SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

For Fiscal Year Ended July 31, 2003

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

For the Transition Period From ______ to ______

Commission File 000-23262

CMGI, Inc.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**04-2921333** (I.R.S. Employer Identification No.)
425 Medford Street **Charlestown, Massachusetts** (Address of principal executive offices)	**02129** (zip code)

(617) 886-4500
Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
(Title of Class)
Common Stock, $0.01 par value

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

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

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ☒ No ☐

The approximate aggregate market value of Registrant's Common Stock held by non-affiliates of the Registrant on January 31, 2003, based upon the closing price of a share of the Registrant's Common Stock on such date as reported by Nasdaq: $327,962,267

On October 9, 2003, the Registrant had outstanding 396,323,781 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 2003 Annual Meeting of Stockholders are incorporated by reference into Part III of this Report.

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ANNUAL REPORT ON FORM 10-K
FISCAL YEAR ENDED JULY 31, 2003

CMGI, INC.

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

PART I

ITEM 1.—BUSINESS

General

CMGI, Inc. (together with its consolidated subsidiaries, “CMGI” or the “Company”) provides technology and e-commerce solutions that help businesses market, sell and distribute their products and services. CMGI offers targeted solutions including industry-leading global supply chain management and web-based distribution and fulfillment. The Company previously operated under the name CMG Information Services, Inc. and was incorporated in Delaware in 1986. CMGI’s address is 425 Medford Street, Charlestown, Massachusetts 02129.

CMGI’s business strategy over the years has led to the development, acquisition and operation of majority-owned subsidiaries focused on technology and supply chain management services, as well as the strategic investment in other companies that have demonstrated synergies with CMGI’s core businesses. The Company’s strategy also envisions and promotes opportunities for synergistic business relationships among its subsidiaries, investments and affiliates. The Company expects to continue to develop and refine its product and service offerings, and to continue to pursue the development or acquisition of, or the investment in, additional companies and technologies. A description of the Company’s recent development through divestitures and merger and acquisition activities is set forth in Notes 4 and 8 of the Notes to Consolidated Financial Statements included in Item 8 below and is incorporated herein by reference.

The Company’s current operating subsidiaries have been classified in one operating segment: eBusiness and Fulfillment. CMGI’s eBusiness and Fulfillment companies work across the full eBusiness value chain to deliver goods from the manufacturer to the customer by applying state-of-the-art technology to provide inventory and supply chain management, and fulfillment services.

In addition, CMGI’s affiliated venture capital arm is comprised of venture capital funds that focus on investing in technology companies.

Products and Services

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

SalesLink Corporation

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

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, telecommunication industry, software 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 product packaging, assembly, print management, electronic order processing, procurement of components, direct fulfillment of software, distribution services, and inventory management. SalesLink also offers sophisticated advanced planning services to help its clients optimize product forecasts and minimize inventory investments. SalesLink provides its supply chain management services and solutions directly and through its management of SL Supply Chain Services International Corp. (“SL Supply Chain”) a subsidiary of SalesLink.

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

SalesLink provides advanced end-to-end third-party eFulfillment and logistics services for merchandise through its automated distribution center in Memphis, Tennessee. SalesLink provides order management solutions with real-time verification of data, payment processing, fraud detection, order routing and auditing, reverse logistical support and status reporting.

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

SL Supply Chain Services International Corp.

SL Supply Chain Services International Corp. ("SL Supply Chain") is a wholly owned subsidiary of SalesLink. SL Supply Chain is a leading provider of global supply chain management solutions, supporting its customer base with supply chain design and consulting, as well as outsourced operations solutions including supply base and inventory management, manufacturing, configuration, assembly processes, EDI solutions offering direct connections with customers IT systems, distribution and fulfillment, e-commerce, order management and customer service. SL Supply Chain provides intelligent value chain solutions that allow its clients to outsource business processes from raw material procurement and order entry to final delivery. These solutions include supply chain design, sourcing, production, assembly, packaging and customer interface management. Additionally, SL Supply Chain can deploy technology-based solutions to manage the flow and use of information throughout the supply chain including systems architecture and implementation, front-end web design, web hosting, payment processing and real time order processing and inventory management. These comprehensive solutions leverage a scalable technology platform, proven process expertise and a global network of operations centers to manage all aspects of the supply chain process, including managing inventory, procuring material, assembling kits and scheduling final delivery of products and services directly to the original equipment manufacturer (OEM), contract manufacturer (CM) and consumer markets on a global basis.

Sales and Marketing

SalesLink and SL Supply Chain have a combined sales and marketing staff in order to develop and cross sell their services and programs on a global basis. The sales and marketing services of the companies includes identifying specific market segments and opportunities in which the Company has developed expertise in the supply chain management and literature distribution services industries. The sales and marketing staff also continue to identify vertical integration leads that will enhance the Company's offerings to new and existing markets and allow further diversification of our customer base.

Competition

The markets for inventory and supply chain management and fulfillment services and solutions are very competitive. The Company expects the intensity of competition to continue to increase from both global and regional competitors. A failure to maintain and enhance the Company's competitive position, including the expansion into geographical areas where the Company currently has no presence, will limit its ability to maintain and increase market share, which would result in serious harm to the Company's business. Increased competition may also result in price reductions, reduced gross margins and loss of market share. The Company competes in the supply chain management market on the basis of quality, performance, service levels, global capabilities, technology, operational efficiency and price.

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

Venture Capital

The Company maintains interests in several venture capital funds: CMG@Ventures I, LLC ("CMG@Ventures I"); CMG@Ventures II, LLC ("CMG@Ventures II"); CMG@Ventures III, LLC ("CMG@Ventures III"); CMG@Ventures Expansion, LLC ("CMG@Ventures Expansion"); and CMGI@Ventures IV, LLC ("CMGI@Ventures IV"). CMGI's venture funds ("CMGI @Ventures") invest in emerging innovative and promising technology companies.

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

CMGI formed the @Ventures III venture capital funds ("@Ventures III Fund") in August 1998. The @Ventures III Fund secured capital commitments from outside investors and CMGI, to be invested in emerging Internet and technology companies. The @Ventures III Fund consists of four entities, which co-invest in each investment made by the @Ventures III Fund. Approximately 78% of each investment made by the @Ventures III Fund is made by two entities, @Ventures III, L.P. and @Ventures Foreign Fund III, L.P. CMGI does not have a direct ownership interest in either of these entities, but CMGI is entitled to approximately 0.1% of the capital of each entity as a result of its ownership of an approximately 10% interest in the general partner of each of such entities, @Ventures Partners, III, LLC ("@Ventures Partners III"). CMG@Ventures III co-invests approximately 20% of the total amount invested in each @Ventures III Fund portfolio company investment. CMGI owns 100% of the capital and is entitled to approximately 80% of the cumulative net capital gains realized by CMG@Ventures III. @Ventures Partners III is entitled to the remaining 20% of the net capital gains realized by CMG@Ventures III. The remaining 2% invested in each @Ventures III Fund investment is provided by a fourth entity, @Ventures Investors, LLC, in which CMGI has no interest. During fiscal year 2000, CMGI formed additional venture capital fund entities to provide follow-on financing to @Ventures III Fund portfolio companies. These "expansion funds" have a structure that is substantially identical to the @Ventures III Fund, and CMGI's interests in such funds are comparable to its interests in the @Ventures III Fund.

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

An aggregate of approximately $4.5 million was invested by CMGI's venture capital entities during the fiscal year ended July 31, 2003.

Other

A limited number of customers account for substantially all of the Company's consolidated net revenue. One customer, Hewlett-Packard, accounted for approximately 74%, 12% and 3% of the Company's consolidated net revenue for fiscal years 2003, 2002 and 2001, respectively. Nearly all of the revenues of SL Supply Chain are accounted for by sales to Hewlett-Packard and Microsoft and of Microsoft products. Similarly, nearly all of the revenues of SalesLink are accounted for by sales to a limited number of customers. The Company currently does not have any agreements that obligate any customer to buy a minimum amount of products or services from CMGI or any subsidiary, or to designate CMGI or any subsidiary as its sole supplier of any particular products or services. The loss of a significant amount of business with Hewlett-Packard or Microsoft, or any other key customer, would have a material adverse effect on CMGI. CMGI believes that it will continue to derive the vast majority of its operating revenue from sales to a small number of customers. There can be no assurance that CMGI's revenue from key customers will not decline in future periods. Hewlett-Packard owns approximately 6.1% of the Company's issued and outstanding shares of Common Stock.

The Company relies upon a combination of patent, trade secret, copyright and trademark laws to protect its intellectual property. New trade secrets and other intellectual property are from time to time developed or obtained through the Company's research and development and acquisition activities. The Company's business is not substantially dependent on any single or group of related patents, trademarks, copyrights or licenses.

At July 31, 2003, the Company employed a total of 581 persons on a full-time basis. None of the Company's employees are represented by a labor union. The Company believes that its relations with its employees are good.

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

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

For each of the last three fiscal years, the Company's consolidated revenues from external customers were primarily attributed to the Company's North American operations and the Company's assets were primarily located in the United States. Approximately 37%, 11% and 13% of the Company's consolidated revenue from external customers were generated outside North America during fiscal years 2003, 2002 and 2001, respectively. Approximately 37%, 9% and 9% of the total revenues of the eBusiness and Fulfillment segment were generated outside the United States during fiscal years 2003, 2002 and 2001, respectively.

During fiscal years 2003, 2002 and 2001, the Company expended approximately $0.3 million, $4.7 million and $25.3 million, respectively, or approximately 0.1%, 3% and 9%, respectively, of net revenue, on research and development.

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.

Available Information

We make our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports available through our website, free of charge, as soon as reasonably practicable after we file such material with, or furnish it to the Securities and Exchange Commission. Our internet address is http://www.cmgi.com. The contents of our website are not part of this annual report on Form 10-K, and our internet address is included in this document as an inactive textual reference only.

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ITEM 2.—PROPERTIES

The location and general character of the Company's principal properties by industry segment as of October 17, 2003 are as follows:

eBusiness and Fulfillment Segment

In its eBusiness and Fulfillment segment, the Company leases approximately 1.6 million square feet of office, storage, warehouse, production and assembly, sales and marketing, and operations space, principally in Massachusetts, Tennessee, California, Colorado, Illinois, Florida, The Netherlands, Singapore, Malaysia, Taiwan and Mexico under leases expiring through fiscal year 2013. Approximately 136,858 square feet is sublet to third parties.

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) in his individual capacity as well as in his capacity as a trustee of two family trusts against the Company and AltaVista alleging certain claims arising out of his relationship with the Company and AltaVista and the termination of Mr. Black's employment with AltaVista. The Company and AltaVista each believes that these claims are without merit and plans to vigorously defend against these claims. In March 2002, the court ordered the entire case to binding arbitration in California. In August 2002, Mr. Black submitted the matter to the American Arbitration Association. Mr. Black's statement of damages in the arbitration proceeding seeks monetary damages in excess of $16 million. In connection with Overture's acquisition of AltaVista's business, Overture agreed to assume any liability of AltaVista with respect to this action. On May 15, 2003, Mr. Black was given leave by the court to file a third amended complaint naming Overture as a defendant as successor in interest to AltaVista. An arbitration hearing was held in August 2003. Closing arguments in the arbitration are scheduled for October 20, 2003.

On January 17, 2002, Sean Barger, a former employee and principal stockholder of Equilibrium Technologies, Inc. ("Equilibrium"), filed a complaint in Superior Court of the State of California (San Francisco County) in his individual capacity against the Company, AltaVista, David S. Andonian, Andrew J. Hajducky, III, and David S. Wetherell alleging certain claims arising out of the Company's acquisition of Equilibrium in January 2000. As set forth in the complaint, Mr. Barger alleged, among other things, (1) violation of state securities statutes, (2) fraudulent inducement, deceit, and fraud, (3) negligent misrepresentation, (4) unfair competition and (5) breach of fiduciary duty. The Company believes that these claims are without merit and plans to vigorously defend the action. Mr. Barger is claiming an unspecified amount of damages. On October 29, 2002, Mr. Barger amended his complaint to allege, among other things, personal jurisdiction over the individual defendants. On January 27, 2003, Mr. Barger again amended his complaint to add allegations pertaining to the breach of fiduciary duty claim. The Court subsequently dismissed without leave to amend Mr. Barger's claim for breach of fiduciary duty. The parties are currently engaged in discovery. A trial has been scheduled to commence April 19, 2004. In connection with Overture's acquisition of AltaVista's business, Overture agreed to assume any liability of AltaVista with respect to this action.

On September 24, 2003, the Official Committee of Unsecured Creditors of Engage, Inc. (the "Creditors Committee") filed a complaint against the Company in the U.S. Bankruptcy Court (Massachusetts, Western Division). In the complaint, the Creditors Committee makes various claims, including (i) re-characterization of debt as equity, (ii) equitable subordination, (iii) fraudulent transfer, (iv) preferential transfers, (v) illegal redemption of shares, (vi) turnover of property of estate, (vii) alter ego, (viii) breach of contract, (ix) breach of covenant of good faith and fair dealing, (x) promissory estoppel, (xi) unfair and deceptive trade practices under Massachusetts General Laws §93A, and (xii) declaration with respect to scope and extent of security interests. The Creditors Committee seeks monetary damages and other relief, including cancellation of a $2.0 million promissory note, return of $2.5 million in cash, certain other unspecified amounts and a finding that the Company is liable for Engage's debt. The Company believes that these claims are without merit and intends to vigorously defend this matter.

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 fiscal 2003.

PART II

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

The Company's Common Stock trades on the Nasdaq National Market under the symbol "CMGI." Other market information is set forth in Note 21 of the Notes to Consolidated Financial Statements included in Item 8 below and is incorporated herein by reference.

On October 9, 2003, there were approximately 5,811 holders of record of Common Stock of the Company.

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

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

On July 31, 2003, pursuant to the terms of the Lease Termination Agreement by and between the Company and Andover Mills LLC in connection with the termination of the Company's lease for premises located at 100 Brickstone Square, Andover, Massachusetts, among other things, the Company issued to Andover Mills LLC an aggregate of 750,000 shares of Common Stock. The shares of Common Stock were issued and sold to Andover Mills LLC in reliance on Section 4(2) of the Securities Act of 1933, as amended, as a sale by the Company not involving a public offering. 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, 2003. 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 date of acquisition) of the fiscal 1999 acquisitions of Magnitude Network, Inc., Activerse, Inc., Nascent Technologies, Inc., Netwright, LLC and Digiband, Inc., the fiscal 2000 acquisitions of eight other companies and the fiscal 2002 acquisition of the iLogistix assets and operations by the Company's wholly owned subsidiary SL Supply Chain. The following consolidated financial data also includes the results of operations of companies that have been sold or ceased operations. In fiscal 2001, the operations of iCast, 1stUp, and ExchangePath ceased and the Company sold a majority of its interest in Signatures SNI, Inc. (Signatures). In fiscal 2002, the operations of

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NaviPath and MyWay ceased and the Company sold its interest in Activate. In fiscal 2003, the operations of ProvisionSoft ceased, the Company's former operating companies AltaVista and uBid sold substantially all of their assets, and the Company divested NaviSite, Engage, Equilibrium, Yesmail, Tallán and its remaining minority interest in Signatures. For all periods presented, the results of operations of NaviSite, Engage, AltaVista, Yesmail, uBid, Tallán and Provisionsoft have been accounted for within discontinued operations. A description of the Company's recent discontinued operations and divestiture activities is set forth in Note 4 of the Notes to Consolidated Financial Statements. The historical results presented herein are not necessarily indicative of future results.

	Years Ended July 31,				
	2003	2002	2001	2000	1999
	(in thousands, except per share data)				
Consolidated Statement of Operations Data:					
Net revenue	$ 436,987	$ 168,476	$ 280,840	$ 313,469	$ 154,460
Cost of revenue	403,883	152,140	351,015	356,189	141,595
Research and development	332	4,732	25,347	48,477	12,888
In-process research and development	—	—	762	6,266	1,561
Selling	6,792	28,357	62,590	86,715	19,021
General and administrative	62,336	54,598	138,805	123,678	32,562
Amortization of intangible assets and stock-based compensation	218	4,941	182,704	171,683	6,255
Impairment of long lived-assets	456	2,482	170,659	20,873	—
Restructuring, net	55,348	(3,118)	109,207	—	—
Operating loss	(92,378)	(75,656)	(760,249)	(500,412)	(59,422)
Interest income (expense), net	3,717	36,416	(187)	(22,312)	243
Gains on issuance of stock by subsidiaries and affiliates	—	—	121,794	80,387	130,729
Other gains (losses), net	(41,317)	(67,983)	(322,033)	524,863	758,312
Other income (expense), net	(1,455)	(15,408)	(759)	(28,339)	(14,305)
Income tax benefit (expense)	(3,249)	7,096	(12,171)	(88,621)	(346,426)
Income (loss) from continuing operations	(134,682)	(115,535)	(973,605)	(34,434)	469,131
Extraordinary gain on retirement of debt, net of income taxes	—	131,281	—	—	—
Gain (loss) from discontinued operations, net of income taxes	(81,626)	(540,664)	(4,514,315)	(1,330,259)	7,109
Net income (loss)	(216,308)	(524,918)	(5,487,920)	(1,364,693)	476,240
Preferred stock accretion and amortization of discount	—	(2,301)	(7,499)	(11,223)	(1,662)
Gain on repurchase of Series C convertible preferred stock	—	63,505	—	—	—
Net income (loss) available to common stockholders	$ (216,308)	$ (463,714)	$ (5,495,419)	$ (1,375,916)	$ 474,578

	Years Ended July 31,				
	2003	2002	2001	2000	1999
	(in thousands, except per share data)				
Diluted earnings (loss) per share:					
Earnings (loss) from continuing operations before extraordinary item	$ (0.34)	$ (0.14)	$ (2.97)	$ (0.17)	$ 2.27
Income (loss) from discontinued operations, net of income taxes	(0.21)	(1.43)	(13.70)	(5.09)	0.03
Extraordinary gain on retirement of debt, net of income taxes	—	0.35	—	—	—
Net earnings (loss)	$ (0.55)	$ (1.22)	$ (16.67)	$ (5.26)	$ 2.30
Shares used in computing diluted net earnings (loss) per share	393,455	379,800	329,623	261,555	206,832
Consolidated Balance Sheet Data:					
Working capital	$ 204,733	$ 203,879	$ 580,824	$ 1,110,105	$ 1,381,005
Total assets	455,341	910,267	2,054,375	8,557,107	2,404.594
Long-term obligations	26,816	122,697	319,043	654,417	68,090
Redeemable preferred stock	—	—	390,640	383,140	411,283
Stockholders' equity	247,012	416,696	805,072	5,783,083	1,060,664

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 in this section under the heading "Factors That May Affect Future Results" and elsewhere in this report and the risks discussed in the Company's other filings with the SEC. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis, judgment, belief or expectation only as of the date hereof. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof.

Basis of Presentation

The Company reports one current operating segment, eBusiness and Fulfillment. The eBusiness and Fulfillment segment includes the results of operations of the Company's SalesLink and SL Supply Chain Services International Corp. subsidiaries. The Other category represents certain corporate cash and cash equivalents, available-for-sale and trading securities, certain other assets and liabilities, marketing and administrative expenses and the results of the Company's venture capital entities.

In addition to its one current operating segment, the Company continues to report an Enterprise Software and Services segment (that consists of the operations of Equilibrium, CMGI Solutions and Nascent), a Portals segment (that consists of the operations of MyWay and iCast) and a Managed Application Services segment (that consists of the operations of NaviPath, ExchangePath, 1stUp and Activate), as these entities do not meet the aggregation criteria under SFAS No. 131 with respect to the Company's current reporting segments. The historical results of these companies will continue to be reported in the Enterprise Software and Services, Portals and Managed Application Services segments, respectively, as will any residual results from operations that exist through the cessation of operations of these entities, each of which has been divested or substantially wound down.

During the fiscal year ended July 31, 2003, the Company divested of a number of its operating companies, certain of which have been accounted for as discontinued operations. On September 9, 2002, the Company sold all of its equity and debt ownership interests in Engage. On September 11, 2002, the Company sold all of its equity and debt ownership interests in NaviSite, pursuant to a plan approved on June 12, 2002. On February 28, 2003, InfoUSA acquired Yesmail in a cash merger. On March 7, 2003, the Company sold all of its equity ownership interests in Tallán. On April 2, 2003, uBid sold substantially all of its assets and business pursuant to the terms of an asset purchase agreement. On April 25, 2003, AltaVista sold substantially all of its assets and business pursuant to the terms of an asset purchase agreement. During the quarter ended April 30, 2003, ProvisionSoft ceased operations.

As a result, for all periods presented, Engage, AltaVista, Yesmail, Tallán, and ProvisionSoft, which were previously included within the Enterprise Software and Services segment, uBid, which was previously included within the eBusiness and Fulfillment segment, and NaviSite, which was previously included within the Managed Application Services segment, have been accounted for as discontinued operations. Accordingly, the assets, liabilities and operating results of these companies have been segregated from continuing operations and reported as discontinued operations in the accompanying consolidated balance sheets and statements of operations and cash flows, and related notes to the consolidated financial statements for all periods presented.

Certain amounts for prior periods in the accompanying consolidated financial statements, and in the discussion below, have been reclassified to conform to current period presentations. In accordance with accounting principles generally accepted in the United States of America, all significant intercompany transactions and balances have been eliminated in consolidation. Accordingly, segment results reported by the Company exclude the effect of transactions between the Company’s subsidiaries.

Overview

CMGI, Inc. (together with its consolidated subsidiaries, “CMGI” or the “Company”) provides technology and e-commerce solutions that help businesses market, sell and distribute their products and services. CMGI offers targeted solutions including industry-leading global supply chain management and web-based distribution and fulfillment. CMGI’s business strategy over the years has led to the development, acquisition and operation of majority-owned subsidiaries focused on technology and supply chain management services, as well as the strategic investment in other companies that have demonstrated synergies with CMGI’s core businesses. 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 current operating subsidiaries have been classified in one operating segment: eBusiness and Fulfillment. CMGI’s eBusiness and Fulfillment companies work across the full eBusiness value chain to deliver goods from the manufacturer to the customer by applying state-of-the-art technology to provide inventory and supply chain management, and fulfillment services. In addition, CMGI’s affiliated venture capital arm is comprised of venture capital funds that focus on investing in technology companies.

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Results of Operations

Fiscal 2003 compared to Fiscal 2002

NET REVENUE:

	2003	As a % of Total Net Revenue	2002	As a % of Total Net Revenue	$ Change	% Change
			(in thousands)			
eBusiness and Fulfillment	$ 435,879	100%	$ 154,493	92%	$ 281,386	182%
Enterprise Software and Services	227	—	1,289	—	(1,062)	(82)%
Managed Application Services	881	—	6,158	4%	(5,277)	(86)%
Portals	—	—	6,536	4%	(6,536)	(100)%
Total	$ 436,987	100%	$ 168,476	100%	$ 268,511	159%

The increase in net revenue within the eBusiness and Fulfillment segment was due to the net revenue contributions of SL Supply Chain Services International Corp. (SL Supply Chain), through which the Company acquired substantially all of the worldwide assets and operations of Software Logistics Corporation d/b/a iLogistix (iLogistix) during the fourth quarter of fiscal year 2002. The increase in revenue resulting from the SL Supply Chain acquisition was partially offset by a decline in net revenue at SalesLink. Net revenue at SalesLink declined as compared to the same period in the prior year, primarily due to volume and price declines for supply chain management services. These declines are largely the result of the continued difficult economic climate for many of the major OEMs that comprise a large part of the revenue base for SalesLink, and the migration of supply chain management programs to the Company's competitors in Asia, more specifically, China. Sales to one customer comprised approximately 74% of eBusiness and Fulfillment segment revenue in fiscal 2003.

The decrease in net revenue within the Enterprise Software and Services segment was the result of the Company's sale during the first quarter of fiscal 2003 of Equilibrium. The decrease in net revenue within the Managed Application Services segment was primarily due to the cessation of operations of NaviPath in January 2002. The decrease in net revenue within the Portals segment was primarily due to the cessation of operations of MyWay during fiscal year 2002.

Cost of Revenue:

	2003	As a % of Segment Net Revenue	2002	As a % of Segment Net Revenue	$ Change	% Change
			(in thousands)			
eBusiness and Fulfillment	$ 403,868	93%	$ 133,231	86%	$ 270,637	203%
Enterprise Software and Services	15	7%	217	17%	(202)	(93)%
Managed Application Services	—	—	14,748	239%	(14,748)	(100)%
Portals	—	—	3,944	60%	(3,944)	(100)%
Total	$ 403,883	92%	$ 152,140	90%	$ 251,743	165%

Cost of revenue consists primarily of expenses related to the cost of products purchased for sale or distribution as well as salaries and benefit expenses, consulting and contract labor costs, fulfillment and shipping costs, and applicable facilities costs. The increase in cost of revenue in fiscal 2003, as compared to the prior fiscal year, was primarily attributable to the cost of revenue of the SL Supply Chain business, which the Company acquired during the fourth quarter of fiscal year 2002. The increase in cost of revenue from the SL Supply Chain acquisition was partially offset by reduced cost of revenue at SalesLink due to volume declines in supply chain management services, and decreased cost of revenue as a result of the Company's restructuring efforts, which included the sale or cessation of operations of several companies, and actions taken to increase operational efficiencies, improve margins and further reduce expenses.

