class B Members, the Vested Percentage of each Profit Member shall be increased to one hundred percent (100%).

(e) The LLC may, at the request and on behalf of any Profit Member, engage in hedging activities with respect to securities held in the Vesting Escrow of such Profit Member, provided that (i) Two-thirds in Number of the Class B Members approves in advance any such hedging activities; (ii) the Profit 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 Profit Member's Vesting Escrow may not be used to settle any "hedged" position until such time as such securities are released to such Profit Member from such Vesting Escrow. The Class B 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 Profit Members for whom a Vesting Escrow which includes such Portfolio Company security shall be bound by such hedging arrangements. The Profit 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(e), and an Event of Forfeiture occurs with respect to a Member whose Vesting Escrow includes such hedged securities, then the Class B 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 Class A Member or the LLC bear any of the costs associated with any hedging activities permitted by this paragraph.

Except as permitted in this Section 4.02(e), the LLC shall not engage in any other hedging activities except with the prior approval of the Class A Member.

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 Class B 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.

ARTICLE V
ALLOCATION OF PROFITS AND LOSSES

5.01 Basic Allocations.

(a) For each fiscal year (or shorter fiscal period for which an allocation of income, loss, gain, or deduction is to be made), Net Profits Attributable to Other Cash Receipts shall be allocated to the Class A Member.

(b) Net Profits and Net Losses of the LLC for any fiscal period shall be allocated among the Members in such proportions and in such amounts as may be necessary so that following such allocations, the Capital Account balance of each Member equals such Member's then Target Balance.

(c) If the amount of Net Profits or Net Losses allocable to the Members pursuant to Section 5.01(b) for a period is insufficient to allow the Capital Account balance of each Member to equal such Member's Target Balance, 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 Capital Account balances and their respective Target Balances in proportion to such differences.

(d) 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 Profit Member to whom such Vesting Escrow relates.

(e) 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 (vii) 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 Allocations of Nonrecourse Deductions and Minimum Gain. Notwithstanding the provisions of Section 5.01, if at any time the LLC incurs any "nonrecourse debt" (i.e. debt that is treated as nonrecourse for purposes of Treasury Regulation Section 1.1001-2), the following provisions will apply notwithstanding anything to the contrary expressed elsewhere in this Agreement:

(a) "Nonrecourse deductions" (as defined in Treasury Regulation Sections 1.704-2(b) and (c)) other than deductions attributable to "partner nonrecourse debt" (as defined in Treasury Regulation Section 1.704-2(b)(4)) shall be allocated in the same manner as are Net Profits or Net Losses;

(b) Nonrecourse deductions attributable to partner nonrecourse debt shall be specially allocated to the Member or Members that bear the economic risk of loss associated with the debt;

(c) If in any year there is a net decrease in "partnership minimum gain" (as defined in Treasury Regulation Section 1.704-2(d)) or "partner nonrecourse debt minimum gain" (as defined in Treasury Regulation Section 1.704-2(i)(3), Members will be specially allocated items of income or gain for such year (and/or subsequent years to the extent necessary) in accordance with the "minimum gain chargeback" provisions of Treasury Regulation Section 1.704-2(f) and/or Treasury Regulation Section 1.704-2(i)(5).

(d) The aggregate selling price of the assets of the LLC referenced in clause (A) of the definition of "Target Balance" shall be increased by the amount of any "partnership minimum gain" or "partner nonrecourse debt minimum gain."

5.03 Overriding Allocations of Net Profits and Net Losses. Notwithstanding the provisions of Section 5.01 above, but subject to the provisions of Section 5.02 above, the following allocations shall be made:

(a) Items of income or gain (computed with the adjustments contained in 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).

(b) 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 5.03(b) 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).

(c) 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).

5.04 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 similar items 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 similar items 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 5.04, any modifications to a Profit Member's Profit Member Percentage Interest or Profit Member Investment Percentage Interest for any Investment, shall be treated as if a Member acquired or disposed of (as applicable) 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, and all actions required to be taken "by the Class B Members" hereunder, shall be made by action of a Majority in Number of the Class B Members; provided that, Class B 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 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. The Class C Members shall have no right to vote on or participate in any matter or decision or to otherwise manage the business of the LLC, except to the extent expressly provided in this Agreement.

(c) 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 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;

(xiii) to exercise all powers and authority granted by the Act to members, except as otherwise specifically provided in this Agreement; and

(xiv) to exercise all other rights, powers, privileges and other incidents of ownership with respect to the interest of the LLC in each Portfolio Company.

(d) Notwithstanding the foregoing, the Class B Members shall not be authorized to take any of the following actions without the prior approval of the Class A 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 make any Investment, including a Follow-on Investment, or to guarantee the obligations of any Portfolio Company;

(iv) to invest more than $100 million in the securities of any one issuer;

(v) to incur expenses in amounts or for purposes which are not consistent with the provisions of the then applicable Budget; or

(vi) to take any other action which requires the consent or approval of the Class A Member pursuant to this Agreement.

Other than as set forth in this Section 6.01(d), the Class A Member shall not participate in the management or control of the LLC and shall have no authority to act for or bind the LLC.

(e) 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.