Cost of revenue as a percentage of net revenue within the eBusiness and Fulfillment segment increased as a result of the increase in cost of revenues from the SL Supply Chain acquisition, which generated lower gross margins than those realized in fiscal 2002 by the SalesLink business. Also, during fiscal 2003, the Company settled a royalty dispute for an amount less than originally estimated, which partially offset the increase in cost of revenue within the eBusiness and Fulfillment segment by approximately $1.0 million. In addition, SalesLink also incurred increased costs in fiscal 2003 related to amortization associated with a new Enterprise Resource Planning (ERP) system.

The decrease in cost of revenue within the Managed Application Services segment was due to the cessation of operations of NaviPath and the sale of Activate in the first quarter of fiscal year 2002. The decrease in cost of revenue within the Portals segment was due to the cessation of operations of MyWay during fiscal year 2002.

Research and Development Expenses:

	2003	As a % of Segment Net Revenue	2002	As a % of Segment Net Revenue	$ Change	% Change
			(in thousands)			
Enterprise Software and Services	$ 332	146%	$ 2,531	196%	$ (2,199)	(87)%
Managed Application Services	—	—	507	8%	(507)	(100)%
Portals	—	—	1,694	26%	(1,694)	(100)%
Total	$ 332	—	$ 4,732	3%	$ (4,400)	(93)%

Research and development expenses consist primarily of personnel and related costs to design, develop, enhance, test and deploy the Company's products and services either prior to the development efforts reaching technological feasibility or once the product had reached the maintenance phase of its life cycle. The Company's operating businesses, within the eBusiness and Fulfillment segment, do not incur significant research and development costs and the Company does not expect to incur significant research and development expenditures in the foreseeable future. The decrease in research and development expenses within the Enterprise Software and Services segment during fiscal 2003, as compared to fiscal 2002, was primarily the result of the sale of Equilibrium during the first quarter of fiscal 2003. The decrease in research and development expenses during fiscal 2003 within the Managed Application Services segment was the result of the sale of Activate during fiscal 2002 and the decrease within the Portals segment was due to the cessation of operations of MyWay during fiscal 2002.

Selling Expenses:

	2003	As a % of Segment Net Revenue	2002	As a % of Segment Net Revenue	$ Change	% Change
			(in thousands)			
eBusiness and Fulfillment	$ 4,322	1%	$ 2,212	1%	$ 2,110	95%
Enterprise Software and Services	464	204%	4,647	361%	(4,183)	(90)%
Managed Application Services	—	—	1,128	18%	(1,128)	(100)%
Portals	—	—	(1,705)	(26)%	1,705	100%
Other	2,006	—	22,075	—	(20,069)	(91)%
Total	$ 6,792	2%	$ 28,357	17%	$ (21,565)	(76)%

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Selling expenses consist primarily of advertising and other general marketing related expenses, compensation and employee-related expenses, sales commissions, facilities costs, and travel costs. The decrease was primarily due to a one-time charge of approximately $20.0 million recorded in fiscal 2002 as a result of the Company's amended sponsorship arrangement with the New England Patriots. The overall decrease in selling expenses during fiscal 2003 was due in part to the cessation of operations at NaviPath and MyWay, the sale of Activate in fiscal 2002, and the sale of Equilibrium during the first quarter of fiscal 2003.

The increase in selling expenses within the eBusiness and Fulfillment segment was primarily attributable to the Company's acquisition of the SL Supply Chain business during the fourth quarter of fiscal 2002. The acquisition resulted in increased headcount and personnel-related costs within the selling and marketing functions. The decrease in selling expenses within the Enterprise Software and Services segment was primarily the result of the sale of Equilibrium in the first quarter of fiscal 2003. The decrease in selling expenses within the Managed Application Services segment was the result of the cessation of operations of NaviPath and the sale of Activate. The increase in selling expense within the Portals segment was the result of the cessation of operations of MyWay during fiscal 2002.

The decrease in selling expenses within the Other category was primarily due to a one-time charge of approximately $20.0 million recorded in fiscal 2002 as a result of the Company's amended sponsorship arrangement with the New England Patriots. Under the terms of the amendment, the Company is obligated to make a series of payments of $1.6 million per year through July 2015. During fiscal 2003, approximately $1.4 million of one-time costs were included in selling expenses with respect to this arrangement. The remaining $0.6 million represents headcount and other costs associated with the Company's corporate marketing programs.

General and Administrative Expenses:

	2003	As a % of Segment Net Revenue	2002	As a % of Segment Net Revenue	$ Change	% Change
			(in thousands)			
eBusiness and Fulfillment	$26,013	6%	$17,946	12%	$ 8,067	45%
Enterprise Software and Services	332	146%	3,792	294%	(3,460)	(91)%
Managed Application Services	(331)	(38)%	4,075	66%	(4,406)	(108)%
Portals	(1,011)	—	(1,935)	(30)%	924	48%
Other	37,333	—	30,720	—	6,613	22%
Total	$62,336	14%	$54,598	32%	$ 7,738	14%

The overall increase in general and administrative expenses was primarily attributable to the Company's acquisition of the SL Supply Chain business during the fourth quarter of fiscal year 2002. General and administrative expenses consist primarily of compensation and other employee-related costs, facilities costs, bad debt expense, depreciation expense and fees for professional services. The overall increase in general and administrative expenses during fiscal 2003 were partially offset by decreases attributable to the sale of Activate in fiscal 2002, the sale of Equilibrium during the first quarter of fiscal 2003, and the cessation of operations of NaviPath and MyWay in fiscal 2002.

The increase in general and administrative expenses within the eBusiness and Fulfillment segment was primarily attributable to the Company's acquisition of the SL Supply Chain business during the fourth quarter of fiscal 2002. The decrease in general and administrative expenses within the Enterprise Software and Services segment was primarily the result of the Company's sale of Equilibrium during the first quarter of fiscal 2003.

The decrease in general and administrative expenses in the Managed Application Services segment was due to the cessation of operations at NaviPath and the sale of Activate. The decrease in the general and administrative expenses within the Portals segment was the result of the cessation of operations of MyWay. The Company's Portal segment results for fiscal 2003 include the impact of a $1.0 million benefit in general and administrative expenses due to the settlement of certain contractual obligations of MyWay at amounts less than originally anticipated.

The general and administrative expenses within the Other category primarily reflect the cost of the Company's directors and officers insurance, costs related to the Company's former corporate headquarters facility, and costs associated with maintaining certain of the Company's information technology systems. General and administrative expenses also include certain corporate administrative functions such as legal, and finance and business development, which are not fully allocated to the Company's subsidiary companies, and administrative costs related to the Company's venture capital entities. General and administrative expenses increased in fiscal 2003 primarily due to a one-time charge of $5.6 million during fiscal 2003 related to vacant office space at the Company's former headquarters facility.

Amortization of Intangible Assets and Stock-Based Compensation:

	2003	As a % of Segment Net Revenue	2002	As a % of Segment Net Revenue	$ Change	% Change
			(in thousands)			
eBusiness and Fulfillment	$ —	—	$ 2,194	1%	$ (2,194)	(100)%
Enterprise Software and Services	—	—	4,591	356%	(4,591)	(100)%
Other	218	—	(1,844)	—	2,062	112%
Total	$ 218	—	$ 4,941	3%	$ (4,723)	(96)%

Amortization of intangible assets and stock-based compensation during fiscal 2003 consisted primarily of amortization expense related to stock-based compensation. Amortization of intangible assets and stock-based compensation during the same period in the prior fiscal year consisted primarily of goodwill amortization expense related to acquisitions made by the Company during fiscal year 2000. Included within amortization of intangible assets and stock-based compensation expenses was approximately $0.2 million of stock-based compensation for fiscal 2003 and 2002, respectively.

The decrease in amortization of intangible assets and stock-based compensation within the eBusiness and Fulfillment and the Enterprise Software and Services segments during fiscal 2003, as compared to fiscal 2002, was primarily the result of the adoption of Statement of Financial Accounting Standard (SFAS) Nos. 141 and 142. In accordance with the provisions of these statements as of August 1, 2002, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized, but will be subject to periodic impairment tests. Other intangible assets will continue to be amortized over their estimated useful lives. As a result of adoption of SFAS Nos. 141 and 142, during fiscal 2003 there was no amortization of intangible assets with indefinite lives. Amortization of intangible assets during the same period in the prior fiscal year related to goodwill amortization for Equilibrium, which was sold during the first quarter of fiscal 2003. Amortization of intangible assets within the eBusiness and Fulfillment segment in the prior fiscal year related to goodwill amortization for SalesLink. Amortization of intangible assets within the Other category in the prior fiscal year includes a $2.1 million benefit related to goodwill amortization in connection with the deconsolidation of the Company's former subsidiary Blaxxun.

Impairment of Long-Lived Assets:

	2003	As a % of Segment Net Revenue	2002	As a % of Segment Net Revenue	$ Change	% Change
			(in thousands)			
Managed Application Services	$ 309	35%	$ —	—	$ 309	100%
Portals	147	—	154	2%	(7)	(5)%
Other	—	—	2,328	—	(2,328)	(100)%
Total	$ 456	—	$ 2,482	1%	$ (2,026)	(82)%

During fiscal 2003, the Company recorded approximately $ 0.5 million in impairment charges related to the write-off of computer equipment and furniture and fixtures. During fiscal 2002, the Company recorded impairment charges totaling approximately $2.3 million related to the write-off of capitalized software development costs, computer equipment, and furniture and fixtures at the Company's former corporate headquarters.

Restructuring, net:

	2003	As a % of Segment Net Revenue	2002	As a % of Segment Net Revenue	$ Change	% Change
			(in thousands)			
eBusiness and Fulfillment	$ 21,697	5%	$ —	—	$ 21,697	100%
Enterprise Software and Services	(70)	(31)%	(532)	(41)%	462	87%
Managed Application Services	1,556	177%	(16,668)	(271)%	18,224	109%
Portals	881	—	6,131	94%	(5,250)	(86)%
Other	31,284	—	7,951	—	23,333	293%
Total	$ 55,348	13%	$ (3,118)	(2)%	$ 58,466	(1,875)%

The Company's restructuring initiatives during fiscal 2003 and 2002 involved strategic decisions to exit certain businesses and to reposition certain on-going businesses of the Company. Restructuring charges consisted primarily of contract terminations, severance charges and facility 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 included employee termination costs as a result of workforce reductions. The contract terminations primarily consisted of costs to exit facility and equipment leases, including leasehold improvements, and to terminate bandwidth and other vendor contracts. The Company also recorded charges related to operating leases with no future economic benefit to the Company as a result of the abandonment of unutilized facilities.

During fiscal 2003, the restructuring charges in the eBusiness and Fulfillment segment primarily related to restructuring initiatives at the Company's wholly-owned subsidiary, SalesLink, which recorded charges of approximately $21.7 million, including non-cash charges of $7.8 million, during the period. These charges were the result of the implementation of a restructuring plan designed to reduce overhead costs in response to continued weak demand for U.S. based supply chain management services. The restructuring charges related primarily to an unoccupied facility in Newark, California, vacant partitioned space in SalesLink's Memphis facility, unutilized fixed assets in these facilities, and a workforce reduction of 219 employees.

During fiscal 2003, the restructuring charges in the Managed Application Services and Portals segments related to residual costs associated with the cessation of operations of the Company's NaviPath, iCast, and MyWay subsidiaries. The restructuring charges in the Other category primarily relate to restructuring initiatives at the Company's corporate headquarters, including contract terminations and costs to exit facility and equipment leases, the realization through operations of the cumulative foreign currency translation adjustment as a result of the shutdown of the Company's European subsidiary, and asset impairment charges related to the write-off of capitalized software and equipment and leasehold improvements.

During fiscal 2002, the restructuring benefit in the Enterprise Software and Services segment related to the settlement by Equilibrium of certain contractual obligations for amounts less than originally estimated. The net restructuring benefit recorded during fiscal 2002 in the Managed Application Services segment primarily related to charges of approximately $4.1 million recorded by NaviPath, offset by a reversal of approximately $21.1 million of previously recorded restructuring charges at NaviPath. The restructuring charge recorded by NaviPath primarily related to severance costs and legal and other professional fees incurred in connection with the cessation of its operations. The restructuring benefit recorded by NaviPath related to the settlement by NaviPath of certain contractual purchase commitments, breakage fees and service contracts for amounts less than originally estimated. These original estimates were made based primarily on contractual termination clauses within the related contracts.

During fiscal 2002, the net restructuring charge incurred in the Portals segment primarily related to charges of approximately $6.8 million at MyWay related to the write-off of property and equipment and the termination of customer and vendor contracts, partially offset by a reversal of approximately $1.4 million of previously recorded restructuring charges at MyWay. The restructuring benefit recorded by MyWay related to the favorable settlement of contractual obligations for amounts less than originally estimated. Additionally, iCast recorded a restructuring charge of approximately $0.8 million in fiscal 2002 related to exit cost associated with a facility lease, beyond what had been previously recorded as a restructuring charge. The net restructuring charges incurred in the Other category of approximately $7.9 million primarily related to charges of approximately $6.2 million related to severance costs incurred in connection with the termination of approximately 70 employees at the Company's corporate headquarters, the write-off of property and equipment and costs incurred to exit facility leases in Europe, partially offset by a restructuring benefit of approximately $0.5 million recorded by CMGI@Ventures related to the favorable negotiation of the termination of a real estate lease.

Other Income/Expense:

Interest income decreased $11.0 million to $3.4 million in fiscal year 2003 from $14.4 million in fiscal year 2002, reflecting decreased interest income associated with lower average cash and cash equivalent balances and lower interest rates in fiscal 2003 as compared to fiscal 2002.

Interest (expense) recovery, net totaled $0.3 million in fiscal 2003, compared to interest recovery of $22.0 million in fiscal 2002. The net recovery during fiscal 2003 primarily consisted of a fair market value adjustment of approximately $6.3 million related to the Company's PCCW stock holdings, offset by interest expense related to the Company's stadium obligation of $0.9 million, interest expense related to the obligation to the former holders of the Series C Preferred Stock of $4.3 million and interest expense of $0.8 million related to a bank borrowing arrangement at the Company's SalesLink subsidiary. The net recovery during fiscal 2002 primarily related to a fair market value adjustment of approximately $36.4 million related to the Company's PCCW stock holdings, offset by interest expense related to the obligation to the former holders of the Series C Preferred Stock of $8.2 million, and interest expense of approximately $6.2 million related to the Company's note payable to HP.

In connection with the repurchase of the outstanding shares of its Series C Preferred Stock in November 2001, the Company incurred an obligation to deliver approximately 448.3 million shares of its PCCW stock holdings to the Series C Preferred Stockholders no later than December 2, 2002. On December 2, 2002 the Company fulfilled its obligation to deliver approximately 448.3 million shares of PCCW stock to the Series C Preferred Stockholders. Prior to the satisfaction of the obligation to the deliver the shares, the Company had accounted for the 448.3 million shares of PCCW stock as a trading security and the liability related to the obligation to deliver the PCCW stock as a current note payable, both of which were carried at market value. Changes in the fair value of the PCCW stock and the note payable have been recorded in the consolidated statements of operations as Other losses, net and as adjustments to interest expense, respectively.

Other losses, net totaled ($41.3) million during fiscal 2003 as compared to ($68.0) million for the same period in the prior fiscal year. Other losses, net during fiscal 2003 primarily consisted of a pre-tax loss of approximately ($28.2) million related to impairment charges for other-than-temporary declines in the carrying value of certain investments in affiliates, a pre-tax loss of approximately ($14.1) million from the divestiture of the Company's debt and equity interests in Signatures SNI, Inc., a pre-tax loss of approximately ($6.3) million related to impairment charges for other-than-temporary declines in the carrying value of marketable securities, a pre-tax loss of approximately ($3.5) million on the Company's sale of Equilibrium, offset by a pre-tax gain of approximately $7.4 million related to the acquisition of Vicinity by Microsoft and a pre-tax gain of approximately $6.3 million on the sale of Overture common stock by AltaVista. Other losses, net of ($68.0) million during fiscal 2002 consisted primarily of a pre-tax loss of ($31.9) million on the sale of certain marketable securities, a ($21.4) million loss from the sale of the Company's Activate subsidiary, a pre-tax loss of approximately ($44.7) million related to impairment charges for other-than-temporary declines in the carrying value of certain investments in affiliates, a pre-tax loss of approximately ($20.7) million related to impairment charges for other-than-temporary declines in the carrying value of certain investments in marketable securities, offset by a pre-tax gain of approximately $53.9 million on the arrangement that hedged the Company's investment in Yahoo! common stock, which was settled during fiscal 2002.

Equity in losses of affiliates, net 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. Equity in losses of affiliates decreased $13.6 million to $1.8 million in fiscal 2003, from $15.4 million in 2002, primarily as a result of a decreased number of investments accounted for under the equity method as compared to the prior fiscal year. The Company expects its affiliate companies to continue to invest in the development of their products and services, and to recognize operating losses, which will result in future charges recorded by the Company to reflect its proportionate share of such losses.

Minority interest of $0.3 million during fiscal 2003 related to a joint venture in which SL Supply Chain holds a 50% interest. Minority interest during fiscal 2002 was $0.

Income Tax Expense:

Income tax expense attributable to continuing operations recorded for the twelve months ended July 31, 2003 was approximately $3.2 million. Income tax expense for the twelve months ended July 31, 2003 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 valuation allowances recognized on deferred tax assets. The income tax expense recorded includes a provision for foreign taxes associated with the Company's operations outside of the United States.

Fiscal 2002 compared to Fiscal 2001

Net Revenue:

	2002	As a % of Total Net Revenue	2001	As a % of Total Net Revenue	$ Change	% Change
			(in thousands)			
eBusiness and Fulfillment	$ 154,493	92%	$ 211,785	75%	$ (57,292)	(27)%
Enterprise Software and Services	1,289	—	948	—	341	36%
Managed Application Services	6,158	4%	49,054	18%	(42,896)	(87)%
Portals	6,536	4%	19,053	7%	(12,517)	(66)%
Total	$ 168,476	100%	$ 280,840	100%	$ (112,364)	(40)%

The decrease in net revenue in fiscal year 2002 as compared to fiscal year 2001 was largely the result of decreased net revenue within the eBusiness and Fulfillment segment and the effects of the sale or cessation of operations of several companies in fiscal 2002 and 2001. The decrease in net revenue within the eBusiness and Fulfillment segment was primarily due to decreased net revenue at SalesLink and the Company's sale of a majority interest in Signatures in February 2001. Net revenue at SalesLink decreased in fiscal year 2002 as compared to fiscal year 2001 due to volume decreases in supply chain management and literature distribution services; however, these net revenue declines were partially offset by the net revenue contribution provided by CMGI's acquisition of SL Supply Chain during the fourth quarter of fiscal year 2002. The increase in net revenue within the Enterprise Software and Services segment was primarily due to an increase in revenue at Equilibrium. The decrease in net revenue within the Managed Application Services segment was primarily due to the cessation of operations of NaviPath and 1stUp, and the sale of Activate. The decrease in net revenue within the Portals segment was primarily due to the cessation of operations of MyWay during fiscal year 2002.

Cost of Revenue:

	2002	As a % of Segment Net Revenue	2001	As a % of Segment Net Revenue	$ Change	% Change
			(in thousands)			
eBusiness and Fulfillment	$ 133,231	86%	$ 176,608	83%	$ (43,377)	(25)%
Enterprise Software and Services	217	17%	1,593	168%	(1,376)	(86)%
Managed Application Services	14,748	239%	141,392	288%	(126,644)	(90)%
Portals	3,944	60%	31,422	165%	(27,478)	(87)%
Total	$ 152,140	90%	$ 351,015	125%	$ (198,875)	(57)%

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 and certain facilities costs. The Company's cost of revenue as a percentage of net revenue decreased primarily as a result of the cessation of operations of NaviPath, 1stUp, MyWay, iCast, and ExchangePath during fiscal 2001 and 2002.

Cost of revenue as a percentage of net revenue within the eBusiness and Fulfillment segment increased as a result of higher cost of revenue at SalesLink. Cost of revenue as a percentage of net revenue for SalesLink increased largely as a result of lower sales levels and reduced pricing of SalesLink's services within its supply chain management and literature distribution businesses, respectively, increased depreciation expense related to a new Enterprise Resource Planning (ERP) system, and increased costs associated with the transition to its new distribution center in Memphis, Tennessee. Cost of revenue as a percentage of net revenue within the Enterprise

Software and Services segment decreased primarily due to lower cost of revenue at Equilibrium. Cost of revenue as a percentage of net revenue within the Managed Application Services segment decreased primarily as a result of the cessation of operations at NaviPath and 1stUp, and the sale of Activate. Cost of revenue as a percentage of net revenue within the Portals segment decreased primarily as a result of the cessation of operations at MyWay and iCast.

Research and Development Expenses:

	2002	As a % of Segment Net Revenue	2001	As a % of Segment Net Revenue	$ Change	% Change
			(in thousands)			
eBusiness and Fulfillment	$ —	—	$ 703	—	$ (703)	(100)%
Enterprise Software and Services	2,531	196%	4,133	436%	(1,602)	(39)%
Managed Application Services	507	8%	10,425	21%	(9,918)	(95)%
Portals	1,694	26%	10,086	53%	(8,392)	(83)%
Total	$ 4,732	3%	$ 25,347	9%	$ (20,615)	(81)%

Research and development expenses consisted primarily of personnel and related costs to design, develop, enhance, test and deploy the Company's products and services either prior to the development efforts reaching technological feasibility or once the product had reached the maintenance phase of its life cycle. Research and development expenses decreased primarily due to the cessation of operations at MyWay, ExchangePath, iCast, NaviPath, and 1stUp. The decrease in research and development expenses within the Enterprise Software and Services segment in fiscal year 2002, as compared to the prior fiscal year, was primarily the result of restructuring efforts at Equilibrium prior to the sale of that entity in October 2002. The decrease in research and development expense within the eBusiness and Fulfillment segment was the result of the sale of a majority interest in Signatures during fiscal year 2001. The decrease in research and development expense within the Managed Application Services segment was primarily the result of the cessation of operations at ExchangePath, NaviPath, and 1stUp, and the sale of Activate. The decrease in research and development expense within the Portals segment was primarily due to the cessation of operations of MyWay and iCast.

In-Process Research and Development Expenses:

	2002	As a % of Segment Net Revenue	2001	As a % of Segment Net Revenue	$ Change	% Change
			(in thousands)			
Other	$ —	—	$ 762	—	$ (762)	(100)%
Total	$ —	—	$ 762	—	$ (762)	(100)%

The Company did not incur any in-process research and development expenses during fiscal year 2002. In-process research and development expenses totaled approximately $0.8 million in fiscal year 2001. The in-process research and development expenses incurred during fiscal year 2001 related to a charge recorded in connection with CMGI@Ventures IV, LLC's investment in Avamar Technologies, Inc.

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Selling Expenses:

	2002	As a % of Segment Net Revenue	2001	As a % of Segment Net Revenue	$ Change	% Change
			(in thousands)			
eBusiness and Fulfillment	$ 2,212	1%	$ 5,172	2%	$ (2,960)	(57)%
Enterprise Software and Services	4,647	361%	9,217	972%	(4,570)	(50)%
Managed Application Services	1,128	18%	23,159	47%	(22,031)	(95)%
Portals	(1,705)	(26)%	12,187	64%	(13,892)	(114)%
Other	22,075	—	12,855	—	9,220	72%
Total	$ 28,357	17%	$ 62,590	22%	$ (34,233)	(55)%

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 fulfillment costs, including warehousing costs related to activities such as receiving goods and the picking and packing of goods for shipment within the Company's eBusiness and Fulfillment segment, are classified as selling expenses. Selling expenses decreased during fiscal year 2002, as compared to the prior fiscal year by approximately 55%. The decrease was primarily due to headcount reductions, lower sales commissions as a result of lower net revenue, significant reductions in marketing campaigns, the cessation of the operations of ExchangePath and 1stUp, the effect of the sale of the Company's majority interest in Signatures and the sale of Activate.

The decrease in selling expenses within the eBusiness and Fulfillment segment was primarily the result of the sale of the Company's majority interest in Signatures. The decrease within the Enterprise Software and Services segment was primarily the result of reductions in selling expenses at Equilibrium. The decrease in selling expense within the Managed Application Services segment was primarily the result of reductions in headcount, sales commissions and marketing programs due to the sale of Activate and the closing of operations at NaviPath, ExchangePath and 1stUp. The decrease in selling expense within the Portals segment was primarily the result of the closing of the operations of iCast and MyWay, including a $2.4 million benefit from the finalization of estimates associated with the closure activities of iCast and MyWay. The increase in selling expense within the Other category during fiscal year 2002 was primarily the result of a one-time charge in the fourth quarter of approximately $20.0 million that the Company recorded as a result of changes in its sponsorship arrangement with the New England Patriots. Under the terms of the original sponsorship agreement, the Company was to pay $7.6 million per year for the first ten years, with consumer price index adjustments for years eleven through fifteen, in exchange for a comprehensive collection of sponsorship and promotional rights associated with the stadium. Under the terms of an amendment to the original agreement, the Company is obligated to make a series of payments of $1.6 million per year through July 2015. The amendment to the original agreement reduced the Company's future obligation by approximately $86.0 million. During fiscal 2002, significant reductions were made in corporate marketing, staff and related costs as part of an overall effort to reduce spending across all administrative functions.

General and Administrative Expenses:

	2002	As a % of Segment Net Revenue	2001	As a % of Segment Net Revenue	$ Change	% Change
			(in thousands)			
eBusiness and Fulfillment	$ 17,946	12%	$ 19,283	9%	$ (1,337)	(7)%
Enterprise Software and Services	3,792	294%	7,021	741%	(3,229)	(46)%
Managed Application Services	4,075	66%	24,416	50%	(20,341)	(83)%
Portals	(1,935)	(30)%	10,231	54%	(12,166)	(119)%
Other	30,720	—	77,854	—	(47,134)	(61)%
Total	$ 54,598	32%	$ 138,805	49%	$ (84,207)	(61)%

General and administrative expenses consisted primarily of compensation and other employee related costs, facilities costs, bad debt expense and fees for professional services. General and administrative expenses decreased in fiscal year 2002 as compared to the prior fiscal year, primarily due to headcount reductions, the consolidation of office space, reduced information systems costs, the cessation of the operations of NaviPath, MyWay, iCast, 1stUp, and ExchangePath, and the sale of Activate.