(f) Each Class B Member (other than a Former Profit Member) is authorized to use the title "Managing Director" when acting on behalf of the LLC in the conduct of the LLC's business. The Class B Members may at any time and from time to time establish offices of the LLC, and elect officers thereto. Such officers may have such titles as the Class B Members may designate, including without limitation, "Managing Partner," "Partner" and "Associate." Such officers may, but shall not be required to be, Members of the LLC. In connection with the establishment of any office or title, the Class B Members shall determine the authority associated with such office and title. Any officer, or person holding any title, elected or designated in accordance with this Section 6.01(f) may be removed from such office at any time, with or without cause, by the Class B Members. If an Event of Forfeiture occurs with respect to any Member at any time at which such Member is serving as an officer of the LLC, such Member shall automatically, and without any action on the part of such Member or the LLC, be deemed to have resigned from all offices of the LLC which such Member then holds. If any officer or other titleholder is not a party to this Agreement, the Class B Members may extend to such person rights to indemnification from the LLC, on terms not more favorable than those provided to the Members in Section 6.04.

(g) The Class B Members, by action of Two-thirds in Number of the Class B Members exclusive of any Class B Member (if applicable) 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 Profit Member with the LLC. Any such determination (whether in connection with a termination of relationship by the LLC or by the Profit Member) shall be made 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 Profit Member proposed to be terminated or the Profit Member who has terminated the relationship, as the case may be. (If the determination is to be made *after* the termination of the relationship with the LLC by the Profit Member, such hearing must be held not later than 60 days after the later to occur of (x) the effective date of the termination or (y) the date the LLC is notified by the Profit Member of the termination.) 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 Profit Member which is the subject of the determination. At such hearing, the Profit

Member who is the subject of the hearing will have an opportunity to respond to the charges constituting Cause. None of the Members (including the Profit Member who is the subject of the hearing), 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 Two-thirds in Number of the Class B Members following the hearing, Two-thirds in Number of the Class B Members (exclusive of the Member proposed to be terminated, if a Class B Member) may immediately relieve the Profit Member proposed to be terminated of his or her duties and responsibilities hereunder pending a decision.

6.02 Tax Matters Partner. CMG @Ventures Capital Corp. shall be the tax matters partner for the LLC pursuant to Code Sections 6221 through 6231.

6.03 Liability of the Members; Exculpation.

(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 a manner reasonably believed to be within the scope of the authority conferred on the Member by this Agreement; provided that such act or omission is not in violation of this Agreement and does not constitute gross negligence, willful 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 gross negligence, willful 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) Except as otherwise provided by the Act, the debts, obligations and liabilities of the LLC, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the LLC, and no Member shall be obligated personally for any such debt, obligation or liability of the LLC solely by reason of being a Member.

(c) The liability of the Members for the losses, debts and obligations of the LLC shall be further 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.

(d) A Member shall be fully protected in relying in good faith upon the records of the LLC and upon such information, opinions, reports or statements presented to the Member by any third party professional as to matters the Member reasonably believes are within such third party's professional or expert competence.

6.04 Indemnification

(a) 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, including without limitation, in connection with the Indemnitee's service at the request or with the authorization of the Class B Members as a board member, officer or employee of any Portfolio Company, 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 Class A Member or an Indemnitee claiming by or through the Class A Member, it has been finally adjudicated by a court of competent jurisdiction, or (ii) in the case of any Profit Member or an Indemnitee claiming by or through the Profit Member, by the Class A 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, had reasonable cause to believe that its conduct was unlawful, or (y) such Liabilities shall have arisen from a violation of this Agreement or the gross negligence, willful misconduct, fraud or willful violation of law by such Indemnitee, or actions of such Indemnitee outside the scope of and unauthorized by this Agreement.

(b) Promptly after receipt by any Member from any third party of notice of any demand, claim or circumstance that would reasonably be expected to give rise to a claim or the commencement (or threatened commencement) of any action, proceeding or investigation (an "Asserted Liability") that could reasonably be expected to result in any loss, damage or claim with respect to which the Member might be entitled to indemnification from the LLC under Section 6.04(a), the Member shall give notice thereof (the "Claims Notice") to the LLC; provided, however, that a failure to give such notice shall not prejudice the Member's right to indemnification hereunder except to the extent that the LLC is actually prejudiced thereby. The Claims Notice shall describe the Asserted Liability in such reasonable detail as is practicable under the circumstances, and shall, to the extent practicable under the circumstances, indicate the amount (estimated, if necessary) of the loss or damage that has been or may be suffered by the Member.

(c) The LLC may elect to compromise or defend, at its own expense and by its own counsel, any Asserted Liability; provided, however, that if the named parties to any action or proceeding include (or could reasonably be expected to include) both the LLC and a Member, or more than one Member, and the LLC is advised by counsel that representation of both parties by the same counsel would be inappropriate under applicable standards of professional conduct, the Member may engage separate counsel at the expense of the LLC (subject to the Member's obligation to reimburse the LLC if it is ultimately determined that the Member is not entitled to indemnification in accordance with this Section 6.04). If the LLC elects to compromise or defend such Asserted Liability, it shall within twenty (20) business days (or sooner, if the nature of the Asserted Liability so requires) notify the Member of its intent to do so, and the Member shall cooperate, at the expense of the LLC, in the compromise of, or defense against, such Asserted Liability. If the LLC elects not to compromise or defend such Asserted Liability, fails to notify the Member of its election as herein provided, contests its obligation to provide indemnification under this Agreement, or fails to make or ceases making a good faith and diligent defense, the Member may defend, compromise or pay such Asserted Liability in accordance with the provisions of Section 6.04(d) below. Except as set forth in the preceding sentence, neither the LLC nor the Class B Members may settle or compromise any claim against a Member over the objection of such Member; provided, however, that consent to settlement or compromise shall not be unreasonably withheld. In any event, the LLC and the Member may participate at their own expense, in the defense of such Asserted Liability. If the Member chooses to defend any claim, the Member shall make available to the LLC any books, records or other documents within its control that are necessary or appropriate for such defense, all at the expense of the LLC.

(d) If the LLC elects not to compromise or defend an Asserted Liability, or fails to notify the Member of its election as herein provided, contests its obligation to provide indemnification, or fails to make or ceases making a good faith and diligent defense, then the Member shall be entitled to assume the defense and all expenses (including legal fees) incurred by a Member in defending any Asserted Liability shall promptly be advanced by the LLC prior to the final disposition of such claim, demand, action, suit or proceeding following receipt by the LLC of an undertaking by or on behalf of the Member to repay such amount if it shall be determined that the Member is not entitled to be indemnified as authorized in Section 6.04(a) hereof.

(e) 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.

(f) The right of indemnification hereby provided shall not be exclusive of, and shall not affect, any other rights to which a Member may be entitled. Nothing contained in this Section 6.04 shall limit any lawful rights to indemnification existing independently of this Section. The obligations of the LLC under this Section 6.04 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, subject to Section 6.04(h) below, the Members shall otherwise have no personal liability to fund any indemnification payment hereunder.

(g) The indemnification rights provided by this Section 6.04 shall also inure to the benefit of the heirs, executors, administrators, successors and assigns of a Member and any officers, directors, partners, members, shareholders, employees and Affiliates of such Member (and any former officer, director, partner, member, shareholder or employee of such Member, if the loss, damage or claim was incurred while such person was an officer, director, partner, member, shareholder or employee of such Member). The Class B Members or the LLC may extend the indemnification called for by Section 6.04 to non-employee agents of the LLC.

(h) Notwithstanding any provision of this Agreement, including Section 3.01, to the contrary, as and when the LLC requires funds to discharge any indemnification obligation under this Section 6.04, if funds of the LLC are not otherwise available therefor, the Class A Member shall contribute the amount required within 10 business days after receipt of notice from the Class B Members of the amount required and the nature of the liability (which notice may be given in writing or by electronic mail).

6.05 Budget; Certain Fees and Expenses.

(a) On or before June 1 of each year, the Class B Members shall prepare and submit to the Class A Member for its consideration a budget (herein referred to as the "Budget"), setting forth the estimated expenditures (capital, operating, and other) of the LLC for the 12-month period covered by the Budget (which shall be the 12 months commencing on the next succeeding August 1). If the Class A Member does not, within 90 days after receipt of the proposed Budget, indicate that it disapproves of all or any portion of the proposed Budget, then such budget shall be deemed to have been approved. When approved by the Class A Member, the Class B Members shall be authorized to implement the Budget and shall be authorized, without the need for further approval by the Class A Member, to make the expenditures and incur the obligations provided for in the Budget, in the name and on behalf of the LLC, and shall be authorized to call for contributions of capital to the LLC from the Class A Member in accordance with Section 3.01(b) in order to finance the operations of the LLC during the period covered by the Budget, provided that the Class A Member shall not, in any event, be required to contribute capital to the LLC pursuant to and in accordance with Section 3.01(b)(i) unless it has approved the Investment for which such capital is being called. Any Budget may be amended during any year with the approval of the Class B Members and the Class A Member.

If the Class A Member does not approve the proposed Budget for any fiscal year of the LLC, the Class B Members and the Class A Member shall negotiate in good faith to resolve the disagreement. Prior to the date on which such disagreement has been resolved, the Class B Members shall implement during such period the operating (but not the capital) Budget adopted for the comparable portion of the preceding fiscal year, and shall be authorized, without the need for further approval by the Class A Member, to make the operating (but not capital) expenditures and incur ordinary (non-Investment) obligations in the amounts provided for in such prior year's Budget, in the name and on behalf of the LLC, and to call for contributions of capital to the LLC from the Class A Member in accordance with Section 3.01(b)(ii) in order to finance the operations of the LLC in accordance with such prior year's Budget.

(b) 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 Class A 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 (c) 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. Each Profit Member shall be required to pay over to the LLC any cash or non-cash compensation or remuneration to which such Profit Member becomes entitled from any Portfolio Company for services rendered to such

Portfolio Company (or, in the case of options or similar compensation, to hold the same as nominee for the LLC).

(b) Each Profit Member agrees that (I) during his or her employment by the Employer, and (II) for a period of 18 months following termination of his or her employment relationship with the Employer if such employment is terminated: (A) by the Profit Member voluntarily, or (B) by the Employer for Cause, such Profit Member will not, directly or indirectly:

(x) recruit, solicit or induce, or attempt to induce, any employee 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 LLC 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 Profit 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 Profit 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.

(c) Each Profit Member agrees that during his or her employment by the Employer, he or she shall not invest in any Qualified Investment Opportunity (as hereinafter defined) which is made available to him or her unless such Profit Member has notified the LLC of such opportunity (which notice may be given orally) and the LLC has elected not to undertake such Qualified Investment Opportunity. If, within 14 days following the notice from the Profit Member to the LLC of such opportunity, the LLC fails to notify the Profit Member that it has determined to undertake such opportunity, the LLC shall be deemed to have elected not to undertake such opportunity. As used herein, a "Qualified Investment Opportunity" shall mean an investment which is suitable for the LLC, the total offered participation of which is $100,000 or more.

(d) Section 6.06(b) shall terminate upon the occurrence of either of the Vesting Events described in clauses (v) or (vi) of the definition of the term Vesting Event.