The decrease in general and administrative expenses within the eBusiness and Fulfillment segment was primarily the result of the sale of the Company's majority interest in Signatures. The decrease in general and administrative expenses within the Enterprise Software and Services segment was primarily the result of significant reductions in payroll and other employee related expenses as a result of restructuring initiatives. The decrease in general and administrative expenses in the Managed Application Services segment was primarily due to the cessation of operations at NaviPath, 1stUp and ExchangePath, and the sale of Activate. The decrease in the general and administrative expenses within the Portals segment was primarily the result of closing the operations of MyWay and iCast, including a $6.3 million benefit from the finalization of estimates associated with the closing activities of MyWay and iCast. The decrease in the general and administrative expenses within the Other category, which includes certain corporate administrative functions such as legal, finance and business development which are not fully allocated to CMGI's subsidiary companies, was primarily the result of a decrease in headcount-related expenses as part of an overall effort to reduce spending across all administrative functions.

Amortization of Intangible Assets and Stock-Based Compensation:

	2002	As a % of Segment Net Revenue	2001	As a % of Segment Net Revenue	$ Change	% Change
			(in thousands)			
eBusiness and Fulfillment	$ 2,194	1%	$ 23,694	11%	$ (21,500)	(91)%
Enterprise Software and Services	4,591	356%	14,607	1,541%	(10,016)	(69)%
Managed Application Services	—	—	24,714	50%	(24,714)	(100)%
Portals	—	—	119,471	627%	(119,471)	(100)%
Other	(1,844)	—	218	—	(2,062)	(946)%
Total	$ 4,941	3%	$ 182,704	65%	$ (177,763)	(97)%

Amortization of intangible assets and stock-based compensation consisted primarily of goodwill amortization expense related to acquisitions made during fiscal year 2000. Included within amortization of intangible assets and stock-based compensation expenses was approximately $0.2 million and $68.3 million of stock-based compensation for the fiscal year ended July 31, 2002 and 2001, respectively. The overall decrease in amortization of intangible assets was primarily the result of intangible asset impairment charges recorded during fiscal 2001. These impairment charges reduced the carrying amounts of goodwill and other intangible assets, to be amortized over their remaining useful lives.

The decrease in amortization of intangible assets and stock-based compensation within the eBusiness and Fulfillment segment in fiscal year 2002 was primarily the result of a decrease in the amortization of stock-based compensation due to the sale of the Company's majority interest in Signatures. The decrease in amortization of intangible assets and stock-based compensation within the Enterprise Software and Services segment in fiscal year 2002, as compared to fiscal year 2001, was primarily the result of impairment charges recorded during fiscal year 2001 related to certain intangible assets of Equilibrium. The decrease in amortization of intangible assets and stock-based compensation within the Managed Application Services segment in fiscal year 2002 was primarily the result of impairment charges recorded during fiscal year 2001 related to Activate, which was sold in September 2001, and the cessation of operations at 1stUp. The decrease in amortization of intangible assets and stock-based compensation within the Portals segment primarily resulted from impairment charges recorded during fiscal year 2001 related to certain intangible assets of MyWay, and to a lesser extent iCast. Amortization of intangible assets within the Other category in the prior fiscal year includes a $2.1 million benefit related to goodwill amortization in connection with the deconsolidation of the Company's former subsidiary Blaxxun. The Company adopted Statement of Financial Accounting Standards (SFAS) Nos. 141 and 142 during the first quarter of fiscal 2003. In accordance with the provisions of these statements, as of August 1, 2002, goodwill and intangible assets deemed to have indefinite lives are no longer amortized, and are subject to periodic impairment tests. Other intangible assets continue to be amortized over their estimated useful lives.

Impairment of Long-Lived Assets:

	2002	As a % of Segment Net Revenue	2001	As a % of Segment Net Revenue	$ Change	% Change
			(in thousands)			
eBusiness and Fulfillment	$ —	—	$ 3,500	2%	$ (3,500)	(100)%
Managed Application Services	—	—	58,754	120%	(58,754)	(100)%
Portals	154	2%	108,405	569%	(108,251)	(100)%
Other	2,328	—	—	—	2,328	100%
Total	$ 2,482	1%	$ 170,659	61%	$ (168,177)	(99)%

During the fiscal years ended July 31, 2002 and 2001, the Company recorded impairment charges totaling approximately $2.5 million and $170.7 million, respectively. The decrease in impairment charges in fiscal 2002, as compared to fiscal 2001, within the eBusiness and Fulfillment segment was primarily the result of impairment charges recorded during fiscal year 2001 related to certain goodwill and intangible assets of SalesLink. The decrease in impairment charges within the Managed Application Services segment was primarily the result of impairment charges recorded during fiscal year 2001 related to Activate, which was sold in September 2001, and the cessation of operations at 1stUp and ExchangePath. The decrease in impairment charges within the Portals segment results primarily from impairment charges recorded during fiscal year 2001 related to certain intangible assets of MyWay, and to a lesser extent iCast. The impairment charge recorded within the Other category in fiscal 2002 of approximately $2.3 million was primarily due to the write-off of certain capitalized software costs, computer equipment and furniture and fixtures at the Company's former headquarters.

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Restructuring, net:

	2002	As a % of Segment Net Revenue	2001	As a % of Segment Net Revenue	$ Change	% Change
			(in thousands)			
Enterprise Software and Services	$ (532)	(41)%	$ 2,041	215%	$ (2,573)	(126)%
Managed Application Services	(16,668)	(271)%	67,438	137%	(84,106)	(125)%
Portals	6,131	94%	28,647	150%	(22,516)	(79)%
Other	7,951	—	11,081	—	(3,130)	(28)%
Total	$ (3,118)	(2)%	$ 109,207	39%	$ (112,325)	(103)%

The Company's restructuring initiatives during fiscal 2002 and 2001 involved strategic decisions to exit certain businesses and to reposition certain on-going businesses of the Company. Restructuring charges consisted primarily of contract terminations, severance charges and equipment charges incurred as a result of the cessation of operations of certain subsidiaries and actions taken at several remaining subsidiaries to increase operational efficiencies, improve margins and further reduce expenses. Severance charges include employee termination costs as a result of workforce reductions. Employees affected by the restructuring were notified both through direct personal contact and by written notification. The contract terminations primarily consisted of costs to exit facility and equipment leases and to terminate bandwidth and other vendor contracts. The asset impairment charges primarily relate to the write-off of property and equipment. The decrease in restructuring charges in fiscal 2002, as compared to fiscal 2001, is primarily the result of restructuring charges recorded during 2001 at the Company's NaviPath, 1stUp, iCast and MyWay subsidiaries.

During fiscal 2002, the restructuring benefit in the Enterprise Software and Services segment related to the settlement by Equilibrium of certain contractual obligations for amounts less than originally estimated. The net restructuring benefit recorded during fiscal 2002 in the Managed Application Services segment primarily related to charges of approximately $4.1 million recorded by NaviPath, offset by a reversal of approximately $21.1 million of previously recorded restructuring charges at NaviPath. The restructuring charge recorded by NaviPath primarily related to severance costs and legal and other professional fees incurred in connection with the cessation of its operations. The restructuring benefit recorded by NaviPath related to the settlement by NaviPath of certain contractual purchase commitments, breakage fees and service contracts for amounts less than originally estimated. These original estimates were made based primarily on contractual termination clauses within the related contracts. The net restructuring charge incurred in the Portals segment primarily related to charges of approximately $6.8 million at MyWay related to the write-off of property and equipment and the termination of customer and vendor contracts, partially offset by a reversal of approximately $1.4 million of previously recorded restructuring charges at MyWay. The restructuring benefit recorded by MyWay related to the favorable settlement of contractual obligations for amounts less than originally estimated. Additionally, iCast recorded a restructuring charge of approximately $0.8 million in fiscal 2002 related to exit cost associated with a facility lease, beyond what had been previously recorded as a restructuring charge. The net restructuring charges incurred in the Other category of approximately $8.0 million primarily related to charges of approximately $6.2 million related to severance costs incurred in connection with the termination of approximately 70 employees at the Company's corporate headquarters, the write-off of property and equipment and costs incurred to exit facility leases in Europe, partially offset by a restructuring benefit of approximately $0.5 million recorded by CMGI @Ventures related to the favorable negotiation of the termination of a real estate lease.

During fiscal 2001, the restructuring charges in the Enterprise Software and Services segment primarily related to restructuring initiatives at Equilibrium for charges related to contract terminations, employee severance costs, and asset impairment charges related to the write-off of property and equipment. The restructuring charges in the Managed Application Services segment during 2001 primarily related to charges of approximately $60.5

million at NaviPath for costs related to contract terminations and costs to exit facility and equipment leases and charges of $4.6 million at the Company's 1stUp subsidiary for costs related to contract terminations, employee severance costs, and asset impairment charges related to the write-off of property and equipment. The restructuring charges in the Portals segment related to costs of $16.2 million and $12.4 million, respectively, at the Company's MyWay and iCast subsidiaries for costs related to contract terminations, employee severance costs, and the write-off of certain property and equipment. During fiscal 2001, the restructuring charges incurred in the Other category primarily related to charges incurred at the Company's corporate headquarters for contract terminations, costs to exit facility and equipment leases, and employee severance costs.

Other Income/Expense:

Interest income decreased $27.0 million to $14.4 million in fiscal year 2002 from $41.4 million in fiscal year 2001, reflecting decreased interest income associated with lower average cash and cash equivalent balances and lower interest rates in fiscal 2002 as compared to fiscal 2001.

Interest (expense) recovery, net totaled $22.0 million in fiscal 2002, compared to interest expense of $(41.6) million in fiscal 2001. The net recovery during fiscal 2002 primarily related to a fair market value adjustment of approximately $36.4 million related to the Company's PCCW stock holdings, offset by interest expense related to the obligation to the former holders of the Series C Preferred Stock of $8.2 million, and interest expense of approximately $6.2 million related to the Company's $220.0 million note payable to HP. The decrease in interest expense during fiscal 2002 as compared to fiscal 2001 was primarily the result of the fiscal 2001 payment in full of the $376.9 million principal balance on the notes issued in connection with the acquisition of Tallán, the settlement of underlying debt associated with the borrowing arrangement entered into in connection with a hedge of the Company's investment in Yahoo! common stock and the retirement of the $220.0 million notes payable to Compaq Computer Corporation, now Hewlett-Packard (HP), in November of 2001.

In connection with the repurchase of the outstanding shares of its Series C Preferred Stock in November 2001, the Company incurred an obligation to deliver approximately 448.3 million shares of its PCCW stock holdings to the Series C Preferred Stockholders no later than December 2, 2002. On December 2, 2002 the Company fulfilled its obligation to deliver approximately 448.3 million shares of PCCW stock to the Series C Preferred Stockholders. Prior to the satisfaction of the obligation to the deliver the shares, the Company had accounted for the 448.3 million shares of PCCW stock as a trading security and the liability related to the obligation to deliver the PCCW stock as a current note payable, both of which were carried at market value. Changes in the fair value of the PCCW stock and the note payable have been recorded in the consolidated statements of operations as Other losses, net and as adjustments to interest expense, respectively.

Other losses, net decreased $254.0 million to ($68.0) million in fiscal 2002 from ($322.0) million in fiscal 2001. Other losses, net of ($68.0) million during fiscal 2002 primarily consisted of a pre-tax loss of ($31.9) million on the sale of certain marketable securities, a ($21.4) million loss from the sale of the Company's Activate subsidiary, a pre-tax loss of approximately ($44.7) million related to impairment charges for other-than-temporary declines in the carrying value of certain investments in affiliates, a pre-tax loss of approximately ($20.7) million related to impairment charges for other-than-temporary declines in the carrying value of certain investments in marketable securities, offset by a pre-tax gain of approximately $53.9 million on the arrangement that hedged the Company's investment in Yahoo! common stock which was settled during fiscal 2002.

Other losses, net of ($322.0) million during fiscal 2001 primarily consisted of a pre-tax loss of approximately ($498.3) million related to impairment charges for other-than-temporary declines in the carrying value of certain investments in marketable securities, a pre-tax loss of approximately ($148.9) million related to impairment charges for other-than-temporary declines in the carrying value of certain investments in affiliates, a pre-tax loss of approximately ($18.5) million related to the sale of the Company's majority interest in Signatures, Inc. offset by a pre-tax gain of approximately $48.2 million on the arrangement that hedged the Company's investment in Yahoo! common stock and a pre-tax gain of approximately $289.8 million on the sale of certain marketable securities.

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

Minority interest during fiscal 2002 was $0. Minority interest of $44.9 million during fiscal 2001 related to the Company's MyWay and NaviPath subsidiaries.

Income Tax Expense / Benefit:

Income tax benefit attributable to continuing operations recorded for the twelve months ended July 31, 2002 was approximately $7.1 million. Income tax benefit for the twelve months ended July 31, 2002 differs from the amount computed by applying the U.S. federal income tax rate of 35 percent to pre-tax loss primarily as a result of non-deductible goodwill amortization and impairment charges, valuation allowances recognized on deferred tax assets, and utilization of net operating loss from fiscal year 2001 due to a change in the tax law. During the twelve months ended July 31, 2002, the Company recorded net tax benefit of approximately $7.1 million, primarily attributable to the tax expense related to the recognition of a valuation allowance to continuing operations due to the reduction in expected future taxable income related to unrealized gains in "Accumulated other comprehensive income (loss)", net of tax benefit related to a change in the tax law, allowing for a portion of the fiscal year 2002 and 2001 net operating losses to be carried back up to five years against its U.S. federal taxable income reported in earlier years. The Company received $31.8 million in refunds during the fiscal year 2002.

Income tax expense attributable to continuing operations recorded for the twelve months ended July 31, 2001 was approximately $12.2 million. Income tax expense for the twelve months ended July 31, 2001 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 was more likely than not that these assets would not be realized in future years. See Note 20 of the Notes to Consolidated Financial Statements included in Item 8 below.

Extraordinary Item:

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

Discontinued Operations:

During the fiscal year ended July 31, 2003, the Company divested of a number of its operating companies, certain of which have been accounted for as discontinued operations. On September 9, 2002, the Company sold all of its equity and debt ownership interests in Engage. On September 11, 2002, the Company sold all its equity and debt ownership interests in NaviSite. On February 28, 2003, InfoUSA acquired Yesmail in a cash merger. On March 7, 2003, the Company sold all of its equity interests in Tallán. On April 25, 2003 and April 2, 2003, respectively, AltaVista and uBid sold substantially all of their assets and business operations. During the three months ended April 30, 2003, ProvisionSoft, a majority-owned operating company of CMGI ceased operations. As a result, each of these entities has been reported as discontinued operations for all periods presented.

The loss from discontinued operations for the fiscal year ended July 31, 2003 was $81.6 million. The loss from discontinued operations included revenues from discontinued operations of $168.8 million, total expenses of $374.9 million, and an operating loss of $206.1 million. The $206.1 million operating loss from discontinued operations was partially offset by a net gain on divestitures of $124.5 million. The net gain on divestitures included a $16.5 million loss on the Company's sale of its equity and debt interests in Engage, a $2.3 million gain on the Company's sale of its equity and debt interests in NaviSite, a $99.4 million gain by AltaVista on its sale of its assets and business operations, a $1.6 million gain on the Company's sale of its equity interests in Yesmail, the recognition of minority interest of approximately $35.7 million upon the cessation of operations of ProvisionSoft, and a $1.9 million gain on the Company's sale of its equity interests in Tallán and a $0.1 million gain by uBid on its sale of its assets and business operations.

The loss from discontinued operations for the fiscal year ended July 31, 2002 was $540.7 million. The loss from discontinued operations included revenues of $583.8 million and total expenses of $1,124.5 million. The $540.7 million loss from discontinued operations included impairment and restructuring charges of $139.5 million and $26.7 million, respectively.

The loss from discontinued operations for the fiscal year ended July 31, 2001 was $4,514.3 million. The loss from discontinued operations included revenues of $963.0 million and total expenses of $5,477.3 million. The $4,514.3 million loss from discontinued operations included impairment and restructuring charges of $3,192.7 million and $108.0 million, respectively.

Liquidity and Capital Resources

Historically, the Company has financed its operations and met its capital requirements primarily through funds generated from operations, the issuance of CMGI common stock, the sale of investments in subsidiary and affiliate entities and borrowings from lending institutions. As of July 31, 2003, the Company's primary sources of liquidity consisted of cash and cash equivalents of $196.9 million and available-for-sale securities of $79.2 million. Additionally, the Company's SalesLink subsidiary has a revolving bank credit facility of $23.0 million and an outstanding $6.3 million term loan. In July 2003, SalesLink amended its revolving credit facility and its term loan which has a term ending in June 2004. Advances under the credit facility may be in the form of loans or letters of credit. The credit facility includes restrictive covenants, all of which SalesLink was in compliance with at July 31, 2003. These covenants include liquidity and profitability measures and restrictions that limit the ability of SalesLink to merge, acquire or sell assets without prior approval from the bank. At July 31, 2003, approximately $12.3 million of SalesLink's credit facility had been reserved in support of outstanding letters of credit. The remaining available borrowings were $10.7 million. The Company's working capital at July 31, 2003 increased to approximately $204.7 million compared to $203.9 million at July 31, 2002.

At July 31, 2003, the Company's available-for-sale securities consisted primarily of shares of Overture Services, Inc. (Overture) common stock held by AltaVista and valued at approximately $76.0 million. Subsequent to July 31, 2003, AltaVista sold its Overture shares for approximately $75.5 million.

Net cash used for operating activities of continuing operations was $66.6 million in fiscal 2003, $94.3 million in fiscal 2002 and $366.0 million in fiscal 2001. Cash used for operating activities of continuing operations represents net income (loss) as adjusted for non-cash items. In fiscal 2003, non-cash items primarily included depreciation, amortization and impairment charges of $11.3 million, restructuring charges of $14.4 million, the realization of cumulative translation adjustment of $5.0 million related to the Company's European operations, and non-operating losses, net of $31.8 million. In fiscal 2002, non-cash items primarily included depreciation, amortization and impairment charges of $21.7 million, equity in loss of affiliates of $15.4 million, and non-operating gains, net of $102.1 million. In fiscal 2001, non-cash items primarily included depreciation, amortization and impairment charges of $377.1 million, equity in loss of affiliates of $45.7 million non-operating losses, net of $151.1 million, and minority interest of $44.9 million.

Investing activities of continuing operations provided cash of $97.1 million in fiscal 2003, used cash of $6.9 million in fiscal 2002, and provided cash of $855.8 million in fiscal 2001. The $97.1 million of cash provided from investing activities of continuing operations in fiscal 2003 primarily included $64.7 million in cash proceeds from AltaVista's sale of substantially all of its assets and business operations, and the subsequent sale by AltaVista of a portion of the Overture common stock received from the transaction, $7.1 million of cash proceeds from the Company's sale of Tallán, $5.0 million of cash proceeds from the Company's sale of Yesmail, $15.4 million of cash proceeds related to the acquisition of Vicinity by Microsoft, and $8.0 million of cash proceeds that the Company received from the sale of its minority interest in Signatures, partially offset by $4.0 million in capital expenditures. The $6.9 million of cash used for investing activities of continuing operations in fiscal 2002 primarily included $16.7 million of cash used for capital expenditures, $40.3 million of cash used for acquisitions, and $11.2 million of cash used for investments in affiliates. These expenditures were partially offset by $57.9 million of cash provided from the sale of marketable security investments. The $855.8 million of cash provided by investing activities of continuing operations in fiscal 2001 primarily included $56.5 million of cash used for capital expenditures, $9.6 million of cash used for acquisitions, and $73.5 million of cash used for investments in affiliates. These expenditures were offset by $995.7 million of cash provided from the sale of marketable security investments.

Financing activities of continuing operations provided cash of $0.2 million in fiscal 2003, used cash of $176.3 million in fiscal 2002, and provided cash of $6.7 million in fiscal 2001. The $0.2 million of cash provided by financing activities of continuing operations in fiscal 2003 primarily included $1.2 million of proceeds from the issuance of common stock, partially offset by $1.0 million of payments of long-term debt. The $176.3 million of cash used for financing activities of continuing operations in fiscal 2002 primarily included $75.0 million of payments of notes payable and $100.3 million of payments to retire the Company's Series C Convertible Preferred Stock obligations. The $6.7 million of cash provided by financing activities of continuing operations in fiscal 2001 primarily included $19.1 million of proceeds from the issuance of common stock, partially offset by $6.6 million of payments of long-term debt, $1.9 million in payments of notes payable and $1.8 million of payment s related to capital lease obligations.

Cash used for discontinued operations totaled $29.9 million, $118.6 million and $244.5 million for fiscal years 2003, 2002 and 2001, respectively.

The Company believes that its existing working capital will be sufficient to fund its operations, investments and capital expenditures for at least the next twelve months. Should additional capital be needed to fund future investment and acquisition activity, the Company may seek to raise additional capital through offerings of the Company's stock, or through debt financing. There can be no assurance, however, that the Company will be able to raise additional capital on terms that are favorable to the Company, or at all.

Off-Balance Sheet Financing Arrangements

The Company does not have any special purpose entities or off-balance sheet financing arrangements.

CRITICAL ACCOUNTING POLICIES

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

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

- *Revenue recognition*
- *Excess and obsolete inventory*
- *Restructuring expenses*
- *Loss contingencies*
- *Accounting for impairment of long-lived assets, goodwill and other intangible assets*
- *Investments*
- *Income Taxes*

Revenue Recognition. The Company derives its revenue primarily from the sale of products and literature fulfillment services, supply chain management services, and other services. Revenues are recognized as product is shipped and related services are performed in accordance with all applicable revenue recognition criteria. For these transactions, the Company applies the provisions of SEC Staff Accounting Bulletin No. 101, "Revenue Recognition." The Company recognizes revenue when there is persuasive evidence of an arrangement, title and risk of loss have passed, delivery has occurred or the services have been rendered, the sales price is fixed or determinable and collection of the related receivable is reasonably assured. The Company also applies the provisions of Emerging Issues Task Force (EITF) Issue No. 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent." The Company's application of EITF 99-19 includes evaluation of the terms of each major customer contract relative to a number of criteria that management considers in making its determination with respect to gross vs. net reporting of revenue for transactions with its customers. Management's criteria for making these judgments place particular emphasis on determining the primary obligor in a transaction and which party bears general inventory risk. The Company records all shipping and handling fees billed to customers as revenue, and related costs as cost of sales, when incurred, in accordance with EITF 00-10, "Accounting for Shipping and Handling Fees and Costs."

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

Restructuring Expenses. For restructuring plans implemented prior to December 31, 2002, the Company assessed 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 94-3). The Company also applies EITF Issue No. 95-3, "Recognition of Liabilities in Connection with a Purchase Business Combination" and Staff Accounting Bulletin (SAB) No. 100, "Restructuring and Impairment Charges." In accordance with this guidance, management must execute an exit plan that will result in the incurrence of costs that have no future economic benefit. Also under the terms of EITF 94-3, a liability for the restructuring charges is recognized in the period management approves the restructuring plan. The Company records liabilities that primarily include the estimated severance and other costs related to employee benefits and certain estimated costs to exit equipment and facility lease obligations, bandwidth agreements and other service contracts. These estimates are based on the remaining amounts due under various contractual agreements, adjusted for any anticipated contract cancellation penalty fees or any anticipated or unanticipated event or changes in circumstances that would reduce these obligations. The settlement of these liabilities could differ materially from recorded amounts. In June 2002, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 146, “Accounting for Costs Associated with Exit or Disposal Activities” which addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF 94-3. The statement requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Examples of costs covered by the statement include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operations, plant closing, or other exit or disposal activity. The provisions of this Statement have been applied by the Company to exit or disposal activities that were initiated after December 31, 2002.

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

Accounting for Impairment of Long-Lived Assets, Goodwill and Other Intangible Assets. Through July 31, 2002, the Company recorded impairment charges as a result of management’s ongoing business review and impairment analysis performed under its policy regarding impairment, utilizing the guidance in SFAS No. 121 “Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of” (SFAS No. 121). Where impairment indicators were identified, management evaluated whether the projected undiscounted cash flows were sufficient to cover the particular long-lived asset being reviewed. If the undiscounted cash flows were insufficient, management then determined the amount of the impairment charge by comparing the carrying value of long-lived assets to their fair value. On August 1, 2002, the Company adopted SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets.” Under SFAS No. 144, the Company tests certain long-lived assets or group of assets for recoverability whenever events or changes in circumstances indicate that the Company may not be able to recover the asset’s carrying amount. SFAS No. 144 defines impairment as the condition that exists when the carrying amount of a long-lived asset or group exceeds its fair value. When events or changes in circumstances dictate an impairment review of a long-lived asset or group, the Company evaluates recoverability by determining whether the undiscounted cash flows expected to result from the use and eventual disposition of that asset or group cover the carrying value at the evaluation date. If the undiscounted cash flows are not sufficient to cover the carrying value, the Company measures any impairment loss as the excess of the carrying amount of the long-lived asset or group over its fair value. Management predominantly uses third party valuation reports in its determination of fair value.

On August 1, 2002, the Company adopted SFAS No. 142, “Goodwill and Other Intangible Assets.” SFAS No. 142 requires the Company to evaluate its existing intangible assets and goodwill that were acquired in prior purchase business combinations, and to make any necessary reclassifications in order to conform with the new criteria in SFAS No. 141 for recognition apart from goodwill. Accordingly, the Company is required to reassess the useful lives and residual values of all identifiable intangible assets acquired in purchase business combinations, and make any necessary amortization period adjustments. In addition, to the extent an intangible asset is then determined to have an indefinite useful life, the Company is required to test the intangible asset for impairment in accordance with the provisions of SFAS No. 142. Other intangible assets will continue to be amortized over their useful lives.

Under the provisions of SFAS No. 142, the Company was required to perform transitional goodwill impairment tests as of August 1, 2002 within the first six months of adopting the standard. The Company completed the transitional goodwill impairment tests during the fiscal quarter ended January 31, 2003 and concluded that goodwill was not impaired. In order to complete the transitional goodwill impairment tests as required by SFAS No. 142, the Company identified its reporting units and determined the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of the date of adoption. In accordance with the provisions of SFAS No. 142, the Company has designated reporting units for purposes of assessing goodwill impairment. The standard defines a reporting unit as the lowest level of an entity that is a business and that can be distinguished, physically and operationally and for internal reporting purposes, from the other activities, operations, and assets of the entity. Based on the provisions of the standard, the Company has determined that it has one reporting unit for purposes of goodwill impairment testing. The Company determined the fair value of this reporting unit and compared it to the reporting unit's carrying amount using a third party valuation report. The Company's valuation methodology requires management to make judgments and assumptions based on historical experience and projections of future operating performance. If these assumptions differ materially from future results, the Company may record impairment charges in the future. Additionally, the Company's policy is to perform its annual impairment testing for all reporting units in the fourth quarter of each fiscal year. The Company performed its annual impairment test during the fourth quarter of fiscal 2003 and concluded Goodwill was not impaired. At July 31, 2003 the Company's carrying value of goodwill totaled $22.1 million.

Investments

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

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

The Company also maintains interests in several privately held companies through its various venture capital funds. These venture funds ("CMGI @Ventures") invest in early-stage technology companies. These equity investments are generally made in connection with a round of financing with other third-party investors. At July 31, 2003, the Company had approximately $19.0 million of equity investments in privately held companies. 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 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 investee company as they occur, limited to the extent of the Company's investment in, advances to and commitments for the investee. These adjustments are reflected in "Equity in losses of affiliates" in the Company's 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. The process of assessing whether a particular equity investment's net realizable value is less than its carrying cost requires a significant amount of judgment. In making this judgment, the Company carefully considers the investee's cash position, projected cash flows (both short and long-term), financing needs, recent financing rounds, most recent valuation data, the current investing environment, management/ownership changes, and competition. This valuation process is based primarily on information that the Company requests from these privately held companies and is not subject to the same disclosure and audit requirements as the reports required of U.S. public companies. As such, the reliability and accuracy of the data may vary. Based on the Company's evaluation, it recorded impairment charges related to its investments in privately held companies of $28.2 million, $44.7 million and

$148.9 million in fiscal years ended 2003, 2002 and 2001, respectively. These impairment losses are reflected in “Other gains (losses), net” in the Company’s Consolidated Statements of Operations.

Estimating the net realizable value of investments in privately held early-stage technology companies is inherently subjective and may contribute to significant volatility in our reported results of operations. For example, if the current weak investing environment continues throughout fiscal 2004, we may incur additional impairments to our equity investments in privately held companies, which could have an adverse impact on our future results 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, or a research and development company, start-up or development stage company, and if there is no 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.

Income Taxes

Income taxes are accounted for under the provisions of SFAS No. 109, “Accounting for Income Taxes,” using 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. SFAS No. 109 also requires that the deferred tax assets be reduced by a valuation allowance, if based on the weight of available evidence, it is more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods. This methodology requires estimates and judgments in the determination of the recoverability of deferred tax assets and in the calculation of certain tax liabilities. At July 31, 2003 and 2002, respectively, 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.

In addition, the calculation of the Company’s tax liabilities involves dealing with uncertainties in the application of complex tax regulations in a multitude of jurisdictions. The Company records liabilities for estimated tax exposures in the U.S. and other tax jurisdictions. The settlement of these estimated liabilities could differ materially from recorded amounts.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Standard (SFAS) No. 141, “Business Combinations,” and SFAS No. 142, “Goodwill and Other Intangible Assets.” SFAS No. 141 applies 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 these statements, goodwill and intangible assets deemed to have indefinite lives are no longer amortized but are subject to annual impairment tests in accordance with the statements. Other intangible assets continue to be amortized over their useful lives. The Company adopted SFAS No. 142 on August 1, 2002 (See Note 9).

In June 2001, the FASB issued SFAS No. 143, “Accounting for Asset Retirement Obligations.” This statement addresses the accounting treatment for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The provisions of the statement apply to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development, or normal operation of a long-lived asset. The statement is effective for financial statements issued for fiscal years beginning after June 15, 2002. The Company adopted SFAS No. 143 on August 1, 2002. The adoption of this statement did not have a material effect on the Company's financial position or results of operations.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities", which addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue 94-3. The statement requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Examples of costs covered by the statement include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operations, plant closing, or other exit or disposal activity. The provisions of this Statement are required to be applied to exit or disposal activities that are initiated after December 31, 2002. The adoption of this statement did not have a material effect on the Company's financial position or results of operations.

In November 2002, the FASB issued Interpretation No. 45 (FIN 45), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others", which clarifies disclosure and recognition/measurement requirements related to certain guarantees. The disclosure requirements are effective for financial statements issued after December 15, 2002 and the recognition/measurement requirements are effective on a prospective basis for guarantees issued or modified after December 31, 2002. The application of the requirements of FIN 45 did not have a material effect on the Company's financial position or results of operations.

In December 2002, the FASB issued SFAS No. 148 "Accounting for Stock-Based Compensation—Transition and Disclosure." SFAS No. 148 amends SFAS No. 123 "Accounting for Stock Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The transition guidance and annual disclosure provisions of SFAS No. 148 are effective for fiscal years ending after December 15, 2002. The interim disclosure provisions are effective for financial reports containing financial statements for interim periods beginning after December 15, 2002. The Company adopted the disclosure provisions of SFAS No. 148 during the third quarter of fiscal 2003.

In January 2003, the FASB issued Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities" ("VIEs"). This Interpretation addresses the consolidation of variable interest entities in which the equity investors lack one or more of the essential characteristics of a controlling financial interest or where the equity investment at risk is not sufficient for the entity to finance its activities without subordinated financial support from other parties. The Interpretation applies to VIEs created after January 31, 2003 and to VIEs in which an interest is acquired after that date. Effective January 31, 2004, it also applies to VIEs in which an interest is acquired before February 1, 2003. The Company may apply the Interpretation prospectively with a cumulative effect adjustment as of January 31, 2004, or by restating previously issued financial statements with a cumulative effect adjustment as of the beginning of the first year restated. The application of the requirements of FIN 46 has not had a material effect on the Company's financial position or results of operations.

In May 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS No. 149"). SFAS No. 149 amends and clarifies accounting for derivative instruments including certain derivative instruments embedded in other contracts and hedging activities under SFAS No. 133. It is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The adoption of this standard did not have a material impact on the Company's financial position or results of operations.

In May 2003, the FASB issued SFAS No. 150, "Accounting For Certain Financial Instruments with Characteristics of Both Liabilities and Equity", which establishes standards for how an issuer of financial instruments classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances) if, at inception, the monetary value of the obligation is based solely or predominantly on a fixed monetary amount known at inception, variations in something other than the fair value of the issuer's equity shares or variations inversely related to changes in the fair value of the issuer's equity shares. This Statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company has not entered into or modified any financial instruments covered by this statement after May 31, 2003 and the application of this standard is not expected to have a material impact on the Company's financial position or results of operations.

CONTRACTUAL OBLIGATIONS

In August 2000, the Company announced it had acquired the exclusive naming and sponsorship rights to the New England Patriots' new stadium, for a period of fifteen years. In August 2002, the Company finalized an agreement with the owner of the stadium to amend the sponsorship agreement. Under the terms of the amended agreement, the Company relinquished the stadium naming rights and remains obligated for a series of annual payments of $1.6 million per year through 2015.

On July 31, 2003, SalesLink amended its Loan and Security Agreement (the Amended Loan Agreement) with a bank. The new agreement provides a revolving credit facility not to exceed $23.0 million and a term loan facility of $6.3 million. Interest on either the revolving credit facility or the term loan facility is based on Prime or LIBOR rates plus an applicable margin. The effective interest rate was 3.375% at July 31, 2003. As of July 31, 2003, approximately $12.3 million of SalesLink's revolving credit facility had been reserved in support of outstanding letters of credit. Approximately $10.7 million of the credit facility was available at July 31, 2003. The entire $6.3 million term loan facility was outstanding as of July 31, 2003. All borrowings under the Amended Loan Agreement mature on June 30, 2004.

The Company leases facilities and certain other machinery and equipment under various non-cancelable operating leases and executory contracts expiring through June 2015. Future minimum payments as of July 31, 2003 are as follows:

Contractual Obligations	Total	Less than 1 year	1–3 years	4 –5 years	After 5 years
			(in thousands)		
Operating leases	$43,666	$ 9,625	$15,706	$10,205	$ 8,130
Stadium obligations	19,200	1,600	3,200	3,200	11,200
Other debt obligations	8,295	6,622	312	312	1,049
Total	$71,161	$17,847	$19,218	$13,717	$20,379

Total future minimum lease payments have been reduced by future minimum sublease rentals of approximately $2.5 million.

Total rent and equipment lease expense charged to continuing operations was approximately $14.3 million, $29.6 million, and $49.1 million for the years ended July 31, 2003, 2002 and 2001, respectively.

From time to time the Company provides guarantees of payment to vendors doing business with certain of the Company's subsidiaries. These guarantees require that in the event that the subsidiary cannot satisfy its obligations with certain of its vendors, the Company will be required to settle the obligation. As of July 31, 2003, the Company had outstanding guarantees of subsidiary indebtedness totaling approximately $14.8 million.

Factors That May Affect Future Results

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

CMGI may not be profitable in the future and risks depleting its working capital.

During the fiscal year ended July 31, 2003, CMGI had an operating loss of approximately $92.4 million. CMGI anticipates that it will continue to incur significant operating expenses in the future, including significant costs of revenue, selling, general and administrative and impairment and restructuring expenses. CMGI also has significant commitments and contingencies, including with respect to real estate, machinery and equipment leases, continuing stadium sponsorship obligations, and guarantees entered into by CMGI on behalf of itself and current and former operating companies. As a result, CMGI expects to continue to incur significant operating expenses and can give no assurance that it will achieve profitability or be capable of sustaining profitable operations. CMGI may also use significant amounts of cash to fund growth and expansion of its operations, including through acquisition. CMGI may also incur significant costs and expenses in connection with pending and future litigation. At July 31, 2003, CMGI had consolidated cash, cash equivalents and marketable securities balance of approximately $276.1 million. If CMGI is unable to reach and sustain profitability, it risks depleting its working capital balances and its business will be materially adversely affected.

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

A limited number of customers account for substantially all of CMGI's consolidated net revenue and the loss of any one or more of these customers would cause its revenue to decline below expectations. One customer, Hewlett-Packard, accounted for approximately 74% of CMGI's consolidated net revenue for fiscal 2003. Nearly all of the revenues of SL Supply Chain are accounted for by sales to Hewlett-Packard and Microsoft and of Microsoft products. Similarly, nearly all of the revenues of SalesLink are accounted for by sales to a limited number of customers. CMGI currently does not have any agreements which obligate any customer to buy a minimum amount of products or services from CMGI or any subsidiary, or to designate CMGI or any subsidiary as its sole supplier of any particular products or services. The loss of a significant amount of business with Hewlett-Packard or Microsoft, or any other key customer, would have a material adverse effect on CMGI. CMGI believes that it will continue to derive the vast majority of its operating revenue from sales to a small number of customers. There can be no assurance that CMGI's revenue from key customers will not decline in future periods.

In addition, SL Supply Chain has been designated as an Authorized Replicator (AR) for Microsoft under an agreement renewable on an annual basis. Such designation provides SL Supply Chain with a license to replicate Microsoft software products and documentation for customers who want to bundle licensed software with their hardware products. A failure to maintain AR status could result in reduced business and revenues for SL Supply Chain.

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

CMGI from time to time seeks opportunities to provide capital to support CMGI's operations and growth through the selective sale of investments or minority or majority interests in subsidiaries or affiliates to outside investors. In recent years, CMGI has generally financed its operations with proceeds from selling shares of stock of companies in which CMGI had invested directly or through its venture capital affiliates. The aggregate holdings and market value of the shares of stock held by CMGI has declined significantly over the past three years, due to market conditions and continued sales. At July 31, 2003, on a consolidated basis, CMGI held approximately $79.2 million in available-for-sale securities, including $76.0 million of Overture common stock held by AltaVista. Subsequent to July 31, 2003, AltaVista sold all such shares of Overture common stock. Market and other conditions largely beyond CMGI's control may affect its ability to engage in future sales of such securities, the timing of any such sales, and the amount of proceeds therefrom. Even if CMGI is able to sell any such securities in the future, CMGI may not be able to sell at favorable prices or on favorable terms. In addition, this funding source may not be sufficient in the future, and CMGI may need to obtain funding from outside sources. However, CMGI may not be able to obtain funding from outside sources. In addition, even if CMGI finds outside funding sources, CMGI may be required to issue to such outside sources securities with greater rights than those currently possessed by holders of CMGI's common stock. CMGI may also be required to take other actions, which may lessen the value of its common stock or dilute its common stockholders, including borrowing money on terms that are not favorable to CMGI or issuing additional shares of common stock. If CMGI experiences difficulties raising money in the future, its business will be materially adversely affected.

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

CMGI derives substantially all of its revenue from the supply chain management services provided by SalesLink and SL Supply Chain. CMGI's business and future growth will depend in large part on the industry trend towards outsourcing supply chain management and other business processes. If this trend does not continue or declines, demand for CMGI's supply chain management services would decline and its financial results could suffer.

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

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

A failure to meet customer expectations could result in lost revenues, increased expenses and negative publicity.

CMGI's supply chain management customers face significant uncertainties in forecasting the demand for their products, and limitations on the size of its facilities, number of personnel and availability of materials could make it difficult for it to meet customers' unforecasted demand for additional production. Any failure to meet customers' specifications, capacity requirements or expectations, could result in:

- delayed or lost revenue due to adverse customer reaction;
- requirements to provide additional services to a customer at no charge;
- negative publicity about CMGI, its operating companies and their services, which could adversely affect their ability to attract or retain customers; and
- claims for substantial damages against CMGI or its operating companies, regardless of their responsibility for such failure, which may not be covered by their insurance policies and which may not be limited by contractual terms of their engagement.

If CMGI is not able to establish customer sites where requested, or if it fails to retain key customers at established sites, customer relationships, revenue and expenses could be seriously harmed.

CMGI's supply chain management customers have, at times, requested that it add capacity or open a facility in locations near their sites. If CMGI or its operating companies elect not to add required capacity at sites near existing customers or establish sites near existing or potential customers, customers may decide to seek alternate service providers. In addition, if CMGI or its operating companies lose a significant customer of a particular site or open a site with the expectation of business that does not materialize, operations at that site could become uneconomical or significantly less efficient. Any of these events could have a material adverse effect on the business, expenses and revenues of CMGI or its operating companies.

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

CMGI's operating companies intend to continue to expand their operations outside of the United States. This international expansion will require significant management attention and financial resources. The operations of CMGI's supply chain management operating companies are subject to numerous and varied regulations worldwide, some of which may have an adverse effect on CMGI's ability to develop its international operations. In addition, CMGI and its operating companies have limited experience in such international activities. Accordingly, CMGI and its operating companies will need to commit substantial time and development resources to customizing the products and services of its operating companies for selected international markets and to developing international sales and support channels.

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

CMGI is subject to risks of operating internationally.

CMGI's success depends, in part, on the Company's ability to manage and expand its international operations. Failure to expand its international sales and fulfillment activities could limit the Company's ability to grow.

The Company currently conducts business in Taiwan, Singapore, Ireland, the Netherlands and certain other foreign locations, in addition to the Company's North American operations. Sales outside North America accounted for 37%, 11% and 13% of the Company's total revenue for 2003, 2002 and 2001. There are certain risks inherent in conducting international operations, including:

- added fulfillment complexities in operations, including multiple languages, currencies, bills of materials and stock keeping units;
- exposure to currency fluctuations and repatriation complexities and delays;
- longer payment cycles;
- greater difficulties in accounts receivable collections;
- the complexity of ensuring compliance with multiple U.S. and foreign laws, particularly differing laws on intellectual property rights and export control; and
- labor practices, difficulties in staffing and managing foreign operations, political instability and potentially adverse tax consequences.

If CMGI is unable to manage these risks, our international sales may decline and our financial results may be adversely affected.

International laws and regulations may result in unanticipated costs and litigation.

CMGI's plans to expand international operations will increase the Company's exposure to international laws and regulations. Noncompliance with foreign laws and regulations, which are often complex and subject to variation and unexpected changes, could result in unexpected costs and potential litigation. For example, the governments of foreign countries might attempt to regulate the Company's products and services or levy sales or other taxes relating to its activities. In addition, foreign countries may impose tariffs, duties, price controls or other restrictions on foreign currencies or trade barriers, any of which could make it more difficult to conduct its business.

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

CMGI and its operating companies rely on products and services of third-party providers in their business operations. There can be no assurance that CMGI or its operating companies will not experience operational problems attributable to the installation, implementation, integration, performance, features or functionality of such third-party software, systems and services. Any interruption in the availability or usage of the products and services provided by third parties could have a material adverse effect on the business or operations of CMGI or its operating companies.

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

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

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

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

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

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

- the need to incur additional debt or use cash in order to consummate the acquisition;
- difficulty integrating acquired technologies, operations and personnel with the existing businesses;

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

CMGI may not be able to successfully address these problems. Moreover, CMGI's future operating results will depend to a significant degree on its ability to successfully integrate acquisitions and manage operations while also controlling expenses and cash burn.

CMGI must develop and maintain positive brand name awareness.

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

CMGI's quarterly results may fluctuate significantly.

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

- demand for its products and services;
- timing of new product introductions or software releases by its customers or their competitors;
- payment of costs associated with its acquisitions, sales of assets and investments;
- timing of sales of assets and marketable securities;
- market acceptance of new products and services;
- seasonality;
- temporary shortages in supply from vendors;
- charges for impairment of long-lived assets in future periods;
- potential restructuring charges in connection with CMGI's continuing restructuring efforts;
- political instability or natural disasters in the countries in which it operates;
- specific economic conditions in the industries in which CMGI competes; and
- general economic conditions.

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 technology-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 be below $1.00 per share for an extended period, it risks Nasdaq delisting, which would have an adverse effect on CMGI's business. In order to maintain compliance with Nasdaq listing standards, CMGI may consider several strategies, including without limitation a reverse stock split.

In addition, a portion of CMGI's assets includes the equity securities of both publicly traded and privately held companies. The market price and valuations of the securities that CMGI holds may fluctuate due to market conditions and other conditions over which CMGI has no control. Fluctuations in the market price and valuations of the securities that CMGI holds in other companies may result in fluctuations of the market price of CMGI's common stock and may reduce the amount of working capital available to CMGI.

CMGI's operating companies are subject to intense competition.

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

To succeed, CMGI's operating companies must respond to the rapid changes in the technology sector.

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

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

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

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

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

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

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, 2003 primarily consisted of investments in companies in the Internet and technology industries which have experienced significant historical volatility in their stock prices. The Company typically does not attempt to reduce or eliminate its market exposure on these securities. A 20% adverse change in equity prices, based on a sensitivity analysis of the equity component of the Company's available-for-sale securities portfolio as of July 31, 2003, would result in an approximate $15.8 million decrease in the fair value of the Company's available-for-sale securities. Subsequent to July 31, 2003, AltaVista sold all of its shares of Overture Services, Inc., which comprised 96% of marketable securities at July 31, 2003. See Note 24 to the Notes to Consolidated Financial Statements included in Item 8 below.

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

The Company from time to time uses derivative financial instruments primarily to reduce exposure to adverse fluctuations in interest rates on its borrowing arrangements. The Company does not enter into derivative financial instruments for trading purposes. As a matter of policy all derivative positions are used to reduce risk by hedging underlying economic or market exposure. The derivatives the Company uses are straightforward instruments with liquid markets. At July 31, 2003, the Company was primarily exposed to the London Interbank Offered Rate (LIBOR) and Euro Interbank Offered Rate (EURIBOR) interest rate on its outstanding borrowing arrangements.

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

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ITEM 8.—FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
CMGI, Inc.:

We have audited the accompanying consolidated balance sheets of CMGI, Inc. and subsidiaries as of July 31, 2003 and 2002, 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, 2003. 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, 2003 and 2002, and the results of their operations and their cash flows for each of the years in the three-year period ended July 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

Boston, Massachusetts
September 24, 2003

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CMGI, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	July 31, 2003	July 31, 2002
	(in thousands, except share and per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 196,916	$ 196,099
Available-for-sale securities	79,151	10,327
Trading security	—	94,271
Accounts receivable, trade, net of allowance for doubtful accounts of $996 and $2,299 at July 31, 2003 and 2002, respectively	55,209	38,739
Inventories	30,475	32,177
Prepaid expenses and other current assets	22,154	17,241
Current assets of discontinued operations	1,876	153,245
Deferred loss on disposal of subsidiary	—	31,869
Total current assets	385,781	573,968
Property and equipment, net	8,598	29,544
Investments in affiliates	19,470	57,770
Goodwill	22,122	24,341
Other assets	19,295	34,307
Non-current assets of discontinued operations	75	190,337
	$ 455,341	$ 910,267
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ —	$ 94,271
Current installments of long-term debt	6,622	1,370
Accounts payable	39,254	20,970
Accrued restructuring	9,268	22,393
Accrued income taxes	95,653	93,515
Accrued expenses	28,956	35,576
Other current liabilities	1,081	2,202
Current liabilities of discontinued operations	214	99,792
Total current liabilities	181,048	370,089
Long-term debt, less current installments	1,673	7,890
Other long-term liabilities	23,338	12,347
Non-current liabilities of discontinued operations	1,805	102,460
Minority interest	465	785
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value per share. Authorized 5,000,000 shares; zero issued or outstanding as of July 31, 2003 and July 31, 2002	—	—
Common stock, $0.01 par value per share. Authorized 1,405,000,000 shares; issued and outstanding 395,591,493 shares at July 31, 2003 and 392,679,011 shares at July 31, 2002	3,956	3,926
Additional paid-in capital	7,296,230	7,293,505
Accumulated deficit	(7,096,760)	(6,880,452)
Accumulated other comprehensive income (loss)	43,586	(283)
Total stockholders' equity	247,012	416,696
	$ 455,341	$ 910,267

see accompanying notes to consolidated financial statements

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CMGI, INC. AND SUBSIDIARIES

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

	Years Ended July 31, 2003	2002	2001
Net revenue	$ 436,987	$ 168,476	$ 280,840
Operating expenses:			
Cost of revenue	403,883	152,140	351,015
Research and development	332	4,732	25,347
In-process research and development	—	—	762
Selling	6,792	28,357	62,590
General and administrative	62,336	54,598	138,805
Amortization of intangible assets and stock-based compensation	218	4,941	182,704
Impairment of long-lived assets	456	2,482	170,659
Restructuring, net	55,348	(3,118)	109,207
Total operating expenses	529,365	244,132	1,041,089
Operating loss	(92,378)	(75,656)	(760,249)
Other income (expense):			
Interest income	3,396	14,387	41,438
Interest (expense) recovery, net	321	22,029	(41,625)
Gains on issuance of stock by subsidiaries and affiliates	—	—	121,794
Other losses, net	(41,317)	(67,983)	(322,033)
Equity in losses of affiliates, net	(1,774)	(15,408)	(45,661)
Minority interest	319	—	44,902
	(39,055)	(46,975)	(201,185)
Loss from continuing operations before income taxes and extraordinary item	(131,433)	(122,631)	(961,434)
Income tax expense (benefit)	3,249	(7,096)	12,171
Loss from continuing operations before extraordinary item	(134,682)	(115,535)	(973,605)
Discontinued operations, net of income taxes:			
Loss from discontinued operations	(81,626)	(540,664)	(4,514,315)
Extraordinary gain on retirement of debt, net of income taxes	—	131,281	—
Net loss	(216,308)	(524,918)	(5,487,920)
Preferred stock accretion	—	(2,301)	(7,499)
Gain on repurchase of Series C Convertible Preferred stock	—	63,505	—
Net loss available to common stockholders	$ (216,308)	$ (463,714)	$ (5,495,419)
Basic and diluted earnings (loss) per share available to common stockholders:			
Loss from continuing operations before extraordinary item	$ (0.34)	$ (0.14)	$ (2.97)
Loss from discontinued operations	(0.21)	(1.43)	(13.70)
Extraordinary gain on retirement of debt, net of income taxes	—	0.35	—
Net loss available to common stockholders	$ (0.55)	$ (1.22)	$ (16.67)
Shares used in computing basic and diluted earnings (loss) per share:	393,455	379,800	329,623

see accompanying notes to consolidated financial statements

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CMGI, INC. AND SUBSIDIARIES

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

	Common stock	Additional paid-in capital	Accumulated other comprehensive income (loss)	Deferred compensation	Accumulated deficit	Total stockholders' equity
Balance at July 31, 2000 (296,487,502 shares)	$ 2,965	$ 6,191,272	$ 495,671	$ (45,202)	$ (857,814)	$ 5,786,892
Comprehensive loss, net of taxes:						
Net loss	—	—	—	—	(5,487,920)	(5,487,920)
Other comprehensive income:						
Net unrealized holding loss arising during period	—	—	(638,243)	—	—	(638,243)
Less: Reclassification adjustment for net realized losses included in net loss	—	—	160,254	—	—	160,254
Total comprehensive loss	—	—	—	—	—	(5,965,909)
Preferred stock accretion	—	—	—	—	(7,499)	(7,499)
Issuance of common stock pursuant to employee stock purchase plans and stock options (4,059,413 shares)	40	11,986	—	—	—	12,026
Issuance of common stock for investments and payments on notes payable and long-term debt (46,178,489 shares)	462	963,473	—	—	—	963,935
Amortization of deferred compensation	—	—	—	44,911	—	44,911
Tax benefit of stock option exercises and reduction of previously recorded benefits, net	—	(29,587)	—	—	—	(29,587)
Effect of subsidiaries' equity transactions, net	—	2,078	—	—	—	2,078
Balance at July 31, 2001 (346,725,404 shares)	$ 3,467	$ 7,139,222	$ 17,682	$ (291)	$ (6,353,233)	$ 806,847