6.07 Commitment of Members. Each of the Profit 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 business time and resources as shall be necessary for the management of the affairs of the LLC. Subject to the foregoing, if any Profit Member serves as a member of the board of directors (or in a similar capacity) of any company other than a Portfolio Company (or a company in which the Class A Member, CMGI or any investment vehicle affiliated with or sponsored by CMGI has invested), then such Profit Member shall be required to provide written notice to the LLC that the Profit Member is serving in such capacity.

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 Class B 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 Members entitled to authorize such a contract or transaction and such Members thereafter authorize the contract or transaction by a vote sufficient for such purpose without counting the vote of any interested Member even though the disinterested Members may be less than a majority in number of the 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 Members entitled to vote thereon, and the contract or transaction is specifically approved by a vote of such Members; and

(iii) in the case of (i) or (ii), the contract or transaction is fair to the LLC or its Affiliates as of the time it is authorized, approved or ratified by the Members entitled to vote thereon.

6.09 Valuation of Investments.

(a) Subject to the provisions of Section 8.04, whenever valuation of the LLC's net worth or any particular asset of the LLC is required by this Agreement, the Class B Members shall, as of a reasonable valuation date established by them, make a good faith determination of the "fair value" of all noncash assets of the LLC (if net worth is to be evaluated) or of such particular asset. Such determination of "fair value" with respect to any investment shall be based upon all relevant factors, including, without limitation, type of security, marketability, liquidity, restrictions on disposition, recent purchases of the same or similar securities by other investors, pending mergers or acquisitions, current financial position and operating results, and risks and potential of the security.

(b) The fair value of any publicly-traded securities owned by the LLC and which are not subject to any restrictions on transfer (including volume limitations) under applicable state and federal securities laws or any contractual arrangements to which the LLC is a party ("Liquid Securities") shall be equal to the average of: (i) if applicable, the median of the "bid" and "asked" prices for such securities in the market on which such securities are regularly traded; or (ii) if applicable, the closing price on the market on which such securities are regularly traded; in each case, on the ten trading days immediately preceding the date of valuation of such securities.

(c) Subject to the foregoing and to the provisions of Section 8.04, any determination of LLC net worth or of the value of a particular asset required by this Agreement to be made pursuant to this Section 6.09 shall be made in accordance with generally accepted accounting principles, as from time to time applicable to the LLC or similar entities; provided, however, that no value whatsoever shall be assigned to the LLC name and goodwill or to the office records, files, statistical data or any similar intangible assets of the LLC not normally reflected in the LLC's accounting records; and provided further, that liabilities of the LLC shall be taken in the amounts at which they are carried on the books of the LLC and reasonable provision shall be made for contingent or other liabilities not reflected on such books and, in the case of valuation in connection with the liquidation of the LLC, for the expenses (to be borne by the LLC) of the liquidation and winding up of the LLC's affairs.

(d) It is understood by the Members that some or all of the investments of the LLC may have no readily ascertainable market value and that, in all cases, the Class B Members are given a wide range of discretion in determining such values.

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 Class B Members, with the consent of the Class A Member, 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 Class B 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 12-month period ending on July 31 of each 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 LLC 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) an unaudited balance sheet of the LLC as of the last day of such fiscal year, and unaudited 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 Profit 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 Class A Member and (ii) Two-thirds in Number of the Class B 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. Subject to Section 8.01(b) below, the provisions of this Section 8.01(a) shall not be applicable to any assignment of the interest of a Profit 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 Sections 8.01(b) and 8.04 below, the Class A 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 Class A Member and (ii) Two-thirds 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 all Class A and Class B Members or (v) would require the LLC 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 Profit Member, the Class A Member and Two-thirds in Number of the Class B 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 Class A Member, 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, except that, in the case of a transfer of 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 Class B 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.

(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 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) Except as provided in Section 8.01, additional Members may be admitted to the LLC only upon the written consent of the Class A Member and Two-thirds in Number of the Class B Members. Any such consent shall specify (i) the capital contribution, if any, and the Profit Member Percentage Interest, if applicable, of the additional Member, (ii) the class of membership interest to be owned by such additional 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 Profit Member Percentage Interest (if applicable), its Vesting Commencement Date, the portion of its interest, if any, which is vested, and any other rights and obligations of the additional Member. In connection with any such admission of an additional Member, the Profit Member Percentage Interest or other rights and interests of each Class C Member in the LLC may not be diluted or otherwise modified or adjusted without the specific written consent of such Class C Member, and the admission of an additional Member shall in no event dilute, modify or adjust the interest of the Class A Member, without the Class A Member's specific written consent.

(b) Unless all Class B Members (exclusive of those with respect to whom an Event of Forfeiture has occurred) otherwise agree, in connection with the admission of any additional Class B or Class C Member to the LLC, the Profit Member Percentage Interests of all Class B Members shall be diluted proportionately based on their respective Profit Member Profit Member Percentage Interests immediately prior to any such admission.

(c) Each Class B Member, and each person who is hereinafter admitted to the LLC as a Class B 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).

(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 additional Member, the Class A Member and Two-thirds in Number of the Class B Members, and any such amendment shall be binding upon all of the Members.

8.03 Reallocation of Profit Member Percentage Interests.

(a) The Class B Members, by action of Two-thirds in Number of the Class B Members, may at any time and from time to time, elect to modify the respective Profit Member Percentage Interests of the Class B Members. Any such determination to modify the Profit

Member Percentage Interests of the Class B Members shall be made based on the respective professional and managerial contribution and anticipated contribution to the business of the LLC of the Class B Members, and any such determination shall take effect following any such determination, and shall not have any retroactive effect. In no event shall the Profit Member Percentage Interest of any Class C Member be modified or adjusted as a result of this Section 8.03(a), and in no event shall the interest of the Class A Member be modified or adjusted as a result of this Section 8.03(a). In connection with any such adjustment to the interests of the Members, Schedule B shall be amended accordingly, and all Members shall be bound by the determination of Two-thirds in Number of the Class B Members.

(b) The Class B Members, by action of Two-thirds in Number of the Class B Members, may at any time and from time to time, elect to modify the respective Profit Member Percentage Interests of the Class C Members. Any such determination to modify the Profit Member Percentage Interests of the Class C Members shall be made based on the respective professional and managerial contribution and anticipated contribution to the business of the LLC of the Class C Members, and any such determination shall take effect following any such determination, and shall not have any retroactive effect. In no event shall the interest of the Class A Member be modified or adjusted as a result of this Section 8.03(b). If, as a result of any such adjustment, the aggregate Profit Member Percentage Interests of the Class C Members increase, the aggregate Profit Member Percentage Interests of the Class B Members shall be proportionately reduced. If, as a result of any such adjustment, the aggregate Profit Member Percentage Interests of the Class C Members decrease, the aggregate Profit Member Percentage Interests of the Class B Members (exclusive of any Class B Members for whom an Event of Forfeiture has occurred) shall be proportionately increased. Schedule B shall be amended to reflect any changes made in accordance with this Section 8.03(b), and all Members shall be bound by the determination of Two-thirds in Number of the Class B Members.

8.04 Change of Control.

(a) Upon a Qualifying Change of Control, as hereinafter defined, the LLC shall repurchase all, and not less than all, of the interest of each Profit Member and each Former Profit Member, at the individual election (an "Initial Election") of each Profit Member and each Former Profit Member (such election to be made in writing to the Class A Member within two (2) months of the date of such Qualifying Change of Control). The purchase price for the interest of each Profit Member shall be paid in cash, and shall equal the amount which the Profit Member would have received if the LLC had liquidated all of the Investments then owned by it (on a "first-in first out" basis) as of the date of the Qualifying Change of Control for their respective fair market values (determined as hereinafter provided) as of such date (including his or her share, if any, of the Bonus Incentive Fee which would be payable in respect of such liquidation), and the proceeds of such liquidation had been distributed to the Members in accordance with Section 4.01(b) and (c) (the purchase price so determined for each Profit Member or Former Profit Member is hereinafter referred to as such person's "Change of Control Purchase Price").

(b) For purposes of determining the Change of Control Purchase Price, the fair market value of the Investments then owned by the LLC shall be determined by an independent appraiser (the "Appraiser"), acceptable to both (i) a majority of all the members of the Board of Directors of the Class A Member and (ii) a Majority in Number of the Class B Members. The Appraiser must be selected within one (1) month of the date of the Qualifying Change of Control. If a majority of all the members of the Board of Directors of the Class A Member and a Majority in Number of the Class B Members fail to agree on an Appraiser, then each shall select an independent firm of investment bankers of national reputation and those two firms shall select an Appraiser in any case within two (2) months following the date of the Qualifying Change of Control.

(c) Upon a Change of Control, as hereinafter defined, each Profit Member's interest shall no longer be subject to the provisions of Section 3.04 (except to the extent such provisions have already been applied to adjust the interest of a Profit Member), *provided, however*, that the provisions of the second sentence of Section 3.04(b)(ii) and other provisions which apply upon the occurrence of a Clause Z Event shall continue to be applicable in the case of Profit Members and Former Profit Members (i.e., their Profit Member Investment Percentage Interests shall be subject to complete forfeiture upon the occurrence of a Clause Z Event).

(d) The LLC, the Class A Member, and CMGI shall be jointly and severally liable to each Profit Member and Former Profit Member for the payment of his or her Change of Control Purchase Price with respect to the LLC's purchase of the interest of such Profit Member or Former Profit Member this Section 8.04.

(e) Upon the consummation of the purchase by the LLC of any of the interests of the Profit Members or Former Profit Members upon a Qualifying Change of Control pursuant to this Section 8.04, the Class A Member may, in its sole discretion, and without the approval of the Class B Members (i) treat such interests as being redeemed by the LLC or (ii) admit additional Class B and/or Class C Members in accordance with Section 8.02 hereof and award to the additional Class B and/or Class C Members any or all of the repurchased interests, and no such admission or award shall require the approval of any other Member.