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	Accumulated deficit	Total stockholders' equity
Balance carried forward from previous page at July 31, 2001 (346,725,404 shares)	$ 3,467	$ 7,139,222	$ 17,682	$ (291)	$ (6,353,233)	$ 806,847
Comprehensive loss, net of taxes:						
Net loss	—	—	—	—	(524,918)	(524,918)
Other comprehensive income:						
Net unrealized holding loss arising during period	—	—	(18,160)	—	—	(18,160)
Less: Reclassification adjustment for net realized losses included in net loss	—	—	1,257	—	—	1,257
Net unrealized foreign currency translation adjustment arising during the period	—	—	(1,062)	—	—	(1,062)
Total comprehensive loss	—	—	—	—	—	(542,883)
Preferred stock accretion	—	—	—	—	(2,301)	(2,301)
Gain on repurchase of Series C Convertible Preferred stock and related issuance of common stock (34,701,034 shares)	347	154,070	—	—	—	154,417
Issuance of common stock pursuant to employee stock purchase plans and stock options (1,068,242 shares)	11	1,081	—	—	—	1,092
Issuance of common stock and payments on notes payable and long-term debt (10,117,664 shares)	101	21,186	—	—	—	21,287
Amortization of deferred compensation	—	(182)	—	291	—	109
Effect of subsidiaries' equity transactions, net	—	(21,872)	—	—	—	(21,872)
Balance at July 31, 2002 (392,679,011 shares)	$ 3,926	$ 7,293,505	$ (283)	$ —	$ (6,880,452)	$ 416,696
Comprehensive loss, net of taxes:						
Net loss	—	—	—	—	(216,308)	(216,308)
Other comprehensive income:						
Net unrealized holding gain arising during period	—	—	50,229	—	—	50,229
Less: Reclassification adjustment for net realized gain included in net loss	—	—	(7,444)	—	—	(7,444)
Foreign currency translation adjustment arising during the period	—	—	1,084	—	—	1,084
Total comprehensive loss	—	—	—	—	—	(172,439)
Issuance of common stock pursuant to employee stock purchase plans and stock options (2,163,353 shares)	22	1,169	—	—	—	1,191
Issuance of common stock for lease buyout (750,000 shares)	8	1,335	—	—	—	1,343
Other	—	221	—	—	—	221
Balance at July 31, 2003 (395,591,493 shares)	$ 3,956	$ 7,296,230	$ 43,586	$ —	$ (7,096,760)	$ 247,012

see accompanying notes to consolidated financial statements

CMGI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years Ended July 31,		
	2003	2002	2001
Cash flows from operating activities:			
Net loss	$ (216,308)	$ (524,918)	$ (5,487,920)
Loss from discontinued operations	(81,626)	(540,664)	(4,514,315)
	(134,682)	15,746	(973,605)
Adjustments to reconcile net loss to cash used for continuing operations:			
Depreciation, amortization and impairment charges	11,257	21,700	377,149
Realization of cumulative translation adjustment	5,026	—	—
Deferred income taxes	—	12,623	(10,977)
Non-cash restructuring charges	14,419	5,209	6,728
Non-operating (gains) losses, net	31,836	(102,064)	151,054
Equity in losses of affiliates	1,774	15,408	45,661
Deferred loss on sale of subsidiary	—	(31,869)	—
Minority interest	(319)	—	(44,902)
In-process research and development	—	—	762
Changes in operating assets and liabilities, excluding effects from acquired and divested subsidiaries:			
Trade accounts receivable	(16,810)	15,906	4,393
Inventories	1,632	7,949	(1,418)
Prepaid expenses and other current assets	(5,432)	14,102	3,425
Accounts payable, accrued restructuring and expenses	(9,461)	(83,300)	157,081
Refundable and accrued income taxes, net	3,249	17,903	(28,611)
Tax benefit from exercise of stock options	—	—	(29,587)
Other assets and liabilities	30,892	(3,563)	(23,117)
Net cash used for operating activities of continuing operations	(66,619)	(94,250)	(365,964)
Cash flows from investing activities of continuing operations:			
Additions to property and equipment	(3,973)	(16,663)	(56,523)
Net proceeds from maturities of (purchases of) available-for-sale securities, net and liquidation of stock investments	27,132	57,874	995,679
Cash impact of acquisitions and divestitures of subsidiaries, net	66,620	(40,276)	(9,576)
Net investments in affiliates	7,286	(11,200)	(73,540)
Other, net	—	3,384	(240)
Net cash provided by (used for) investing activities of continuing operations	97,065	(6,881)	855,800
Cash flows from financing activities of continuing operations:			
Net payments of notes payable	—	(75,000)	(1,880)
Net payments of long-term debt	(965)	(457)	(6,645)
Payment for retirement of Series C Convertible Preferred Stock	—	(100,301)	—
Net proceeds from issuance of common stock	1,191	1,092	19,054
Other	—	(1,641)	(3,840)
Net cash provided by (used for) financing activities of continuing operations	226	(176,307)	6,689
Net cash used for discontinued operations	(29,855)	(118,584)	(244,487)
Net increase (decrease) in cash and cash equivalents	817	(396,022)	252,038
Cash and cash equivalents at beginning of year	196,099	592,121	340,083
Cash and cash equivalents at end of year	$ 196,916	$ 196,099	$ 592,121

see accompanying notes to consolidated financial statements

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) NATURE OF OPERATIONS

CMGI, Inc. (together with its consolidated subsidiaries, "CMGI" or the "Company") provides technology and e-commerce solutions that help businesses market, sell and distribute their products and services. CMGI offers targeted solutions including industry-leading global supply chain management and web-based distribution and fulfillment. The Company previously operated under the name CMG Information Services, Inc. and was incorporated in Delaware in 1986. CMGI's address is 425 Medford Street, Charlestown, Massachusetts 02129.

CMGI's business strategy over the years has led to the development, acquisition and operation of majority-owned subsidiaries focused on technology and supply chain management services, as well as the strategic investment in other companies that have demonstrated synergies with CMGI's core businesses. The Company's strategy also envisions and promotes opportunities for synergistic business relationships among its subsidiaries, investments and affiliates. The Company expects to continue to develop and refine its product and service offerings, and to continue to pursue the development or acquisition of, or the investment in, additional companies and technologies. See Notes 4 and 8 for a description of the Company's recent development through divestitures and merger and acquisition activities.

The Company's current operating subsidiaries have been classified in one operating segment: eBusiness and Fulfillment. CMGI's eBusiness and Fulfillment companies work across the full eBusiness value chain to deliver goods from the manufacturer to the customer by applying state-of-the-art technology to provide inventory and supply chain management, and fulfillment services.

In addition, CMGI's affiliated venture capital arm is comprised of venture capital funds that focus on investing in technology companies.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Presentation

The consolidated financial statements of the Company include the results of 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.

Revenue Recognition

The Company derives its revenue primarily from the sale of product and literature fulfillment services, supply chain management services, and other services. Revenue is recognized as product is shipped and related services are performed in accordance with all applicable revenue recognition criteria. For these transactions the

Company applies the provisions of SEC Staff Accounting Bulletin No. 101, "Revenue Recognition." The Company recognizes revenue when there is persuasive evidence of an arrangement, title and risk of loss have passed, delivery has occurred or the services have been rendered, the sales price is fixed or determinable and collection of the related receivable is reasonably assured. The Company also applies the provisions of Emerging Issues Task Force (EITF) Issue No. 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent." The Company's application of EITF 99-19 includes evaluation of the terms of each major customer contract relative to a number of criteria that management considers in making its determination with respect to gross vs. net reporting of revenue for transactions with its customers. Management's criteria for making these judgments place particular emphasis on determining the primary obligor in a transaction and who bears general inventory risk. The Company records all shipping and handling fees billed to customers as revenue, and related costs as cost of sales, when incurred, in accordance with EITF 00-10 "Accounting for Shipping and Handling Fees and Costs."

Gains on Issuance of Stock by Subsidiaries and Affiliates

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

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

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

Foreign Currency Translation

Assets and liabilities of international subsidiaries, whose functional currency is the local currency, are translated at the rates in effect at the balance sheet date. Statement of operations amounts are translated at the average rate for the year. Resulting translation adjustments are recorded in stockholders' equity as a component of accumulated other comprehensive income. Foreign currency transaction gains and losses are included in other gains and (losses), net. Net foreign currency transaction gains (losses) were ($447,000), $1,794,000 and ($4,000) for the years ended July 31, 2003, 2002 and 2001, respectively.

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.

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

	Years Ended July 31,		
	2003	2002	2001
	(in thousands)		
Interest	$1,507	$547	$ 1,197
Income taxes	$ 332	$963	$17,344

Portions of the consideration for acquisitions of businesses by the Company, or its subsidiaries, during fiscal years 2002 and 2001 included the issuance of shares of the Company's common stock and the issuance of seller's notes (see Note 14).

During fiscal 2003, significant non-cash activities primarily included the receipt by the Company of common stock and notes as a portion of the total consideration for certain of the Company's fiscal 2003 divestitures. The non-cash consideration received by the Company as part of its divestiture activity included the following: In September 2002, the Company received 131,579 shares of ClearBlue Technologies common stock in connection with the NaviSite divestiture. In March 2003, the Company received a $3.0 million note in connection with the Tallán divestiture. In April 2003, AltaVista received approximately 4.3 million shares of Overture Services, Inc. common stock in connection with its divestiture of substantially all of its assets and business operations, and uBid received a $2.0 million note in connection with its sale of substantially all of its assets and business operations. See Note 4 for further discussion of the Company's fiscal 2003 divestiture activities. Also during fiscal 2003, the Company settled its lease obligation related to its former corporate headquarters facility for consideration that included the issuance of 750,000 shares of the Company's common stock.

During fiscal 2002, significant non-cash activities included the Company's repurchase of all of the outstanding shares of its Series C Convertible Preferred Stock for approximately 34.7 million shares of the Company's common stock as well as additional consideration (see Note 16). The Company also issued approximately 5.4 million shares of its common stock as payment for the first quarter fiscal 2002 interest on its note payable to Hewlett-Packard Company (HP). During fiscal 2002, the Company also reached an agreement with HP in which HP agreed to deem the Company's $220.0 million in face amounts of notes payable, plus the accrued interest thereon, paid in full in exchange for approximately 4.5 million shares of CMGI common stock, CMGI's 49% ownership interest in its affiliate, B2E Solutions, LLC, of which HP had previously owned the remaining 51% as well as additional consideration (see Note 14). Additionally, the Company sold its majority-owned subsidiary, Activate.Net Corporation (Activate) to Loudeye Technologies, Inc. (Loudeye), in exchange for $1.0 million in cash and a future payment of cash and stock. In September 2002, the Company received $2.0 million in cash and 1.0 million shares of Loudeye common stock in satisfaction of the future payment obligation.

During fiscal year 2001, significant non-cash investing activities included the issuance of approximately 2.3 million shares of the Company's common stock to HP as consideration for $23.0 million in annual interest payments due on the notes payable issued in conjunction with the acquisition of AltaVista. Also during fiscal 2001, the Company issued approximately 30.2 million shares of its common stock as payment of principal and interest totaling approximately $391.6 million related to notes payable that had been issued in the Company's acquisition of Tallán, Inc. (Tallán). 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 plc in exchange for approximately 13.4 million shares of the Company's common stock.

During fiscal year 2001, the Company also settled the first and third tranches of an agreement 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 (see Note 14). Additionally, Yahoo! acquired eGroups, Inc., a CMGI @Ventures investee company. In connection with the merger, CMG@Ventures III received approximately 91,000 shares (including shares held in escrow) of Yahoo! common stock.

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

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

The Company also maintains interests in several privately held companies through its various venture capital funds. These venture funds ("CMGI @Ventures") invest in early-stage technology companies. These equity investments are generally made in connection with a round of financing with other third-party investors. At July 31, 2003, the Company had approximately $19.0 million of equity investments in privately held companies. 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 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 investee company as they occur, limited to the extent of the Company's investment in, advances to and commitments for the investee. These adjustments are reflected in "Equity in losses of affiliates" in the Company's 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. The process of assessing whether a particular equity investment's net realizable value is less than its carrying cost requires a significant amount of judgment. In making this judgment, the Company carefully considers the investee's cash position, projected cash flows (both short and long-term), financing needs, recent financing rounds, most recent valuation data, the current investing environment, management/ownership changes, and competition. This valuation process is based primarily on information that the Company requests from these privately held companies and is not subject to the same disclosure and audit requirements as the reports required of U.S. public companies. As such, the reliability and accuracy of the data may vary. Based on the Company's evaluation, it recorded impairment charges related to its investments in privately held companies of $28.2 million, $44.7 million and $148.9 million in fiscal years ended 2003, 2002 and 2001, respectively. These impairment losses are reflected in "Other gains (losses), net" in the Company's Consolidated Statements of Operations.

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Estimating the net realizable value of investments in privately held early-stage technology companies is inherently subjective and may contribute to significant volatility in our reported results of operations. For example, if the current weak investing environment continues throughout fiscal 2004, we may incur additional impairments to our equity investments in privately held companies, which could have an adverse impact on our future results 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, or a research and development company, start-up or development stage company, and if there is no 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.

Inventory

Inventories consist primarily of raw materials and are stated at the lower of cost or market. Cost is determined by the first-in, first-out (FIFO) method.

Inventories at July 31, 2003 and July 31, 2002 consisted of the following:

	For the Year Ended July 31,	
	2003	2002
	(in thousands)	
Raw materials	$25,583	$27,751
Work-in-process	15	104
Finished goods	7,031	8,852
	32,629	36,707
Less: Inventory Reserve	(2,154)	(4,530)
	$30,475	$32,177

Long-Lived Assets, Goodwill and Other Intangible Assets

Beginning August 1, 2002, all goodwill amortization ceased in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 required the Company to evaluate its existing intangible assets and goodwill that were acquired in prior purchase business combinations, and to make any necessary reclassifications in order to conform with the new criteria in SFAS No. 141 for recognition apart from goodwill. The Company then had up to six months from the date of adoption to determine the fair value of each reporting unit and compare it to the reporting unit's carrying amount. To the extent a reporting unit's carrying amount exceeds its fair value, an indication exists that the reporting unit's goodwill may be impaired and the Company must perform the second step of the transitional impairment test. In the second step, the Company must compare the implied fair value of the reporting unit's goodwill, determined by allocating the reporting unit's fair value to all of its assets (recognized and unrecognized) and liabilities in a manner similar to a purchase price allocation in accordance with SFAS No. 141, to its carrying amount, both of which would be measured as of the date of adoption. Following the adoption of SFAS No. 142, the Company completed the first step of the required transitional impairment test during the second quarter of fiscal 2003, based on the comparison of the fair value of the reporting unit with its respective carrying value as of August 1, 2002. The Company concluded that there was no impairment indicated as of August 1, 2002 or as a result of its annual impairment testing during the fourth quarter of fiscal 2003.

Other identifiable intangible assets are amortized over their estimated useful economic life using the straight-line method and are carried at cost less accumulated amortization. Prior to August 1, 2002, all goodwill was amortized over its estimated useful economic life using the straight-line method and was carried at cost less accumulated amortization. The Company assesses goodwill for impairment at least annually, in the fourth quarter of each fiscal year, or more frequently when events and circumstances occur indicating that the recorded goodwill may be impaired. If the carrying value of a reporting unit exceeds its fair value, the implied fair value of goodwill is compared with the carrying amount of goodwill. If the carrying amount of goodwill exceeds the implied fair value, an impairment loss is recorded in an amount equal to that excess.

Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," requires one method of accounting for long-lived assets disposed of by sale. SFAS 144 was effective for financial statements issued for fiscal years beginning after December 15, 2001. The Company reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives of these assets are no longer appropriate. Each impairment test is based on a comparison of the estimated undiscounted cash flows to the recorded value of the asset. If an impairment is indicated, the asset is written down to its estimated fair value based on a discounted cash flow analysis. The cash flow estimates used to determine the impairment, if any, contain management's best estimates using appropriate assumptions and projections at that time.

Restructuring Expenses

For restructuring events initiated prior to December 31, 2002, the Company assessed the need to record restructuring charges in accordance with EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)" (EITF 94-3). The Company also applies EITF 95-3, "Recognition of Liabilities in Connection with a Purchase Business Combination" and Staff Accounting Bulletin (SAB) No. 100, "Restructuring and Impairment Charges." In accordance with this guidance, management must execute an exit plan that will result in the incurrence of costs that have no future economic benefit. Also under the terms of EITF 94-3, a liability for the restructuring charges is recognized in the period management approves the restructuring plan. The Company records liabilities that primarily include the estimated severance and other costs related to employee benefits and certain estimated costs to exit equipment and facility lease obligations, bandwidth agreements and other service contracts. These estimates are based on the remaining amounts due under various contractual agreements, adjusted for any anticipated contract cancellation penalty fees or any anticipated or unanticipated event or changes in circumstances that would reduce these obligations. In June 2002, the Financial Accounting Standards Board (FASB) issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities", which addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue 94-3. The statement requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Examples of costs covered by the statement include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operations, plant closing, or other exit or disposal activity. The provisions of this statement have been applied by the Company to exit or disposal activities that were initiated after December 31, 2002.

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.

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 $1.6 million, $21.0 million and $5.5 million for the fiscal years ended July 31, 2003, 2002 and 2001, respectively.

Income Taxes

Income taxes are accounted for under the provisions of SFAS No. 109, "Accounting for Income Taxes," using 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. SFAS No. 109 also requires that the deferred tax assets be reduced by a valuation allowance, if based on the weight of available evidence, it is more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods. This methodology requires estimates and judgments in the determination of the recoverability of deferred tax assets and in the calculation of certain tax liabilities. At July 31, 2003 and 2002, respectively, 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.

In addition, the calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax regulations in a multitude of jurisdictions. The Company records liabilities for estimated tax exposures in the U.S. and other tax jurisdictions. The settlement of these estimated liabilities could differ materially from recorded amounts.

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

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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 6.6 million weighted average common stock equivalents were excluded from the denominator in the diluted loss per share calculation for the year ended July 31, 2003. Approximately 4.7 million weighted average common stock equivalents were excluded from the denominator in the diluted loss per share calculation for the year ended July 31, 2002. As the Series C Convertible Preferred Stock was repurchased in November 2001 (see Note 16), there is no effect of assumed conversion of convertible preferred stock for the year ended July 31, 2002. Approximately 8.5 million weighted average common stock equivalents and approximately 9.7 million shares representing the weighted average effect of assumed conversion of convertible preferred stock were excluded from the denominator in the diluted loss per share calculation for the year ended July 31, 2001.

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, 2003, 2002 and 2001, respectively.

Stock-Based Compensation Plans

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

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 2003, 2002 and 2001 under the Company's stock-based compensation plans been determined based on the fair value method set forth under SFAS No. 123, the pro forma effect on the Company's net loss and net loss per share would have been as follows:

	Years Ended July 31,		
	2003	2002	2001
	(in thousands, except per share data)		
Net loss available to common stockholders	$ (216,308)	$ (463,714)	$ (5,495,419)
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(245,168)	(240,847)	(192,505)
Pro-forma net loss available to common stockholders	$ (461,476)	$ (704,561)	$ (5,687,924)
Net loss available to common stockholders per share:			
Basic and Diluted – as reported	$ (0.55)	$ (1.22)	$ (16.67)
Basic and Diluted – pro-forma	$ (1.17)	$ (1.86)	$ (17.26)

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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,		
	2003	2002	2001
Volatility	130.3%	97.1%	126.9%
Risk-free interest rate	3.3%	3.6%	4.2%
Expected life of options (in years)	4.8	5.9	4.4

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.

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, Hewlett-Packard, accounted for approximately 74%, 12% and 3% of consolidated net revenue and 75%, 13% and 3% of eBusiness and Fulfillment segment net revenue for fiscal years 2003, 2002 and 2001, respectively. Accounts receivable from this customer amounted to approximately 73% and 55% of total trade accounts receivable at July 31, 2003 and 2002, 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, accounts receivable, and long-term debt. The Company's cash equivalent investment portfolio is diversified and consists primarily of short-term investment grade securities. To reduce risk, the Company performs ongoing credit evaluations of its customers' financial condition. The Company generally does not require collateral on accounts receivable.

Derivative Instruments and Hedging Activities

As amended, SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," establishes standards of accounting and reporting for derivative instruments and hedging activities. SFAS No. 133 requires that all derivatives be recognized at fair value in the statement of financial position, and that the corresponding gains or losses be reported either in the statements of operations or as a component of comprehensive income, depending on the type of hedging relationship that exists. If the derivative is determined to be a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are offset against the change in fair value of the hedged assets, liabilities, or firm commitments through the statements of operations or recognized in other comprehensive income until the hedged item is recognized in the statements of operations. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings. The Company adopted SFAS No. 133 on August 1, 2000 and recorded a transition gain, net of income taxes, of approximately $3.2 million during the first quarter of fiscal year 2001 (see Note 14).

Comprehensive Income

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

Recent Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Standard (SFAS) No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 applies 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 these statements, goodwill and intangible assets deemed to have indefinite lives are no longer amortized but are subject to annual impairment tests in accordance with the statements. Other intangible assets continue to be amortized over their useful lives. The Company adopted SFAS No. 142 on August 1, 2002 (see Note 9).

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This statement addresses the accounting treatment for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The provisions of the statement apply to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development, or normal operation of a long-lived asset. The statement is effective for financial statements issued for fiscal years beginning after June 15, 2002. The Company adopted SFAS No. 143 on August 1, 2002. The adoption of this statement did not have a material effect on the Company's financial position or results of operations.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" which addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue 94-3. The statement requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Examples of costs covered by the statement include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operations, plant closing, or other exit or disposal activity. The provisions of this Statement are required to be applied to exit or disposal activities that are initiated after December 31, 2002. The adoption of this statement did not have a material effect on the Company's financial position or results of operations.

In November 2002, the FASB issued Interpretation No. 45 ("FIN 45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others", which clarifies disclosure and recognition/measurement requirements related to certain guarantees. The disclosure requirements are effective for financial statements issued after December 15, 2002 and the recognition/measurement requirements are effective on a prospective basis for guarantees issued or modified after December 31, 2002. The application of the requirements of FIN 45 did not have a material effect on the Company's financial position or results of operations.

In December 2002, the FASB issued SFAS No. 148 "Accounting for Stock-Based Compensation—Transition and Disclosure." SFAS No. 148 amends SFAS No. 123 "Accounting for Stock Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The transition guidance and annual disclosure provisions of SFAS No. 148 are effective for fiscal years ending after December 15, 2002. The interim disclosure provisions are effective for financial reports containing financial statements for interim periods beginning after December 15, 2002. The Company adopted the disclosure provisions of SFAS No. 148 during the third quarter of fiscal 2003.

In January 2003, the FASB issued Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities" ("VIEs"). This Interpretation addresses the consolidation of variable interest entities in which the equity investors lack one or more of the essential characteristics of a controlling financial interest or where the equity investment at risk is not sufficient for the entity to finance its activities without subordinated financial support from other parties. The Interpretation applies to VIEs created after January 31, 2003 and to VIEs in which an interest is acquired after that date. Effective January 31, 2004, it also applies to VIEs in which an interest is acquired before February 1, 2003. The Company may apply the Interpretation prospectively with a cumulative effect adjustment as of January 31, 2004, or by restating previously issued financial statements with a cumulative effect adjustment as of the beginning of the first year restated. The application of the requirements of FIN 46 has not had a material effect on the Company's financial position or results of operations.

In May 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS No. 149"). SFAS No. 149 amends and clarifies accounting for derivative instruments including certain derivative instruments embedded in other contracts and hedging activities under SFAS No. 133. It is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The adoption of this standard did not have a material impact on the Company's financial position or results of operations.

In May 2003, the FASB issued SFAS No. 150, "Accounting For Certain Financial Instruments with Characteristics of Both Liabilities and Equity" which establishes standards for how an issuer of financial instruments classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances) if, at inception, the monetary value of the obligation is based solely or predominantly on a fixed monetary amount known at inception, variations in something other than the fair value of the issuer's equity shares or variations inversely related to changes in the fair value of the issuer's equity shares. This Statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company has not entered into or modified any financial instruments covered by this statement after May 31, 2003 and the application of this standard is not expected to have a material impact on the Company's financial position or results of operations.