(f) For purposes of this Agreement, a "Change of Control" shall be deemed to have occurred when there has occurred a change of control of CMGI (i) which has not been approved by a majority of all the members of the Board of Directors of CMGI, or (ii) which has been approved by a majority of all the members of the Board of Directors of CMGI but which has not been approved by a Majority in Number of the Class B Members and which is likely by its terms to have a material adverse effect upon the business and prospects of the LLC as currently, or planned to be, conducted, and which change of control in either event is of a nature that would be required to be reported in response to Items 6(e) or 14(i), (iv), or (v) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act") provided that, in the case of a Change of Control reportable under Item 6(e), such Change of Control involves the acquisition by any "person" (as such term is used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act, but expressly excluding David S. Wetherell) of beneficial ownership, directly or indirectly, of securities or interests in CMGI which represent more than forty percent (40%) of the combined voting power of CMGI's outstanding securities; provided however, that any of the foregoing which results from (X) the conversion of any security or class of securities issued by CMGI and outstanding as of the date of this Amended and Restated Agreement, or any securities issued in respect of or in exchange for any of such outstanding securities or (Y) payment of any amounts due under any debt instruments of CMGI to Compaq Computer Corporation which are outstanding as of the date of this Amended and Restated Agreement, or any securities issued in respect of or in exchange for any of such outstanding debt instruments, shall not constitute a Change of Control for purposes of this Agreement. For purposes of this Agreement, a "Change of Control" shall also be deemed to have occurred when there has occurred a change of control of the Class A Member (i) which has not been approved by a majority of all the members of the Board of Directors of CMGI, or (ii) which has been approved by a majority of all the members of the Board of Directors of CMGI but which has not been approved by a Majority in Number of the Class B Members and which is likely by its terms to have a material adverse effect upon the business and prospects of the LLC as currently, or planned to be, conducted, and which change of control in either event involves (A) the acquisition by any "person" (as such term is used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) of beneficial ownership, directly or indirectly, of securities or interests in the Class A Member which represents more than fifty percent (50%) of the combined voting power of the Class A Member's outstanding securities, or (B) a sale of all or substantially all of the assets of the LLC or of the Class A Member, or (C) either the merger or consolidation of the LLC or the Class A Member with another entity which is the surviving entity of such merger or consolidation provided that such other entity, prior to such merger or consolidation, was not controlled directly or indirectly by CMGI; provided however, that any of the foregoing which results from (X) the conversion of any security or class of securities issued by CMGI and outstanding as of the date of this Amended and Restated Agreement, or any securities issued in respect of or in exchange for any of such outstanding securities or (Y) payment of any amounts due under any debt instruments of CMGI to Compaq Computer Corporation which are outstanding as of the date of this Amended and Restated Agreement, or any securities issued in respect of or in exchange for any of such outstanding debt instruments, shall not constitute a Change of Control for purposes of this definition. A "Qualifying Change of Control" shall mean any Change of Control which is described in clause (i) of either of the two preceding sentences.

(g) All fees and expenses associated with the appraisal process set forth above shall be paid by CMGI.

(h) Each Profit Member or Former Profit Member making an Initial Election to have his or her interest repurchased by the LLC as provided in Section 8.04(a) above following a Qualifying Change of Control shall have one (1) month following the determination of such person's Change of Control Purchase Price as provided above to reconsider and withdraw such Initial Election. Any withdrawal of an Initial Election must be made by the Profit Member or Former Profit Member by written notice to the Class A Member within said one (1) month period. In the event any such Initial Election is not withdrawn in a timely manner, then it shall become final and binding on the parties and the LLC shall proceed to repurchase the interest owned by such Profit Member or Former Profit Member within two (2) months following the date of the determination of the Change of Control Purchase Price as provided above. In the event that any Profit Member or Former Profit Member fails to make a timely Initial Election to have his or her interest purchased by the LLC as provided in Section 8.04(a) above following a Qualifying Change of Control, such right shall immediately become null and void and shall be of no further force or effect with respect to that Qualifying Change of Control, but such Profit Member or Former Profit Member shall retain his or her rights hereunder with respect to any other or future Qualifying Change of Control.

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 Class A Member and (B) Two-thirds 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 in accordance with Section 4.01 hereof. 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 Class A 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 Class A 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 Class A Member and (ii) 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 disproportionately 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 Profit Member in accordance with Section 8.02 or upon the adjustment of the Profit Member Percentage Interests of the Class B Members in accordance with Section 8.03), and no amendment shall reduce the Profit Member Percentage Interest or Vested Percentage of any Former Profit Member without the specific approval of such Former Profit Member (except for such a reduction upon the occurrence of an Event of Forfeiture); (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 Profit Member 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 Profit Member 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 Class A Member and (ii) Class B Members holding not less than two-thirds of all Profit Member 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, together with the Severance Agreements and the Retention Agreements, constitute 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.

10.12 Arbitration.

(a) Any dispute or disagreement among the parties arising out of or related to the LLC shall be submitted to arbitration in accordance with this Section 10.12. Any party exercising its rights hereunder shall notify the other parties to the dispute, in writing, of such dispute or disagreement. Within 15 days after receipt of such notice, the parties to the dispute shall designate in writing one arbitrator to resolve the dispute; provided, that if such parties cannot agree on an arbitrator within such 15-day period, the arbitrator shall be selected by the Boston office of JAMS/Endispute (or, if JAMS/Endispute does not at the time exist, by the Boston office of the American Arbitration Association). The arbitrator so designated shall not be an employee, consultant, officer, director or stockholder of any party hereto or of any affiliate of any party to this Agreement.

(b) Within 60 days after the designation of the arbitrator, the arbitrator and the parties to the dispute shall meet, at which time they shall be required to set forth in writing all disputed issues and a proposed ruling on each such issue.

(c) The arbitrator shall set a date for a hearing, which shall be no later than 120 days after the submission of written proposals pursuant to paragraph (b) above, to address each of the issues identified by the parties. Each such party shall have the right to be represented by counsel. The arbitration shall be governed by the rules of the JAMS/Endispute (unless the arbitrator is selected by the American Arbitration Association, in which case the American Arbitration Association rules shall govern); except that the provisions of this Section 10.12 shall govern questions related to the scheduling of hearings and discovery.

(d) Prior to any hearing described in (c) above, (i) each Class B or Class C Member party to the dispute shall be allowed to take not more than an aggregate of three depositions of the Class A Member and CMGI, (ii) the Class A Member shall be allowed to take a total number of depositions of the Class B and Class C Members party to the dispute equal to the total number of depositions which the Class B and Class C Members party to the dispute may take of the Class A Member and CMGI (determined in accordance with clause (i) above); and (iii) each Member party to the dispute shall be allowed to take not more than two depositions of any non-party witness (including expert witnesses). The Class B and C Members party to the dispute shall serve no more than a total of 20 separate document requests on the Class A Member and CMGI, and the Class A Member shall serve no more than a total of 20 separate document requests on the Class B and Class C Members party to the dispute. Any party to the dispute receiving a document request shall respond to such request within 30 days after receipt thereof. Except as described in this subsection (d), the parties to any dispute agree not to conduct any discovery in connection with any dispute submitted to arbitration pursuant to this Section 10.12.

(e) The arbitrator shall use his best efforts to rule on each disputed issue within 30 days after the completion of the hearings described in paragraph (c) above. The determination of the arbitrator as to the resolution of any dispute shall be binding and conclusive upon all parties hereto. All rulings of the arbitrator shall be in writing and shall be delivered to the parties hereto.

(f) The prevailing party or parties in any arbitration shall be entitled to an award of reasonable attorneys' fees incurred in connection with the arbitration.

(g) Any arbitration pursuant to this Section 10.12 shall be conducted in Boston, Massachusetts. Any arbitration award may be entered in and enforced by any court having jurisdiction thereover and the parties hereby consent and commit themselves to the jurisdiction of the courts of the Commonwealth of Massachusetts and the United States District Court for District of Massachusetts for purposes of the enforcement of any arbitration award.

[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:

CMG @VENTURES CAPITAL CORP.

By /s/ David S. Wetherell

Name: David S. Wetherell

Title: President

CLASS B MEMBERS:

/s/ Jonathan Callaghan

Jonathan Callaghan

____
John Scott Case

/s/ Gary Curtis

Gary Curtis

/s/ Josh Daniels

Josh Daniels

____
Brad Garlinghouse

/s/ Denise W. Marks

Denise W. Marks

/s/ Peter H. Mills

Peter H. Mills

/s/ David J. Nerrows, Jr.

David J. Nerrow, Jr.

/s/ Marc Poirier

Marc Poirier

/s/ Lior E. Yahalomi

Lior E. Yahalomi

CMGI, INC. (solely for purposes of confirming
its obligations under Section 8.04(d) and (g) above):

By: /s/ David S. Wetherell

Name: David S. Wetherell

Title: Chief Executive Officer

EXHIBIT 10.70

FY 2002 Bonus Plan for CMGI Corporate

Plan Objective:
To attract, motivate and retain key talent based on CMGI consolidated business performance and individual performance

Eligibility:
Select managers and senior individual contributors who are employees of CMGI and who impact overall business goals and objectives of CMGI.

Measurements:
The bonus payout pool will be determined by overall CMGI consolidated business performance. Funding for the bonus pool will be driven by the ability to meet or exceed budgeted financial objectives as approved by CMGI's Board of Directors. To the extent that the bonus pool is funded, participants' individual bonus award will then be based on individual performance against their goals and objectives. Total payments made under this Plan may not exceed 100% of the bonus pool established for CMGI pursuant to its meeting or exceeding its budgeted financial objectives.

Business Performance/Financial Objectives:
There are two financial objectives used in the calculation of the annual bonus pool; Revenue and Actual Operating Income. In calculating the bonus pool, Revenue will be weighted at 40% and Actual Operating Income will be weighted at 60%. Business performance will be based on annual achievement against approved plan.

Pool Funding Table:
The table below will be used to determine the annual bonus pool based on final business performance. A minimum performance threshold of 80% must be achieved for pool funding associated with measured objectives. The maximum pool funding based on business performance is 150%. Every 1% increase or decrease in performance equals 2.5% increase or decrease in funding.

Business Performance	*80%	80%	90%	95%	100%	110%	**120%
Pool Funding	0%	50%	75%	87.5%	100%	125%	150%

Individual Performance:
All employees must have clearly documented goals and objectives. Payments may vary based on individual performance and management discretion, however managers must manage to their overall budget pool. No Participant shall receive a total payment under this Plan in excess of 150% of his or her target bonus.

Timing of Payment:
Any earned bonus payments will be measured on an annual basis and paid annually. Payments will be determined after all companies have submitted their actual performance against plan to CMGI Corporate Finance and all numbers are consolidated and approved.

* - Less than
** - Greater than or equal to

Employment Status:
In order to be eligible to receive any bonus payment under this Plan, participants must be actively employed by the Company at the time annual bonus payments are made, which will be as soon as administratively possible following the close of CMGI's fiscal year. If a participant voluntarily leaves the Company prior to the time the bonus payments are made, he/she will be ineligible to receive any bonus payment. If an employee is involuntarily terminated by the Company prior to the time the bonus payments are made, he/she may, in certain circumstances, be eligible for a pro-rated bonus payment based on management discretion and time worked during the plan year. If a participant transfers to any other CMGI controlled Subsidiary, he/she will be eligible for a pro-rated discretionary bonus payment based on management discretion and the time worked during the plan year.

Administration:
This Plan shall be administered by the Compensation Committee of the Board of Directors of CMGI. CMGI reserves the right to apply its discretion to bonus plan eligibility, overall bonus funding and payment of bonuses. CMGI also reserves the right to amend or terminate its Bonus Plan at any time during the year. This Plan shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts.

EXHIBIT 10.71

FY 2002 Bonus Plan for Operating Companies

Plan Objective:
To attract, motivate and retain key talent based on CMGI & Subsidiary business performance in addition to individual performance.

Eligibility:
Select managers and senior individual contributors who are employees of a CMGI controlled Subsidiary and who impact the overall business goals and objectives of the Subsidiary by which they are employed.