(3) SEGMENT INFORMATION

Based on the information provided to the Company's chief operating decision-maker for purposes of making decisions about allocating resources and assessing performance, the Company's operations had previously been classified in two operating segments: Enterprise Software and Services and eBusiness and Fulfillment. The sole remaining operating business in the Enterprise Software and Services segment, ProvisionSoft, ceased operations during the fiscal quarter ended April 30, 2003, and has been reported as a discontinued operation. The company now reports one operating segment, eBusiness and Fulfillment, which includes the results of operations of the Company's SalesLink and SL Supply Chain Services International Corp. subsidiaries.

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In addition to its one current operating segment, the Company continues to report an Enterprise Software and Services segment (which consists of the operations of Equilibrium, CMGI Solutions and Nascent), a Portals segment (that consists of the operations of MyWay and iCast) and a Managed Application Services segment (that consists of the operations of NaviPath, ExchangePath, 1stUp, and Activate), as these entities do not meet the aggregation criteria under SFAS No. 131 with respect to the Company's current reporting segments. The historical results of these companies will continue to be reported in the Enterprise Software and Services, Portals and Managed Application Services segments, respectively, as will any residual results from operations that exist through the cessation of operations of these entities, each of which have been divested or substantially wound down.

Management evaluates segment performance based on segment net revenue, operating loss and "Non-GAAP operating income (loss)", which is defined as the operating income (loss) excluding net charges related to in-process research and development, depreciation, long-lived asset impairment, restructuring, and amortization of intangible assets and stock-based compensation. The Company believes that its Non-GAAP measure of operating income/(loss) provides investors with a useful supplemental measure of the Company's operating performance by excluding the impact of one-time gains/(losses), non-cash charges, and restructuring activities. Historically, the Company has recorded significant one-time gains/(losses), and impairment and restructuring charges and therefore management uses Non-GAAP operating income/(loss) to assist in evaluating the Company's operating performance. These Non-GAAP results should be evaluated in light of the Company's financial results prepared in accordance with US GAAP.

"Other" includes certain corporate infrastructure expenses, which are not identifiable to the operations of the Company's operating business segments. "Other" primarily consists of directors and officers insurance costs, costs related to the Company's former corporate headquarters facility, costs associated with maintaining certain of the Company's information technology systems and certain corporate administrative functions such as legal and finance.

Three customers based in the U.S. accounted for approximately 85%, 53%, and 75% of consolidated net revenues for the fiscal years ended 2003, 2002 and 2001, respectively.

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

	Years Ended July 31,		
	2003	2002	2001
	(in thousands)		
Net revenue:			
eBusiness and Fullfillment	$ 435,879	$ 154,493	$ 211,785
Enterprise Software and Services	227	1,289	948
Managed Application Services	881	6,158	49,054
Portals	—	6,536	19,053
	$ 436,987	$ 168,476	$ 280,840
Operating income (loss):			
eBusiness and Fullfillment	$ (20,021)	$ (1,090)	$ (17,175)
Enterprise Software and Services	(846)	(13,957)	(37,664)
Managed Application Services	(653)	2,368	(301,244)
Portals	(17)	(1,747)	(301,396)
Other	(70,841)	(61,230)	(102,770)
	$ (92,378)	$ (75,656)	$ (760,249)
Non-GAAP operating income (loss):			
eBusiness and Fullfillment	$ 7,352	$ 5,923	$ 13,578
Enterprise Software and Services	(861)	(9,653)	(20,444)
Managed Application Services	1,212	(12,056)	(138,269)
Portals	1,011	5,628	(42,138)
Other	(34,487)	(46,916)	(85,858)
	$ (25,773)	$ (57,074)	$ (273,131)

	Years Ended July 31,		
	2003	2002	2001
	(in thousands)		
GAAP Operating loss	$ (92,378)	$ (75,656)	$ (760,249)
Adjustments:			
In-process research and development	—	—	762
Depreciation	10,583	14,277	23,786
Amortization of intangibles and stock-based compensation	218	4,941	182,704
Long-lived asset impairments	456	2,482	170,659
Restructuring charge (benefit)	55,348	(3,118)	109,207
Non-GAAP Operating loss	$ (25,773)	$ (57,074)	$ (273,131)

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	July 31, 2003	July 31, 2002
	(in thousands)	
Total assets of continuing operations:		
eBusiness and Fulfillment	$ 168,454	$ 156,373
Enterprise Software and Services	—	3,416
Managed Application Services	1,217	1,873
Portals	1,428	1,849
Other	282,291	371,305
	$ 453,390	$ 534,816

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

(4) DISCONTINUED OPERATIONS AND DIVESTITURES

On August 1, 2002, the Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Under the provisions of SFAS No. 144, certain disposal activities that previously did not qualify for discontinued operations accounting will now be required to be reported as discontinued operations. SFAS No. 144 requires that a disposal of a component of an entity comprising operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes from the rest of the entity, shall be reported as discontinued operations if (a) the operations of the component have been or will be eliminated from the ongoing operations of the entity as a result of the disposition activity, and (b) the entity will not have any significant continuing involvement in the operations of the component after the disposal transaction.

The Company's fiscal 2003 disposal activities that qualified for discontinued operations accounting were as follows:

During the quarter ended April 30, 2003, ProvisionSoft, Inc. ("ProvisionSoft"), a majority-owned operating company of CMGI, ceased operations. As a result, the Company recognized $35.7 million of minority interest in ProvisionSoft through discontinued operations during the period.

On April 25, 2003, AltaVista Company ("AltaVista"), a majority-owned operating company of CMGI, sold substantially all of its assets and business operations to Overture Services, Inc. ("Overture"), pursuant to the terms of an asset purchase agreement, dated as of February 18, 2003, by and among Overture, AltaVista, CMGI and Aurora I, LLC, a wholly owned subsidiary of AltaVista. During the second quarter ended January 31, 2003, AltaVista was classified in the Company's financial statements as "held for sale." For the year ended July 31, 2003, AltaVista recorded a gain of approximately $99.4 million on its sale of its assets and business operations.

On April 2, 2003, uBid, Inc. ("uBid"), a wholly-owned operating company of CMGI, sold substantially all of its assets to Takumi Interactive, Inc. ("Takumi"), pursuant to the terms of an asset purchase agreement dated as of April 2, 2003, by and among Takumi, CMGI and uBid. For the year ended July 31, 2003, uBid recorded a gain of approximately $0.1 million on its sale of its assets and business operations.

On February 28, 2003, InfoUSA Inc. acquired Yesmail, Inc. ("Yesmail") in a cash merger. During the second quarter ended January 31, 2003, Yesmail was classified in the Company's financial statements as "held for sale." For the year ended July 31, 2003, the Company recorded a gain of approximately $1.6 million on the sale of its equity interests in Yesmail.

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

On March 7, 2003, the Company sold all of its equity ownership interests in Tallán, Inc. ("Tallán") to a group (the "Tallán Buyer") led by management of Tallán. Under the terms of the Transaction Agreement, the Company sold to the Tallán Buyer 100% of the issued and outstanding shares of Tallán. The Company recorded a gain of approximately $1.9 on the sale of its equity interests in Tallán.

On September 9, 2002, the Company sold all of its equity and debt ownership interests in Engage. The Company has recorded a loss on the disposal of Engage of approximately $16.5 million (which included a $2.7 million loss from discontinued operations and a $13.8 million loss on the sale).

On June 12, 2002 (the measurement date), CMGI's board of directors authorized the divestiture of the Company's equity and debt ownership interests in its subsidiary NaviSite. On September 11, 2002, the Company completed the sale of all its equity and debt ownership interests in its subsidiary, NaviSite to ClearBlue Technologies, Inc. ("ClearBlue"). On the measurement date, NaviSite comprised more than 90% of both the total assets and operating losses of the Managed Application Services segment and NaviSite's product offering represented both a major line of business and a distinct class of customer. As a result, during the fourth quarter of the Company's fiscal year ended July 31, 2002, the Company accounted for its divestiture of NaviSite as discontinued operations in accordance with the provisions of APB No. 30, "Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." At July 31, 2002, the Company expected to record a net gain in the first quarter of fiscal year 2003 on the sale of its debt and equity ownership interests in NaviSite. The estimated gain on the sale of NaviSite included the results of operations from the measurement date through the date of disposal. The results of operations of NaviSite from the measurement date through July 31, 2002 were deferred and reflected as deferred loss on disposal of subsidiary on the consolidated balance sheet at July 31, 2002. NaviSite's operating results have been segregated from continuing operations and have been reported as discontinued operations in the accompanying condensed consolidated balance sheets and statements of operations and cash flows, and related notes to the condensed consolidated financial statements for all periods presented. During the fiscal year ended 2003, the Company recorded a gain of approximately $2.3 million on the disposal of NaviSite. In December 2002, the Company received 213,437 shares of NaviSite Common Stock upon distribution from ClearBlue.

The Company met the criteria specified in SFAS No. 144 in order to classify Engage, uBid, AltaVista, Tallán, Yesmail and Provisionsoft as discontinued operations at July 31, 2003. Therefore, uBid, which was previously included in the eBusiness and Fulfillment segment, and Tallán, Yesmail, AltaVista, ProvisionSoft and Engage, which were previously included in the Enterprise Software and Services segment, have been reported as discontinued operations in the consolidated financial statements for all periods presented.

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Summarized financial information for the discontinued operations of Yesmail, AltaVista, Tallán, uBid, ProvisionSoft, Engage and NaviSite are as follows:

	Years Ended July 31,		
	2003	2002	2001
		(in thousands)	
Results of operations:			
Net revenues	$ 168,736	$ 583,769	$ 963,015
Total expenses	(374,893)	(1,124,433)	(5,477,330)
Net loss	(206,157)	(540,664)	(4,514,315)
Recognition of minority interest upon cessation of operations—ProvisionSoft	35,666	—	—
Gain on sale of NaviSite	2,291	—	—
Loss on sale of Engage	(16,467)	—	—
Gain on sale of AltaVista	99,405	—	—
Gain on sale of Yesmail	1,632	—	—
Gain on sale of Tallán and uBid	2,004	—	—
Net loss from discontinued operations	$ (81,626)	$ (540,664)	$ (4,514,315)

	July 31, 2003	July 31, 2002
	(in thousands)	
Financial position:		
Current assets	$ 1,876	$ 153,245
Property and equipment, net	75	51,630
Other assets	—	138,707
Total liabilities	(2,019)	(202,252)
Net assets (liabilities) of discontinued operations	$ (68)	$ 141,330
Deferred loss on disposal of subsidiary	$ —	$ 31,869

(5) DECONSOLIDATION OF SIGNATURES SNI, INC.

Beginning in February 2001, CMGI's ownership interest in Signatures was reduced to below 50% as a result of the sale of the Company's majority interest. As such, beginning in February 2001, the Company began to account for its investment in Signatures under the equity method of accounting, rather than the consolidation method.

On November 6, 2002, the Company entered into a Recapitalization Agreement in which Signatures paid the Company a total of $8.0 million to: (i) redeem all of the capital stock held by the Company; (ii) retire a portion of the outstanding principal balance on the promissory note held by the Company; and (iii) retire all of the outstanding accrued interest relating to the promissory note. In addition, the Company contributed the remaining promissory note principal balance to the capital of Signatures and cancelled the outstanding warrants. As a result of this transaction, during the fiscal year ended July 31, 2003, the Company recorded a pre-tax loss of approximately $14.1 million (see Note 13).

(6) AVAILABLE-FOR-SALE SECURITIES

At July 31, 2003, on a consolidated basis, CMGI held approximately $79.2 million in available-for-sale securities, including 3.2 million shares of Overture common stock held by AltaVista and valued at approximately $75.9 million. Available-for-sale securities at July 31, 2002 primarily consisted of approximately 4.6 million

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

shares of Vicinity stock valued at $9.4 million and approximately 21,000 shares of Amazon.com stock valued at $0.3 million. These available-for-sale securities are recorded at fair value. Any unrealized holding gains or losses are excluded from net loss and are reported as a component of accumulated other comprehensive income or loss.

(7) PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	July 31, 2003	July 31, 2002
	(in thousands)	
Machinery and equipment	$ 8,094	$ 14,704
Leasehold improvements	3,182	11,025
Software	13,299	23,464
Other	2,562	3,738
	27,137	52,931
Less: Accumulated depreciation and amortization	(18,539)	(23,387)
Net property and equipment	$ 8,598	$ 29,544

(8) BUSINESS COMBINATIONS

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

The acquisition of the SL Supply Chain assets and operations has been accounted for using the purchase method and, accordingly, the purchase price has been allocated to the assets purchased and liabilities assumed based upon their fair values at the dates of acquisition. The financial results of SL Supply Chain are included in the Company's consolidated financial statements from the date of acquisition.

The purchase price of the SL Supply Chain assets and operations was allocated as follows:

	(in thousands)
Working capital, including cash acquired	$ 26,149
Property and equipment	143
Inventory	19,925
Other assets (liabilities), net	(1,170)
Minority interest	(744)
Purchase price	$ 44,303

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Amortization of intangible assets and stock-based compensation relates primarily to the Company's fiscal 2000 acquisitions and consists of the following:

	Years Ended July 31,		
	2003	2002	2001
	(in thousands)		
Amortization of intangible assets	$ —	$ 4,723	$ 141,771
Amortization of stock-based compensation	218	218	40,933
Total	$ 218	$ 4,941	$ 182,704

The amortization of intangible assets for the years ended July 31, 2002 and 2001 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 each of the years ended July 31, 2003, 2002 and 2001 would have been primarily allocated to general and administrative expense had the Company recorded the expenses within the functional department of the employee or director.

The following unaudited pro forma financial information presents the consolidated operations of the Company as if the fiscal year 2002 acquisition of the assets and operations of SL Supply Chain had occurred as of the beginning of fiscal year 2001, after giving effect to certain adjustments including the elimination of SL Supply Chain's amortization of goodwill and non-recurring restructuring charges that are not indicative of normal operating results. The following unaudited pro forma financial information is provided for informational purposes only and should not be construed to be indicative of the Company's consolidated results of operations had the acquisitions been consummated on the dates assumed and do not project the Company's results of operations for any future period:

	Years Ended July 31,	
	2002	2001
	(in thousands, except per share data)	
Net revenue	$ 479,600	$ 764,758
Loss from continuing operations before extraordinary item	$ (115,762)	$ (792,114)
Net loss available to common stockholders	$ (464,276)	$ (5,510,503)
Loss available to common stockholders per share (basic and diluted)	$ (1.22)	$ (16.72)

(9) IMPAIRMENT OF LONG-LIVED ASSETS, GOODWILL AND OTHER INTANGIBLE ASSETS

Through July 31, 2002, the Company recorded impairment charges as a result of management's ongoing business reviews and impairment analysis performed under its policy regarding impairment, utilizing the guidance in SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" (SFAS No. 121). Where impairment indicators were identified, management evaluated whether the projected undiscounted cash flows were sufficient to cover the carrying value of the long-lived asset being reviewed. If the undiscounted cash flows were insufficient, management then determined the amount of the impairment charge by comparing the carrying value of the long-lived assets to its fair value. Management determined fair value of goodwill and certain other intangible assets based on a combination of the discounted cash flow methodology, which was based upon converting expected cash flows to present value, and the market approach, which included analysis of market price multiples of companies engaged in lines of business similar to the Company. The market price multiples were 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.

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Management predominantly utilized third-party valuation reports in its determination of fair value. Management predominantly determined fair value of other long-lived assets, such as property and equipment, based on third-party valuation reports.

On August 1, 2002, the Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Under SFAS No. 144, the Company is required to test certain long-lived assets or group of assets for recoverability whenever events or changes in circumstances indicate that the Company may not be able to recover the asset's carrying amount. SFAS No. 144 defines impairment as the condition that exists when the carrying amount of a long-lived asset or group exceeds its fair value. When events or changes in circumstances dictate an impairment review of a long-lived asset or group, the Company will evaluate recoverability by determining whether the undiscounted cash flows expected to result from the use and eventual disposition of that asset or group cover the carrying value at the evaluation date. If the undiscounted cash flows are not sufficient to cover the carrying value, the Company will measure any impairment loss as the excess of the carrying amount of the long-lived asset or group over its fair value. Management predominantly uses third party valuation reports in its determination of fair value.

On August 1, 2002, the Company adopted SFAS No. 142. SFAS No. 142 required the Company to evaluate its existing intangible assets and goodwill that were acquired in prior purchase business combinations, and to make any necessary reclassifications in order to conform with the new criteria in SFAS No. 141 for recognition apart from goodwill. Accordingly, the Company was required to reassess the useful lives and residual values of all identifiable intangible assets acquired in purchase business combinations, and make any necessary amortization period adjustments. In addition, to the extent an intangible asset is then determined to have an indefinite useful life, the Company was required to test the intangible asset for impairment in accordance with the provisions of SFAS No. 142.

Under the provisions of SFAS No. 142, the Company was required to perform transitional goodwill impairment tests as of August 1, 2002. To accomplish this, the Company identified its reporting units and determined the carrying value of its one reporting unit by assigning the assets, liabilities, existing goodwill and intangible assets to the reporting unit as of the date of adoption. The Company then had up to six months from the date of adoption to determine the fair value of its reporting unit and compare it to the reporting unit's carrying amount. To the extent a reporting unit's carrying amount exceeds its fair value, an indication exists that the reporting unit's goodwill may be impaired and the Company must perform the second step of the transitional impairment test. In the second step, the Company must compare the implied fair value of the reporting unit's goodwill, determined by allocating the reporting unit's fair value to all of its assets (recognized and unrecognized) and liabilities in a manner similar to a purchase price allocation in accordance with SFAS No. 141, to its carrying amount, both of which would be measured as of the date of adoption. This second step is required to be completed as soon as possible, but no later than the end of the year of adoption. Any transitional impairment loss resulting from the completion of the first step of the transitional goodwill impairment testing would be recognized as the cumulative effect of a change in accounting principle in the Company's consolidated statements of operations.

In accordance with the provisions of SFAS No. 142, the Company has designated reporting units for purposes of assessing goodwill impairment. The standard defines a reporting unit as the lowest level of an entity that is a business and that can be distinguished, physically and operationally and for internal reporting purposes, from the other activities, operations, and assets of the entity. Based on the provisions of the standard, the Company has determined that it currently has one reporting unit for purposes of goodwill impairment testing. Additionally, the Company's policy is to perform its annual impairment testing for all reporting units as of the fourth quarter of each fiscal year.

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Following the adoption of SFAS No. 142, the Company completed the first step of the required transitional impairment test during the second quarter of 2003, based on the comparison of the fair value of the reporting unit with its respective carrying value as of August 1, 2002. The Company concluded that there was no impairment indicated as of August 1, 2002 or as a result of its annual impairment testing during the fourth quarter of fiscal 2003. As of August 1, 2002, the Company ceased the amortization of goodwill.

The changes in the carrying amount of goodwill for the fiscal years ended July 31, 2003 and 2002 are as follows:

	eBusiness and Fulfillment Segment	Enterprise Software and Services Segment	Total
		(in thousands)	
Balance as of July 31, 2001	$ 24,316	$ 6,975	$ 31,291
Goodwill Amortization	(2,194)	(4,756)	(6,950)
Balance as of July 31, 2002	$ 22,122	$ 2,219	$ 24,341
Goodwill written off related to sale of subsidiary	—	(2,219)	(2,219)
Balance as of July 31, 2003	$ 22,122	$ —	$ 22,122

The reconciliation of net income (loss) available to common stockholders before goodwill amortization expense, for the fiscal years ended July 31, 2003, 2002 and 2001, is as follows:

	Years Ended July 31,		
	2003	2002	2001
	(in thousands, except per share amounts)		
Loss from continuing operations before extraordinary item, as reported	$ (134,682)	$ (54,331)	$ (981,104)
Add back: goodwill amortization expense, net of tax	—	4,888	124,301
Adjusted loss from continuing operations before extraordinary item	$ (134,682)	$ (49,443)	$ (856,803)
Net loss available to common stockholders, as reported	$ (216,308)	$ (463,714)	$ (5,495,419)
Add back: goodwill amortization expense, net of tax	—	226,382	1,246,018
Adjusted net loss available to common stockholders	$ (216,308)	$ (237,332)	$ (4,249,401)
Basic and diluted loss per share from continuing operations before extraordinary item as reported	$ (0.34)	$ (0.14)	$ (2.97)
Add back: goodwill amortization expense, net of tax	—	0.01	0.37
Adjusted basic and diluted loss per share from continuing operations before extraordinary item as reported	$ (0.34)	$ (0.13)	$ (2.60)
Basic and diluted loss per share available to common stockholders as reported	$ (0.55)	$ (1.22)	$ (16.67)
Add back: goodwill amortization expense, net of tax	—	0.60	3.78
Adjusted basic and diluted loss per share available to common stockholders	$ (0.55)	$ (0.62)	$ (12.89)

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(10) RESTRUCTURING CHARGES

The following tables summarize the activity in the restructuring accrual for fiscal 2003, 2002 and 2001:

	Employee Related Expenses	Contractual Obligations	Asset Impairments	Total
		(in thousands)		
Accrued restructuring balance at July 31, 2000	$ —	$ —	$ —	$ —
Q1 Restructuring	—	—	—	—
Q2 Restructuring	7,359	31,922	5,420	44,701
Q3 Restructuring	—	675	—	675
Q4 Restructuring	1,704	62,684	1,308	65,696
Restructuring adjustments	(335)	(1,421)	(109)	(1,865)
Cash charges	(8,258)	(21,074)	—	(29,332)
Non-cash charges	—	(4,067)	(6,619)	(10,686)
Accrued restructuring balance at July 31, 2001	$ 470	$ 68,719	$ —	$ 69,189
Q1 Restructuring	445	7,091	4,119	11,655
Q2 Restructuring	1,001	2,684	—	3,685
Q3 Restructuring	634	457	—	1,091
Q4 Restructuring	375	4,390	1,090	5,855
Restructuring adjustments	—	(25,404)	—	(25,404)
Cash charges	(2,492)	(29,855)	—	(32,347)
Non-cash charges	(13)	(6,109)	(5,209)	(11,331)
Accrued restructuring balance at July 31, 2002	$ 420	$ 21,973	$ —	$ 22,393
Q1 Restructuring	19	146	—	165
Q2 Restructuring	42	3,832	6,256	10,130
Q3 Restructuring	1,783	10,723	7,838	20,344
Q4 Restructuring	1,966	19,245	5,351	26,562
Restructuring adjustments	—	(1,853)	—	(1,853)
Cash charges	(2,902)	(35,174)	—	(38,076)
Non-cash charges	207	(281)	(19,445)	(19,519)
Accrued restructuring balance at July 31, 2003	$ 1,535	$ 18,611	$ —	$ 20,146

The Company anticipates that the remaining restructuring accruals will be settled by December 2012. It is expected that the payments of employee-related expenses will be substantially complete within three months. The remaining contractual obligations primarily relate to facilities and equipment lease obligations.

The Company's accrued restructuring balance of $20.1 million at July 31, 2003 includes approximately $10.9 million of long-term restructuring liabilities classified as a component of other long-term liabilities in the Company's consolidated balance sheet at July 31, 2003.

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The net restructuring charges (benefits) for the fiscal years ended July 31, 2003, 2002 and 2001 would have been allocated as follows had the Company recorded the expense and adjustments within the functional department of the restructured activities:

	Years Ended July 31,		
	2003	2002	2001
		(in thousands)	
Cost of revenue	$ 20,279	$ (12,152)	$ 73,631
Research and development	—	112	3,522
Selling	264	437	4,722
General and administrative	34,805	8,485	27,332
	$ 55,348	$ (3,118)	$ 109,207

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

During the fiscal year ended July 31, 2003, the Company recorded net restructuring charges of approximately $55.3 million. The charges primarily related to restructuring initiatives at the Company's wholly-owned subsidiary, SalesLink, which recorded charges of approximately $21.7 million during the period, and at the Company's corporate headquarters which recorded charges of approximately $31.3 million during the period. The restructuring charges at SalesLink included charges related to unoccupied facilities in California ($7.2 million), vacant partitioned space in SalesLink's Memphis facility ($3.3 million), unutilized fixed assets in these facilities ($7.8 million), and a workforce reduction of 219 employees ($2.3 million). These restructuring charges were the result of the implementation of a restructuring plan designed to reduce overhead costs in response to continued weak demand for U.S. based supply chain management services. The restructuring charges at the Company's corporate headquarters primarily included the termination of its facility lease obligation at its headquarters in Andover, MA ($10.0 million), certain operating equipment lease obligations ($5.2 million), the restructuring of the Company's hosting services arrangements ($0.9 million) in response to the divestiture of several subsidiaries and the reduced overall hosting services required to support the ongoing business operations of the Company, and a workforce reduction of 54 employees ($1.6 million) as part of the Company's continued focus on cost savings. The balance of the Company's restructuring charges during the fiscal year ended July 31, 2003 related primarily to the recognition of the cumulative translation component of equity as a result of the shutdown of the Company's European operations ($5.0 million), the write-off of certain software related and leasehold improvement assets ($6.6 million), and a charge related to facility lease obligations beyond the Company's previous estimates ($3.2 million). These charges were partially offset by the settlement of certain facility lease obligations related to the Company's European operations for amounts less than originally anticipated ($1.5 million). The Company also recognized restructuring charges of $2.7 million related to operating equipment and facility lease obligations at its NaviPath, iCast, and MyWay subsidiaries.