Measurements:
The bonus payout pool will be determined by overall CMGI and Subsidiary business performance based on the following weighting factors:

CMGI Consolidated Business Performance	25% weighting
Subsidiary Business Performance	75% weighting

Funding for the bonus pool for each Subsidiary will be driven by the ability of that Subsidiary and CMGI to meet or exceed its budgeted financial objectives as approved by its Board of Directors.

To the extent that the bonus pool is funded, participants' individual bonus awards will then be based on individual performance against their goals and objectives. Total payments made under this Plan by each Subsidiary may not exceed 100% of the bonus pool established for each Subsidiary pursuant to its meeting or exceeding its budgeted financial objectives.

Business Performance/Financial Objectives:
There are two financial objectives used in the calculation of the annual bonus pool for each Subsidiary; Revenue and Actual Operating Income. Actual Operating Income will exclude corporate allocations and amortization. In calculating the bonus pool, Revenue will be weighted 40% and Actual Operating Income will be weighted 60%. Business performance will be based on annual achievement against approved plan.

Pool Funding Table:
The table below will be used to determine the annual bonus pool based on final business performance. A minimum performance threshold of 80% must be achieved for pool funding associated with measured objectives. The maximum pool funding based on business performance is 150%. Every 1% increase or decrease in performance equals 2.5% increase or decrease in funding.

Business Performance	*80%	80%	90%	95%	100%	110%	**120%
Pool Funding	0%	50%	75%	87.5%	100%	125%	150%

Individual Performance:
All employees must have clearly documented goals and objectives. Payments may vary based on individual performance and management discretion, however managers must manage to their overall

* - Less than
** - Greater than or equal to

budget pool. CEOs' individual performance will be based on defined milestones, metrics and overall discretion by their respective Boards of Directors. No Participant shall receive a total payment under this Plan in excess of 150% of his or her target bonus.

Timing of Payment:
Any earned bonus payments will be measured on an annual basis and paid annually. Payments will be determined after all companies have submitted their actual performance against plan to CMGI Corporate Finance and all numbers are consolidated and approved.

Employment Status:
In order to be eligible to receive any bonus payment under this Plan, participants must be actively employed by the Subsidiary at the time annual bonus payments are made which will be as soon as administratively possible following the close of the fiscal year. If a participant voluntarily leaves the Subsidiary prior to the time the bonus payments are made, he/she will be ineligible to receive any bonus payment. If an employee is involuntarily terminated by the Subsidiary prior to the time the bonus payments are made, he/she may, in certain circumstances, be eligible for a pro-rated bonus payment based on management discretion and time worked during the plan year. If a participant transfers to any other CMGI controlled Subsidiary, he/she will be eligible for a pro-rated bonus payment based on management discretion and for the time worked during the plan year.

Administration:
This plan, as it relates to a particular Subsidiary, shall be administered by the Board of Directors of such Subsidiary. The Board of Directors of any such Subsidiary reserves the right to apply its discretion to bonus plan eligibility, overall bonus funding and payment of bonuses. The Board of Directors of any such Subsidiary also reserves the right to amend or terminate its Bonus Plan at any time during the year. This plan shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts.

EXHIBIT 21

SUBSIDIARIES OF CMGI, INC.
As of October 26, 2001

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
Raging Bull, Inc.	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
CMGion, Inc.	Delaware
CMGion North America, Inc.	Delaware
CMGion Securities Corporation	Delaware
Fredmay Limited	Ireland
Alyked Limited	Ireland
Rayken Limited	Ireland
Engage, Inc.	Delaware
Engage Securities Corporation	Massachusetts

Engage Acquisition Corp.	Cayman Islands
Space Media Holdings Limited	British Virgin Islands
Engage Australia Pty Limited	Australia
Engage Canada Holdings Corp.	Delaware
Engage Canada Company	Canada
Engage Canada Holdings II Corp.	Delaware
Engage France SAS	France
Engage Italia srl	Italy
Engage Sverige AB	Sweden
Engage Technologies Japan	Japan
Engage Technologies Limited (UK)	England and Wales
Engage Technologies GmbH	Germany
MediaBridge Technologies, Inc.	Delaware

Name	Jurisdiction of Organization
MediaBridge UK Limited	England and Wales
Midsystems UK Limited	England and Wales
Equilibrium Technologies, Inc.	Delaware
MyWay.com Corporation	Delaware
Zip2 Corp.	California
NaviPath, Inc.	Delaware
GeoDial Company	Canada
NaviSite, Inc.	Delaware
ClickHear, Inc.	Delaware
NaviSite UK, LTD	England and Wales
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
TwinSolutions LLC	California
On-Demand Solutions, Inc.	Massachusetts
Shortbuzz LLC	Delaware
Tallan, Inc.	Delaware
uBid, Inc.	Delaware
Bondai Limited	Ireland
Brentgrove Limited	Ireland
yesmail.com, inc.	Delaware

Exhibit 23

CONSENT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
CMGI, Inc.:

We consent to 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. 333-06745, No. 333-91117, No. 333-93189, No. 333-94479, No. 333-94645, No. 333-95977, No. 333-33864, No. 333-52636 and No. 333-5732 on Form S-8 of CMGI, Inc. of our report dated September 25, 2001, except as to Note 22, which as of October 29, 2001, relating to the consolidated balance sheets of CMGI, Inc. and subsidiaries as of July 31, 2001 and 2000, 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, 2001, and of our report dated September 25, 2001 relating to the consolidated financial statement schedule, which reports appear in the July 31, 2001 annual report on Form 10-K of CMGI, Inc.

/s/ KPMG

Boston, Massachusetts
October 29, 2001