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

During the fiscal year ended July 31, 2002, the Company recorded a net restructuring benefit of approximately $3.1 million. The restructuring benefit primarily resulted from certain vendor and customer contractual obligations of NaviPath (primarily purchase commitments and service contracts) being settled for amounts less than originally estimated ($21.1 million). The restructuring benefit was partially offset by charges related to restructuring initiatives at the Company's NaviPath, iCast and MyWay subsidiaries, as well as at the Company's corporate headquarters. The restructuring charges at NaviPath related to severance, legal, and other professional fees incurred in connection with the cessation of its operations ($4.1 million). The restructuring charge at iCast related to vacant space at iCast's corporate headquarters in Woburn, MA. The restructuring charges at MyWay included the write-off of property and equipment, as well as the termination of customer and vendor contracts in connection with the cessation of its operations ($5.4 million). The restructuring charge at the Company's headquarters consisted of severance costs for the termination of approximately 70 employees ($0.9 million), as well as costs related to vacant space at certain of the Company's facilities in San Francisco, CA ($2.3 million), and in Europe ($2.6 million), as well as unutilized fixed assets related to these facilities ($2.0 million).

During the fiscal year ended July 31, 2001, the Company recorded net restructuring charges totaling approximately $109.2 million. The charges primarily related to restructuring initiatives at the Company's NaviPath, MyWay, iCast, 1stUp, and ExchangePath subsidiaries, as well as at the Company's corporate headquarters. The approximately $60.5 million of restructuring charges at NaviPath included severance costs associated with a reduction in its workforce, accrued future lease costs, the write-off of fixed assets, and the termination of customer and vendor contracts, principally telco and bandwidth commitments. MyWay incurred approximately $16.2 million in restructuring charges primarily related to the write-off of property and equipment, as well as the termination of customer and vendor contracts. Restructuring charges of approximately $12.4 million, $4.6 million, and $2.4 million were incurred as a result of the cessation of the operations at iCast, 1stUp, and ExchangePath, respectively. The Company also recorded approximately $7.6 million and $3.5 million, related to severance costs and future lease commitments of the Company's European corporate operations and CMGI@Ventures, respectively.

(11) CMGI@VENTURES INVESTMENTS

The Company's first Internet venture fund, CMG@Ventures I was formed in 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 completed its $35.0 million commitment to this fund during fiscal year 1997. The Company's second Internet venture fund, CMG@Ventures II, was formed during fiscal year 1997. The Company owns 100% of the capital and is entitled to approximately 80% of cumulative net profits of CMG@Ventures II. The remaining interest in these investments are attributed to profit members, including David Wetherell, the Company's Chairman and former Chief Executive Officer. The Company is responsible for all operating expenses of CMG@Ventures I. CMG@Ventures II invested a total of approximately $1.8 million in two companies during fiscal year 2001 and did not invest in any companies during fiscal years 2002 and 2003.

In fiscal year 1999, CMGI formed the @Ventures III venture capital fund (@Ventures III Fund). The @Ventures III Fund secured capital commitments from outside investors and CMGI to be invested in emerging Internet service and technology companies. The @Ventures III Fund consists of four entities, which co-invest in each investment made by the @Ventures III Fund. Approximately 78% of each investment made by the @Ventures III Fund is made by two entities: @Ventures III, L.P. and @Ventures Foreign Fund III, L.P. CMGI does not have a direct ownership interest in either of these entities, but CMGI is entitled to approximately 0.1% of the capital of each entity as a result of its ownership of an approximately 10% interest in the general partner of each of such entities, @Ventures Partners, III, LLC (@Ventures Partners III). The Company has committed to contribute up to $56.0 million to its limited liability company subsidiary, CMG@Ventures III, equal to 19.9% of

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

total amounts committed to the @Ventures III Fund, of which approximately $53.8 million has been funded as of July 31, 2003. CMGI owns 100% of the capital and is entitled to approximately 80% of the cumulative net capital gains realized by CMG@Ventures III. @Ventures Partners III is entitled to the remaining 20% of the net capital gains realized by CMG@Ventures III. The remaining 2% invested in each @Ventures III Fund investment is provided by a fourth entity, @Ventures Investors, LLC, in which CMGI has no interest. The Company's Chairman and former Chief Executive Officer has an individual ownership interest in @Ventures Investors and, as a member of @Ventures Partners III, is entitled to a portion of net gains distributed to @Ventures Partners III. CMG@Ventures III invested approximately $0.3 million in one company during fiscal 2001, and did not invest in any companies during fiscal year 2002 and 2003.

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, LLC. In fiscal year 2002 this amount was reduced to $20.1 million, of which $16.7 million has been funded as of July 31, 2003. The @Ventures Expansion Fund has a structure that is substantially identical to the @Ventures III Fund, and CMGI's interests in this fund are comparable to its interests in the @Ventures III Fund. CMG@Ventures Expansion invested a total of approximately $4.3 million in nine companies in fiscal year 2001, approximately $0.4 million in two companies during fiscal year 2002, and approximately $0.7 million in three companies during fiscal year 2003.

Also during fiscal year 2000, CMGI announced the formation of three new venture capital funds: CMGI@Ventures IV, LLC, CMGI @Ventures B2B, LLC (the B2B Fund) and CMGI @Ventures Technology Fund, LLC (the Tech Fund). CMGI owns 100% of the capital and is entitled to a percentage (ranging from approximately 80% to approximately 92.5%) of the net capital gains realized by CMGI@Ventures IV, the B2B Fund and the Tech Fund. During fiscal year 2000, CMGI@Ventures IV, the B2B Fund, and the Tech Fund invested approximately $28.9 million, $155.0 million and $37.3 million in three, eleven and six companies, respectively. During fiscal year 2001, the B2B Fund and the Tech Fund were merged with and into CMGI @Ventures IV, creating a single evergreen fund. During fiscal year 2001, CMGI@Ventures IV invested $43.7 million in nine companies. During fiscal year 2002, CMGI@Ventures IV invested $7.8 million in four companies. During fiscal year 2003, CMGI @Ventures IV invested $3.8 million in two 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,		
	2003	2002	2001
		(in thousands)	
Gain on stock issuance by NaviSite	$ —	$ —	$ 198
Gain on stock issuance by Vicinity	—	—	695
Gain on stock issuance by Engage	—	—	120,901
	$ —	$ —	$ 121,794

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.

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(13) OTHER GAINS (LOSSES), NET

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

	Years Ended July 31,		
	2003	2002	2001
		(in thousands)	
Gain (loss) on sales of marketable securities	$ 14,371	$ (31,945)	$ 289,825
Gain on derivative and sale of hedged Yahoo!, Inc. shares	—	53,897	48,234
Gain on sale of investment in eGroups, Inc.	—	—	8,114
Loss on impairment of marketable securities	(579)	(2,526)	(498,313)
Loss on impairment of investments in affiliates	(28,165)	(44,650)	(148,919)
Loss on sale of Equilibrium Technologies, Inc.	(3,527)	—	—
Loss on sale of Activate.Net Corporation, Inc.	—	(21,444)	—
Loss on sale of majority interest in Signatures SNI, Inc.	—	—	(18,499)
Loss on divestiture of minority investment in Signatures SNI, Inc.	(14,056)	—	—
Loss on mark-to-market adjustment for trading security	(6,348)	(20,683)	—
Other, net	(3,013)	(632)	(2,475)
	$ (41,317)	$ (67,983)	$ (322,033)

During fiscal year 2003, the Company sold marketable securities for total proceeds of approximately $34.6 million and recorded a net pre-tax gain of approximately $14.4 million on these sales. These sales primarily consisted of approximately 4.6 million shares of Vicinity stock for proceeds of approximately $15.4 million and approximately 1.1 million shares of Overture Services, Inc. stock sold by AltaVista for total proceeds of approximately $17.9 million. The Company also recorded a loss of approximately $6.3 million on the mark-to-market adjustment of a trading security and recorded impairment charges of approximately $28.2 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, LLC. During the period, the Company divested of its debt and equity interests in Signatures SNI, Inc. ("Signatures") and its ownership interests in Equilibrium Technologies, Inc. ("Equilibrium"), and recorded pre-tax losses of approximately $14.1 million and $3.5 million, respectively (See Note 5).

During fiscal year 2002, the Company sold marketable securities for total proceeds of approximately $20.6 million and recorded a net pre-tax loss of approximately $32.0 million on these sales. These sales primarily consisted of approximately 7.1 million shares of Primedia, Inc. stock for proceeds of approximately $15.9 million, approximately 356,000 shares of MKTG Services Group, Inc. stock for total proceeds of approximately $1.1 million, approximately 3.7 million shares of Divine stock for total proceeds of approximately $2.8 million and approximately 3.2 million shares of NexPrise, Inc. (NexPrise, formerly Ventro Corporation) stock for total proceeds of approximately $0.8 million. The Company also settled the final tranche of its borrowing arrangement that hedged a portion of the Company's investment in Yahoo! stock. In connection with the settlement, the Company delivered 581,499 shares of Yahoo! stock and recognized a pre-tax gain of approximately $53.9 million. (See Note 14). The Company also recorded net impairment charges of approximately $44.7 million for other-than-temporary declines in the carrying value of certain investments in affiliates. These charges were primarily associated with investments made by CMGI@Ventures IV. The Company completed the sale of its majority-owned subsidiary, Activate.Net Corporation (Activate), to Loudeye Technologies, Inc. and recorded a pre-tax loss of approximately $21.4 million, and recorded a $20.7 million loss on the mark-to-market adjustment of a trading security (See Note 16).

During fiscal year 2001, the Company sold marketable securities for total proceeds of approximately $973.7 million and recorded a net pre-tax gain of approximately $289.8 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. The Company also recorded impairment charges related to its available-for-sale securities and other marketable securities. These charges primarily consisted of approximately $187.5 million, $145.7 million, $49.3 million, $40.5 million, $29.6 million and $25.4 million of impairment charges related to the Company's holdings of shares of PCCW, Primedia, Hollywood Entertainment, MSGI, Netcentives and Divine, respectively. Additionally, the Company recorded an impairment charge of approximately $148.9 million for other than temporary declines in the carrying value of certain investments in affiliates. These charges were primarily associated with investments made by CMGI@Ventures IV. 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.

(14) BORROWING ARRANGEMENTS

In August 1999, the Company issued two three-year notes totaling $220.0 million to HP as consideration for the Company's acquisition of AltaVista. The notes bore interest at an annual rate of 10.5% and were due and payable in full in August 2002. Interest was due and payable semiannually on each February 18 and August 18 until the notes were paid in full. Principal and interest payments due on the notes were payable in cash, shares of the Company's common stock, other marketable securities, or any combination thereof at the option of CMGI. In October 2001, the Company entered into agreements with HP, a significant stockholder of CMGI, and its wholly owned subsidiary, Hewlett-Packard Financial Services (HPFS). In November 2001, as part of these agreements, HP agreed to deem the Company's $220.0 million in face amounts of notes payable, plus the accrued interest thereon, paid in full in exchange for $75.0 million in cash, approximately 4.5 million shares of CMGI common stock and CMGI's 49% ownership interest in its affiliate, B2E Solutions, LLC, of which HP had previously owned the remaining 51%. As a result, the Company recorded an extraordinary gain of approximately $131.3 million, net of income taxes million related to the extinguishment of the Company's $220.0 million in face amounts of notes payable to HP. The gain was calculated as the difference between the carrying value of the notes payable plus accrued interest thereon, less the carrying value of the consideration exchanged. The carrying value of the consideration approximated fair market value at the date of the transaction.

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

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

At July 31, 2002, notes payable totaling approximately $94.3 million consisted of an obligation incurred in conjunction with the retirement of the Series C Convertible Preferred Stock (see Note 16).

On July 31, 2003, SalesLink amended its Loan and Security Agreement (the Amended Loan Agreement) with a bank. The new agreement provides a revolving credit facility not to exceed $23.0 million and a term loan facility of $6.3 million. Interest on either the revolving credit facility or the term loan facility is based on Prime or LIBOR rates plus an applicable margin. The effective interest rate was 3.375% at July 31, 2003. As of July 31, 2003, approximately $12.3 million of SalesLink's revolving credit facility had been reserved in support of outstanding letters of credit. Approximately $10.7 million of the credit facility was available at July 31, 2003. The entire $6.3 million term loan facility was outstanding as of July 31, 2003. All borrowings under the Amended Loan Agreement mature on June 30, 2004.

Prior to the amendment on July 31, 2003, SalesLink had a revolving credit agreement and a term note payable with a bank. The revolving credit agreement provided for the option of interest at LIBOR or Prime, plus in either case, an applicable margin based on SalesLink's leverage ratio. The effective interest rate was 3.875% at July 31, 2002. SalesLink's revolving line of credit availability at July 31, 2002 totaled $13.0 million, of which approximately $2.1 million had been reserved in support of outstanding letters of credit for operating leases. Approximately $10.9 million of the line of credit was available at July 31, 2002. The bank term notes outstanding at July 31, 2002 provided for repayment in quarterly installments through October 2005.

SL Supply Chain has a mortgage arrangement with a bank in Ireland. The mortgage provides for interest at the One Month EURIBOR, plus 1.75%. The effective interest rate was approximately 3.83% and 5.10% at July 31, 2003 and 2002, respectively. The mortgage arrangement matures in 2015 and is secured by the mortgaged property as well as the borrower's assets.

SalesLink was in compliance with its debt covenants as of July 31, 2003 and 2002, respectively.

Maturities of long-term debt are approximated as follows: 2004, $6.6 million; 2005, $0.1 million; 2006, $0.1 million; 2007, $0.1 million; 2008, $0.1 million; and thereafter, $1.3 million.

Long-term debt consists of the following:

	July 31,	
	2003	2002
	(in thousands)	
Term notes payable to a bank issued by SalesLink	$ 6,259	$ 7,363
Mortgage arrangement to a bank issued by SL Supply Chain	1,785	1,646
Other	251	251
	8,295	9,260
Less: Current portion	6,622	1,370
	$ 1,673	$ 7,890

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(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 2015. Future minimum payments as of July 31, 2003 are as follows:

	Operating Leases	Stadium	Other Contractual Obligations	Total
		(in thousands)		
For the fiscal years ended July 31:				
2004	$ 9,625	$ 1,600	$ 252	$ 11,477
2005	8,409	1,600	—	10,009
2006	7,297	1,600	—	8,897
2007	6,637	1,600	—	8,237
2008	3,568	1,600	—	5,168
Thereafter	8,130	11,200	—	19,330
	$ 43,666	$ 19,200	$ 252	$ 63,118

Total future minimum lease payments have been reduced by future minimum sublease rentals of approximately $2.5 million.

Total rent and equipment lease expense charged to continuing operations was approximately $14.3 million, $29.6 million, and $49.1 million for the years ended July 31, 2003, 2002 and 2001, respectively.

In August 2000, the Company announced it had acquired the exclusive naming and sponsorship rights to the New England Patriots' new stadium, for a period of fifteen years. In August 2002, the Company finalized an agreement with the owner of the stadium to amend the sponsorship agreement. Under the terms of the amended agreement, the Company relinquished the stadium naming rights and remains obligated for a series of annual payments of $1.6 million per year through 2015. The Company applied a discount rate to the future payment stream to reflect the present value of its obligation on the consolidated balance sheet.

From time to time, the Company provides guarantees of payment to vendors doing business with certain of the Company's subsidiaries. These guarantees require that in the event that the subsidiary cannot satisfy its obligations with certain of its vendors, the Company will be required to settle the obligation. As of July 31, 2003, the Company had outstanding guarantees of subsidiary indebtedness totaling approximately $14.8 million.

In August 2001, Jeffrey Black, a former employee of AltaVista, filed a complaint in Superior Court of the State of California (Santa Clara County) in his individual capacity as well as in his capacity as a trustee of two family trusts against the Company and AltaVista alleging certain claims arising out of his relationship with the Company and AltaVista and the termination of Mr. Black's employment with AltaVista. The Company and AltaVista each believes that these claims are without merit and plans to vigorously defend against these claims. In March 2002, the court ordered the entire case to binding arbitration in California. In August 2002, Mr. Black submitted the matter to the American Arbitration Association. Mr. Black's statement of damages in the arbitration proceeding seeks monetary damages in excess of $16 million. In connection with Overture's acquisition of AltaVista's business, Overture agreed to assume any liability of AltaVista with respect to this action. On May 15, 2003, Mr. Black was given leave by the court to file a third amended complaint naming Overture as a defendant as successor in interest to AltaVista. An arbitration hearing was held in August 2003. Closing arguments are scheduled for October 20, 2003.

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

On January 17, 2002, Sean Barger, a former employee and principal stockholder of Equilibrium Technologies, Inc. ("Equilibrium"), filed a complaint in Superior Court of the State of California (San Francisco County) in his individual capacity against the Company, AltaVista, David S. Andonian, Andrew J. Hajducky, III, and David S. Wetherell alleging certain claims arising out of the Company's acquisition of Equilibrium in January 2000. As set forth in the complaint, Mr. Barger alleged, among other things, (1) violation of state securities statutes, (2) fraudulent inducement, deceit, and fraud, (3) negligent misrepresentation, (4) unfair competition and (5) breach of fiduciary duty. The Company believes that these claims are without merit and plans to vigorously defend the action. Mr. Barger is claiming an unspecified amount of damages. On October 29, 2002, Mr. Barger amended his complaint to allege, among other things, personal jurisdiction over the individual defendants. On January 27, 2003, Mr. Barger again amended his complaint to add allegations pertaining to the breach of fiduciary duty claim. The Court subsequently dismissed without leave to amend Mr. Barger's claim for breach of fiduciary duty. The parties are currently engaged in discovery. A trial has been scheduled to commence April 19, 2004. In connection with Overture's acquisition of AltaVista's business, Overture agreed to assume any liability of AltaVista with respect to this action.

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

(16) RETIREMENT OF SERIES C CONVERTIBLE PREFERRED STOCK

On June 29, 1999, CMGI completed a $375.0 million private placement of 375,000 shares of newly issued Series C Redeemable, Convertible Preferred Stock (Series C Preferred Stock). Each share of Series C Preferred Stock had a stated value of $1,000 per share. The Company paid a semi-annual dividend of 2% per annum, in arrears, on June 30 and December 30 of each year at the Company's option, in cash or through an adjustment to the liquidation preference of the Series C Preferred Stock. The Series C Preferred Stock was redeemable at the option of the holders upon the occurrence of certain events.

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

In addition, due to the delayed delivery obligation with respect to the PCCW shares, the Company made cash payments to the Holders of approximately $7.2 million during fiscal 2002 and approximately $8.0 million during fiscal 2003.

The carrying value of the consideration exchanged approximated fair market value at the date of the transaction. As a result, in November 2001, the Company reclassified its investment in PCCW shares from "Other assets" to "Trading security" in accordance with SFAS No. 115, and recorded the liability related to the obligation to deliver the PCCW stock as a current note payable, both of which were carried at market value. Changes in the fair value of the PCCW stock and the note payable were recorded in the consolidated statements of operations as Other losses, net and as adjustments to interest expense, respectively. The fair market value adjustment of the note payable for fiscal year ended July 31, 2003 was $6.3 million, and resulted in a $6.3 million decrease to interest expense, which was offset by a loss of $6.3 million on the fair value adjustment of the trading security which was included in Other losses, net.

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

On December 2, 2002, the Company fulfilled its obligation to deliver approximately 448.3 million shares of PCCW stock to the Holders. No gain or loss was recognized upon settlement.

(17) STOCKHOLDERS' EQUITY

During fiscal 2001, the Company received approximately 241.0 million shares of PCCW stock in exchange for approximately 13.4 million shares of the Company's common stock. During fiscal 2001, the Company issued approximately 30.2 million shares of its common stock as payment of principal and interest totaling approximately $391.6 million related to notes payable that had been issued in the Company's acquisition of Tallán. Also during fiscal 2001, the Company issued approximately 2.3 million shares of its common stock, valued at approximately $23.0 million, to HPFS to satisfy interest due on the Company's notes payable related to its acquisition of AltaVista.

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

During fiscal 2003, the Company settled its facility lease obligation at its former corporate headquarters for consideration that included the issuance of 750,000 shares of the Company's common stock.

(18) STOCK OPTION PLANS

The Company currently awards stock options under three plans: the 2002 Non-Officer Employee Stock Incentive Plan (2002 Plan), the 2000 Stock Incentive Plan (2000 Plan) which had replaced the 1986 Stock Option Plan (1986 Plan) and the 1999 Stock Option Plan For Non-Employee Directors (1999 Directors' Plan), which replaced the 1995 Directors' Plan (1995 Directors' Plan). No options granted under the 1995 Directors' Plan remain in effect. Options granted under the 2002 Plan and the 2000 Plan are generally 1/4th exercisable beginning one year after the date of grant, and the remaining granted options are exercisable in equal cumulative installments over the next three years.

In March 2002, the Board of Directors adopted the 2002 Plan, pursuant to which 4,150,000 shares of common stock are reserved for issuance (subject to adjustment in the event of stock splits and other similar events). In May 2002, the Board of Directors approved an amendment to the 2002 Plan in which the total shares available under the plan were increased to 19,150,000. Under the 2002 Plan, non-statutory stock options or restricted stock awards may be granted to the Company's or its subsidiaries' employees, other than those who are also officers or directors, as defined. The Board of Directors administers this plan, approves the individuals to whom options will be granted, and determines the number of shares and exercise price of each option. Outstanding options under the 2002 Plan at July 31, 2003 expire through 2010.

In October 2000, the Board of Directors adopted the 2000 Plan, pursuant to which 15,500,000 shares of common stock are reserved for issuance (subject to adjustment in the event of stock splits and other similar events). No further option grants will be made under the 1986 Plan, however all outstanding options under the 1986 Plan remain in effect. Under the 2000 Plan, non-qualified stock options or incentive stock options may be granted to the Company's or its subsidiaries' employees, consultants, advisors or directors, as defined. The Board of Directors administers this plan, approves the individuals to whom options will be granted, and determines the number of shares and exercise price of each option. Outstanding options under the 2000 Plan at July 31, 2003 expire through 2010.

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The 1999 Directors' Plan, approved in fiscal year 2000, replaces the Company's 1995 Directors' Plan. Pursuant to the 1999 Directors' Plan, 2,000,000 shares of the Company's common stock were initially reserved. In March 2003, the Board of Directors approved an amendment to the 1999 Directors Plan. 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 $1/36^{th}$ 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, granted before March 12, 2003, will vest and become exercisable on a monthly basis as to $1/12^{th}$ of the number of shares originally subject to the option commencing on the 37^{th} month after the grant date, provided that the optionee then serves as a director on such monthly anniversary date. Annual Options granted after March 12, 2003 become exercisable as to $1/36^{th}$ of the number of shares originally subject to the option on each monthly anniversary date of the date grant, provided that the optionee serves as a director on such monthly anniversary date. Outstanding options under the 1999 Directors' Plan at July 31, 2003 expire through 2013.

The status of the plans during the three fiscal years ended July 31, 2003, 2002, and 2001 was as follows:

	2003		2002		2001	
	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	38,509	$ 11.08	28,252	$ 22.02	33,927	$ 30.09
Granted	1,143	0.79	18,579	0.85	9,097	3.95
Exercised	(1,606)	0.52	(454)	1.16	(3,307)	2.29
Canceled	(17,044)	10.55	(7,868)	26.78	(11,465)	37.32
Options outstanding, end of year	21,002	$ 11.76	38,509	$ 11.08	28,252	$ 22.02
Options exercisable, end of year	11,602	$ 16.73	12,114	$ 20.28	11,302	$ 21.80
Options available for grant, end of year	23,339		12,544		10,465	

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table summarizes information about the Company's stock options outstanding at July 31, 2003:

	Options Outstanding			Options Exercisable	
Range of exercise prices	Number of shares	Weighted average remaining contractual life	Weighted average exercise price	Number of shares	Weighted average exercise price
	(number of shares in thousands)				
$0.00–$1.00	6,833	2.3 years	$ 0.28	4,473	$ 0.19
$1.01–$2.50	7,121	5.8	1.46	1,904	1.51
$2.51–$5.00	2,622	3.0	2.92	1,567	3.17
$5.01–$25.00	316	2.5	9.10	301	9.05
$25.01–$50.00	680	1.6	41.04	606	41.09
$50.01–$100.00	3,376	1.7	56.05	2,702	56.03
$100.01–$150.00	51	2.5	121.86	46	122.14
$150.01–$511.00	3	0.1	260.56	3	260.56
	21,002	3.5 years	$ 11.76	11,602	$ 16.73

The weighted average fair value per share of options granted during fiscal years 2003, 2002 and 2001 was $0.63, $0.66, and $2.34, respectively.

(19) EMPLOYEE STOCK OPTION PLAN

On October 4, 1994, the Board of Directors of the Company adopted the 1995 Employee Stock Purchase Plan (the Plan). The purpose of the Plan is to provide a method whereby all eligible employees of the Company and its subsidiaries may acquire a proprietary interest in the Company through the purchase of shares of common stock. Under the Plan, employees may purchase the Company's common stock through payroll deductions. During fiscal year 2001, the Plan was amended to reserve 1.0 million shares for issuance thereunder. During fiscal year 2002, the Plan was further amended to increase the aggregate number of shares to 3.0 million.

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

Employees purchased 557,760, 614,229, and 752,705 shares of common stock of the Company under the Plan during fiscal years 2003, 2002, and 2001, respectively.

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(20) INCOME TAXES

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

	Years Ended July 31,		
	2003	2002	2001
		(in thousands)	
Loss from continuing operations	$ 3,249	$ (7,096)	$ 12,171
Discontinued operations	—	(335)	(196,575)
Extraordinary gain associated with the early extinguishment of debt	—	1,794	—
Unrealized holding gain (loss) included in comprehensive income (loss), but excluded from net income	—	(10,317)	(352,077)
Subsidiaries' equity transactions charged directly to stockholders' equity	—	—	(20,498)
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
Total income tax expense (benefit)	$ 3,249	$ (15,954)	$ (527,392)

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

	Current	Deferred	Total
		(in thousands)	
July 31, 2001:			
Federal	$ 20,065	$ (7,449)	$ 12,616
State	21,815	(22,260)	(445)
	$ 41,880	$ (29,709)	$ 12,171
July 31, 2002:			
Federal	$ (18,099)	$ 10,481	$ (7,618)
State	(1,622)	2,144	522
	$ (19,721)	$ 12,625	$ (7,096)
July 31, 2003:			
Federal	$ —	$ —	$ —
State	2,838	—	2,838
Foreign	411	—	411
	$ 3,249	$ —	$ 3,249

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

	July 31, 2003			July 31, 2002		
	Current	Non-current	Total	Current	Non-current	Total
	(in thousands)					
Deferred tax assets:						
Accruals and reserves	$ 19,309	$ —	$ 19,309	$ 101,317	$ —	$ 101,317
Tax basis in excess of financial basis of available-for-sale securities	3,174	—	3,174	14,757	—	14,757
Tax basis in excess of financial basis of investments in affiliates	—	95,274	95,274	—	110,415	110,415
Net operating loss and capital loss carryforwards	—	1,212,026	1,212,026	—	541,850	541,850
Tax basis in excess of financial basis for intangible assets	—	—	—	—	436,304	436,304
Total gross deferred tax assets	22,483	1,307,300	1,329,783	116,074	1,088,569	1,204,643
Less: valuation allowance	(5,846)	(1,306,352)	(1,312,198)	(115,554)	(1,079,174)	(1,194,728)
Net deferred tax assets	16,637	948	17,585	520	9,395	9,915
Deferred tax liabilities:						
Financial basis in excess of tax basis of available-for-sale securities	(16,637)	—	(16,637)	(520)	—	(520)
Financial basis in excess of tax basis for intangible assets and fixed assets	—	(948)	(948)	—	(9,395)	(9,395)
Total gross deferred tax liabilities	(16,637)	(948)	(17,585)	(520)	(9,395)	(9,915)
Net deferred tax liability	$ —	$ —	$ —	$ —	$ —	$ —

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Subsequently reported tax benefits relating to the valuation allowance for deferred tax assets as of July 31, 2003 will be allocated as follows:

	(in thousands)
Income tax benefit recognized in the Consolidated Statement of Operations	$ 1,302,294
Additional paid in capital	9,904
	$ 1,312,198

The net change in the total valuation allowance for the year ended July 31, 2003 was an increase of $117.5 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 $1.8 billion and $1.7 billion respectively. The federal net operating losses will expire from 2021 through 2023 and the state net operating losses will expire from 2006 through 2013. In addition, the Company has capital loss carryforwards for federal and state tax purposes of approximately $1.4 billion and $1.9 billion respectively. The federal capital losses will expire in 2007 and 2008 and the state capital losses will expire in years 2006 through 2008. The utilization of net operating losses and capital losses may be limited by Internal Revenue Code Section 382 as a result of an ownership change. An ownership change occurs when the ownership percentage of 5% or greater stockholders changes by more than 50% over a three-year period.

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,		
	2003	2002	2001
		(in thousands)	
Computed “expected” income tax benefit	$ (46,002)	$ (42,921)	$ (336,502)
Increase (decrease) in income tax benefit resulting from:			
Non-deductible goodwill amortization and impairment charges	—	13,713	165,022
Losses not benefited	48,125	18,952	201,017
Non-deductible in-process research and development charge related to acquisition of subsidiaries	—	245	267
State income taxes, net of federal benefit	1,845	340	(289)
Other	(719)	2,575	826
Actual income tax expense (benefit)	$ 3,249	$ (7,096)	$ 12,171

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(21) SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following table sets forth selected quarterly financial information for the years ended July 31, 2003 and 2002. 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 during each quarterly period for the shares of common stock as reported by Nasdaq.

	Fiscal 2003 Quarter Ended				Fiscal 2002 Quarter Ended			
	Oct. 31	Jan. 31	Apr. 30	Jul. 31	Oct. 31	Jan. 31	Apr. 30	Jul. 31
	(in thousands except market price data)							
Net revenue	$ 113,222	$ 119,774	$ 106,109	$ 97,882	$ 44,777	$ 43,744	$ 31,231	$ 48,724
Cost of revenue	104,363	110,549	98,582	90,389	48,689	36,296	25,991	41,164
Research and development	332	—	—	—	2,482	1,269	518	463
In-process research and development	—	—	—	—	—	—	—	—
Selling	2,087	2,193	1,066	1,446	4,323	2,574	1,712	19,748
General and administrative	22,121	12,917	13,557	13,741	20,996	15,595	14,122	3,885
Amortization of intangible assets and stock-based compensation	55	54	55	54	1,750	1,751	1,751	(311)
Impairment of long-lived assets	—	24	432	—	—	2,328	—	154
Restructuring expenses	165	9,041	19,938	26,204	(8,494)	632	1,092	3,652
Operating loss	(15,901)	(15,004)	(27,521)	(33,952)	(24,969)	(16,701)	(13,955)	(20,031)
Interest income (expense), net	28,054	(24,940)	278	325	(536)	16,026	35	20,891
Non-operating gains (losses), net	(57,540)	23,468	(11,608)	4,363	(8,082)	(17,877)	(7,953)	(34,071)
Equity in losses of affiliates	(515)	(373)	(1,049)	163	(12,249)	(1,144)	(2,003)	(12)
Minority interest	65	86	99	69	—	—	—	—
Income tax benefit (expense)	(856)	(738)	(1,073)	(582)	(12,579)	1,794	15,000	2,881
Loss from continuing operations	(46,693)	(17,501)	(40,874)	(29,614)	(58,415)	(17,902)	(8,876)	(30,342)
Discontinued operations, net of income taxes	(46,891)	(165,765)	117,806	13,224	(166,389)	(98,176)	(116,336)	(159,763)
Extraordinary gain on retirement of debt, net of income tax	—	—	—	—	—	131,281	—	—
Net income (loss)	$ (93,584)	$ (183,266)	$ 76,932	$ (16,390)	$ (224,804)	$ 15,203	$ (125,212)	$ (190,105)
Market Price:								
High	$ 0.93	$ 1.74	$ 1.07	$ 2.30	$ 2.50	$ 3.15	$ 1.83	$ 1.30
Low	$ 0.28	$ 0.51	$ 0.68	$ 0.93	$ 0.60	$ 1.46	$ 1.22	$ 0.38

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(22) COMPREHENSIVE LOSS

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

	For the Year Ended July 31,		
	2003	2002	2001
		(in thousands)	
Net loss	$(216,308)	$(524,918)	$ (5,487,920)
Net unrealized holding gain (loss) arising during period	50,229	(18,160)	(638,243)
Reclassification adjustment for realized (gains) losses in net loss	(7,444)	1,257	160,254
	42,785	(16,903)	(477,989)
Net unrealized foreign currency translation adjustment arising during the period	(3,942)	(1,062)	—
Reclassification adjustment for foreign currency adjustment included in net income (loss)	5,026	—	—
	1,084	(1,062)	—
Comprehensive loss	$(172,439)	$(542,883)	$ (5,965,909)

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

	For the Year Ended July 31,		
	2003	2002	2001
		(in thousands)	
Net unrealized holding gains	$43,564	$ 779	$17,682
Cumulative foreign currency translation adjustment	22	(1,062)	—
Accumulated other comprehensive income (loss)	$43,586	$ (283)	$17,682

(23) ALLOWANCES AND RESERVES

Accounts Receivable, Allowance for Doubtful Accounts consist of the following:

	For the Year Ended July,		
	2003	2002	2001
		(in thousands)	
Balance at beginning of period	$ 2,299	$ 2,158	$ 6,571
Aquisitions (a)	(350)	1,173	—
Additions charged to costs and expenses (Bad debt expenses)	338	132	3,726
Deductions charged against accounts receivable	(1,091)	(1,098)	(7,675)
Deconsolidation and dispositions (b)	(200)	(66)	(464)
Balance at end of period	$ 996	$ 2,299	$ 2,158

(a) Amounts of ($0.3) million and $1.2 million relate to purchase accounting reserves and adjustments as a result of the acquisition of the SL Supply Chain Services International Corp. business in July 2002.

(b) Amount of $0.2 million in fiscal 2003 relates to the effect of sale of Equilibrium Technologies, Inc. on October 17, 2002. Amount of $0.5 in fiscal 2001 relates to the effect of the deconsolidation of Signatures SNI, Inc. in February 2001.

Inventory Reserves consist of the following:

	For the Year Ended July,		
	2003	2002	2001
		(in thousands)	
Balance at beginning of period	$ 4,530	2,760	$ 1,460
Aquisitions (c)	—	3,576	—
Additions charged to costs and expenses	56	1,452	1,350
Deductions charged against inventory	(2,432)	(3,258)	(50)
Deconsolidation and dispositions	—	—	—
Balance at end of period	$ 2,154	$ 4,530	$ 2,760

(c) Amount of $3.6 million relates to a purchase accounting reserve as a result of the acquisition of the SL Supply Chain Services International Corp. business in July 2002.

(24) SUBSEQUENT EVENTS

In August 2003, AltaVista sold all of its remaining shares of common stock of Overture Services, Inc. for gross proceeds of approximately $75.5 million. The Overture stock had a carrying value at July 31, 2003 of approximately $76.0 million and has been classified as available-for-sale securities on the accompanying Consolidated Balance Sheet at July 31, 2003. AltaVista recorded a gain of approximately $40.5 million upon the sale of the Overture stock.

On September 24, 2003, the Official Committee of Unsecured Creditors of Engage, Inc. (the “Creditors Committee”) filed a complaint against the Company in the U.S. Bankruptcy Court (Massachusetts, Western Division). In the complaint, the Creditors Committee makes various claims, including (i) re-characterization of debt as equity, (ii) equitable subordination, (iii) fraudulent transfer, (iv) preferential transfers, (v) illegal redemption of shares, (vi) turnover of property of estate, (vii) alter ego, (viii) breach of contract, (ix) breach of covenant of good faith and fair dealing, (x) promissory estoppel, (xi) unfair and deceptive trade practices under Massachusetts General Laws §93A, and (xii) declaration with respect to scope and extent of security interests. The Creditors Committee seeks monetary damages and other relief, including cancellation of a $2.0 million promissory note, return of $2.5 million in cash, certain other unspecified amounts and a finding that the Company is liable for Engage’s debt. The Company believes that these claims are without merit and intends to vigorously defend this matter.

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

None.

ITEM 9A.—CONTROLS AND PROCEDURES

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective in ensuring that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms.

There was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during our fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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," "Additional Information—Section 16(a) Beneficial Ownership Reporting Compliance" and "Additional Information—Audit Committee Financial Expert."

The Company has adopted a Code of Business Conduct and Ethics that applies to all directors, officers and employees of the Company, including the Company's principal executive officer, and its senior financial officers (principal financial officer and controller or principal accounting officer, or persons performing similar functions). A copy of the Company's Code of Business Conduct and Ethics is filed with this report.

ITEM 11.—EXECUTIVE COMPENSATION

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

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

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

Equity Compensation Plan Information as of July 31, 2003

The following table sets forth certain information regarding the Company's equity compensation plans as of July 31, 2003:

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities available for future issuance under equity compensation plans (excluding securities reflected in column (a)
Equity compensation plans approved by security holders	19,396,593	$ 12.69	8,252,233 (1)
Equity compensation plans not approved by security holders	1,605,595	$ 0.53	16,351,716
Total	21,002,188	$ 11.76	24,603,949

(1) Includes 1,265,053 shares available for issuance under the Company's Amended and Restated 1995 Employee Stock Purchase Plan, as amended.

ITEM 13.—CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

ITEM 14.—PRINCIPAL ACCOUNTING FEES AND SERVICES

Incorporated by reference to the portion of the Definitive Proxy Statement entitled "Additional Information —Independent Auditors' Fees."

PART IV

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

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

1. Financial Statements.

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

2. Financial Statement Schedule.

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

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

3. Exhibits.

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

(B) Reports on Form 8-K

We filed or furnished two reports on Form 8-K during our fourth quarter ended July 31, 2003. Information regarding the items reported on is as follows:

Date Filed or Furnished	Item No.	Description
May 12, 2003	Items 2, 7	On May 12, 2003, the Company reported that AltaVista Company had sold substantially all of its assets and business to Overture Services, Inc. The following financial statements were filed with such report: Unaudited pro forma condensed balance sheet of CMGI, Inc. as of January 31, 2003. Unaudited pro forma condensed statement of operations of CMGI, Inc. for the twelve months ended July 31, 2002
June 12, 2003	Items 7, 9*	On June 12, 2003, the Company furnished a copy of the Company's earnings release for the fiscal quarter ended April 30, 2003. Consolidated financial statements for such period were furnished with such report.

* Pursuant to SEC Release 33-8216, the information required to be furnished under Item 12 was furnished under Item 9.

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SIGNATURES

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

CMGI, INC.

Date: October 17, 2003

By: /s/ GEORGE A. MCMILLAN

George A. McMillan
President and Chief Executive Officer

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

Signature	Title
/s/ DAVID S. WETHERELL **David S. Wetherell**	Chairman of the Board of Directors
/s/ GEORGE A. MCMILLAN **George A. McMillan**	President and Chief Executive Officer and Director (Principal Executive Officer)
/s/ THOMAS OBERDORF **Thomas Oberdorf**	Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)
/s/ ANTHONY J. BAY **Anthony J. Bay**	Director
/s/ VIRGINIA G. BONKER **Virginia G. Bonker**	Director
/s/ FRANCIS J. JULES **Francis J. Jules**	Director
/s/ JONATHAN KRAFT **Jonathan Kraft**	Director
/s/ MICHAEL MARDY **Michael Mardy**	Director

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EXHIBIT INDEX

2.1	Transaction Agreement, dated as of September 9, 2002, by and among the Registrant, CMGI (UK) Limited and Engage, Inc. is incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated September 9, 2002 (File No. 000-23262).
2.2	Note and Stock Purchase Agreement, dated as of September 11, 2002, by and between the Registrant and ClearBlue Technologies, Inc. is incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated September 11, 2002 (File No. 000-23262).
2.3	Asset Purchase Agreement, by and among Overture Services, Inc., AltaVista Company, Aurora I, LLC (a wholly owned subsidiary of AltaVista) and the Registrant, dated as of February 18, 2003, is incorporated herein by reference to Exhibit 2.1 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2002 of Overture Services, Inc. (File No. 000-26365).
2.4	Registration Rights Agreement between Overture Services, Inc. and AltaVista Company, dated as of February 18, 2003, is incorporated herein by reference to Exhibit 2.2 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2002 of Overture Services, Inc. (File No. 000-26365).
2.5	First Amendment to Registration Rights Agreement, dated as of April 25, 2003, by and between Overture Services, Inc. and AltaVista Company, is incorporated herein by reference to Exhibit 2.3 to the Current Report on Form 8-K dated April 25, 2003 of Overture Services, Inc. (File No. 000-26365).
2.6	Second Amendment to Registration Rights Agreement, dated as of August 13, 2003, by and between Overture Services, Inc. and AltaVista Company, is incorporated herein by reference to Exhibit 2.1 to the Current Report on Form 8-K dated August 13, 2003 of Overture Services, Inc. (File No. 000-26365).
3.1	Restated Certificate of Incorporation of the Registrant is incorporated herein by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-3 (File No. 333-85047).
3.2	Certificate of Designations, Preferences and Rights of Series D Preferred Stock of the Registrant is incorporated herein by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated August 18, 1999 (File No. 000-23262).
3.3	Amendment of Restated Certificate of Incorporation of the Registrant, dated May 5, 2000 is incorporated herein by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2000 (File No. 000-23262).
3.4	Certificate of Elimination of Series C Convertible Preferred Stock of the Registrant is incorporated herein by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 2002 (File No. 000-23262).
3.5	Restated By-Laws of the Registrant, as amended, are incorporated herein by reference to Exhibit 3.3 of the Registrant's Registration Statement on Form S-4 (File No. 333-92107).
4.1	Specimen stock certificate representing the Registrant's Common Stock is incorporated herein by reference to Exhibit 4.1 of the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1999 (File No. 000-23262).
4.2	Form of senior indenture is incorporated herein by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-3 (File No. 333-93005).
4.3	Form of subordinated indenture is incorporated herein by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form S-3 (File No. 333-93005).
10.1*	2000 Stock Incentive Plan is incorporated herein by reference to Appendix II to the Registrant's Definitive Schedule 14A filed November 17, 2000 (File No. 000-23262).
10.2*	1986 Stock Option Plan, as amended, is incorporated herein by reference to Appendix IV to the Registrant's Definitive Schedule 14A filed November 17, 1999 (File No. 000-23262).

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10.3*	Amended and Restated 1995 Employee Stock Purchase Plan, as amended, is incorporated herein by reference to Appendix II to the Registrant's Definitive Schedule 14A filed November 16, 2001 (File No. 000-23262).
10.4*	Amended and Restated 1999 Stock Option Plan For Non-Employee Directors is incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2001 (File No. 000-23262).
10.5*	Amendment No. 1 to 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, 2003 (File No. 000-23262).
10.6*	FY 2002 Bonus Plan for Operating Companies is incorporated herein by reference to Exhibit 10.70 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2001 (File No. 000-23262).
10.7*	FY 2002 Bonus Plan for CMGI Corporate is incorporated herein by reference to Exhibit 10.71 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2001 (File No. 000-23262).
10.8*	FY 2003 Bonus Plan for CMGI Corporate 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, 2002 (File No. 000-23262).
10.9*	Form of FY 2003 Bonus Plan for Operating Companies 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, 2002 (File No. 000-23262).
10.10*	FY 2004 Executive Officer Bonus Plan for CMGI, Inc.
10.11*	FY 2004 Executive Officer Bonus Plan for SalesLink Corporation.
10.12*	CMGI, Inc. Director Compensation Plan.
10.13*	2002 Non-Officer Employee Stock Incentive Plan, as amended, is incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2002 (File No. 000-23262).
10.14*	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).
10.15*	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).
10.16*	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).
10.17*	Amendment No. 3 to Employment Agreement, dated August 3, 2001, between the Registrant and David S. Wetherell is incorporated herein by reference to Exhibit 10.10 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2001 (File No. 000-23262).
10.18*	Offer Letter from the Registrant to George A. McMillan, dated June 11, 2001 is incorporated herein by reference to Exhibit 10.12 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2001 (File No. 000-23262).
10.19*	CEO Offer Letter from the Registrant to George A. McMillan, dated February 18, 2002, is incorporated herein by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2002 (File No. 000-23262).

10.20*	Amended and Restated Executive Severance Agreement, dated as of March 1, 2002, by and between the Registrant and George A. McMillan is incorporated herein by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2002 (File No. 000-23262).
10.21*	Offer Letter from the Registrant to Thomas Oberdorf, dated March 1, 2002, is incorporated herein by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2002 (File No. 000-23262).
10.22*	Executive Severance Agreement, dated as of March 4, 2002, by and between the Registrant and Thomas Oberdorf is incorporated herein by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2002 (File No. 000-23262).
10.23*	Offer Letter from AltaVista Company to James Barnett, dated November 15, 2001 is incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 2002 (File No. 000-23262).
10.24*	First Amendment to Offer Letter from AltaVista Company to James Barnett, dated as of June 24, 2002 is incorporated herein by reference to Exhibit 10.20 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2002 (File No. 000-23262).
10.25*	Indemnification Agreement, dated as of February 1, 2002, by and between the Registrant and James Barnett is incorporated herein by reference to Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2002 (File No. 000-23262).
10.26*	Indemnification Agreement, dated as of February 1, 2002, by and between AltaVista Company and James Barnett is incorporated herein by reference to Exhibit 10.7 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2002 (File No. 000-23262).
10.27*	Offer Letter from uBid, Inc. to Christian Feuer, dated April 12, 2002, is incorporated herein by reference to Exhibit 10.8 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2002 (File No. 000-23262).
10.28*	Executive Severance Agreement, dated as of April 15, 2002, by and between uBid, Inc. and Christian Feuer is incorporated herein by reference to Exhibit 10.9 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2002 (File No. 000-23262).
10.29*	Executive Retention Agreement, dated as of August 28, 2002, by and between the Company and Peter L. Gray is incorporated herein by reference to Exhibit 10.27 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2002 (File No. 000-23262).
10.30*	Form of Director Indemnification Agreement (executed by the Registrant and each of David S. Wetherell, George A. McMillan, Anthony J. Bay, Virginia G. Bonker, Francis J. Jules, Jonathan Kraft and Michael Mardy) 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).
10.31	Securities Purchase Agreement, dated as of June 29, 1999, by and among the Registrant and the investors named therein is incorporated herein by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K dated June 29, 1999 (File No. 000-23262).
10.32	Registration Rights Agreement, dated as of June 29, 1999 by and among the Registrant and the investors named therein is incorporated herein by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K dated June 29, 1999 (File No. 000-23262).
10.33	Amended and Restated Loan and Security Agreement, dated as of July 31, 2003, by and among SalesLink Corporation, InSolutions Incorporated, On-Demand Solutions, Inc., Pacific Direct Marketing Corp., SalesLink Mexico Holding Corp. and SL Supply Chain Services International Corp., as Borrowers, and LaSalle Bank National Association and Citizens Bank of Massachusetts, as Lenders.

10.34	Lease dated as of April 12, 1999 between Andover Mills Realty Limited Partnership and the Registrant for premises located at 100 Brickstone Square, Andover, Massachusetts is incorporated herein by reference to Exhibit 10.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1999 (File No. 000-23262).
10.35	Amendment No. 1 to Lease dated as of July 19, 1999 between Andover Mills Realty Limited Partnership and the Registrant for premises located at 100 Brickstone Square, Andover, Massachusetts is incorporated herein by reference to Exhibit 10.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1999 (File No. 000-23262).
10.36	Amendment No. 2 to Lease, dated as of November 12, 1999, between Andover Mills Realty Limited Partnership and the Registrant for premises located at 100 Brickstone Square, Andover, Massachusetts is incorporated herein by reference to Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 1999 (File No. 000-23262).
10.37	Amendment No. 3 to Lease dated as of March 28, 2000 between Andover Mills Realty Limited Partnership and the Registrant for premises located at 100 Brickstone Square, Andover, Massachusetts is incorporated herein by reference to Exhibit 10.13 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2000 (File No. 000-23262).
10.38	Amendment No. 4 to Lease, dated as of May 11, 2000 between Andover Mills Realty Limited Partnership and the Registrant for premises located at 100 Brickstone Square, Andover, Massachusetts is incorporated herein by reference to Exhibit 10.14 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2000 (File No. 000-23262).
10.39	Amendment No. 5 to Lease, dated as of December 18, 2000 between Andover Mills Realty Limited Partnership and the Registrant for premises located at 100 Brickstone Square, Andover, Massachusetts is incorporated herein by reference to Exhibit 10.20 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2001 (File No. 000-23262).
10.40	Amendment No. 6 to Lease, dated as of April 17, 2001 between Andover Mills Realty Limited Partnership and the Registrant for premises located at 100 Brickstone Square, Andover, Massachusetts is incorporated herein by reference to Exhibit 10.21 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2001 (File No. 000-23262).
10.41	Amendment No. 7 to Lease, dated as of April 18, 2001 between Andover Mills Realty Limited Partnership and the Registrant for premises located at 100 Brickstone Square, Andover, Massachusetts is incorporated herein by reference to Exhibit 10.22 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2001 (File No. 000-23262).
10.42	Amendment No. 8 to Lease, dated as of November 6, 2001 between Andover Mills Realty Limited Partnership and the Registrant for premises located at 100 Brickstone Square, Andover, Massachusetts is incorporated herein by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2003 (File No. 000-23262).
10.43	Amendment No. 9 to Lease, dated as of December 3, 2001 between Andover Mills Realty Limited Partnership and the Registrant for premises located at 100 Brickstone Square, Andover, Massachusetts is incorporated herein by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2003 (File No. 000-23262).
10.44	Amendment No. 10 to Lease, dated as of November 18, 2001 between Andover Mills Realty Limited Partnership and the Registrant for premises located at 100 Brickstone Square, Andover, Massachusetts is incorporated herein by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2003 (File No. 000-23262).
10.45	Lease Termination Agreement, dated as of July 31, 2003, by and between the Registrant and Andover Mills LLC.

10.46	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).
10.47	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).
10.48	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).
10.49	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).
10.50	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).
10.51	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).
10.52	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).
10.53	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).
10.54	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).
10.55	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).
10.56*	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).

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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*	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).
10.60*†	Amendment No. 1 to Limited Liability Company Agreement of CMG@Ventures III, LLC, dated June 7, 2002 is incorporated herein by reference to Exhibit 10.63 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2002 (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 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*†	Amendment No. 5 to Agreement of Limited Partnership of @Ventures III, L.P., dated June 7, 2002 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, 2002 (File No. 000-23262).
10.64*	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).
10.65*	Amendment No. 1 to Agreement of Limited Partnership of @Ventures Foreign Fund III, L.P., dated December 22, 1998 is incorporated herein by reference to Exhibit 10.50 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1999 (File No. 000-23262).
10.66*†	Amendment No. 2 to Agreement of Limited Partnership of @Ventures Foreign Fund III, L.P., dated June 7, 2002 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, 2002 (File No. 000-23262).
10.67	Amended and Restated CMGI@Ventures IV, LLC Limited Liability Company Agreement, dated as of July 27, 2001 is incorporated herein by reference to Exhibit 10.69 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2001 (File No. 000-23262).
10.68*	Limited Liability Company Agreement of @Ventures Partners III, LLC, dated as of June 30, 1999 is incorporated herein by reference to Exhibit 10.72 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2002 (File No. 000-23262).
10.69*	First Amendment to Limited Liability Company Agreement of @Ventures Partners III, LLC, dated as of October 15, 2000 is incorporated herein by reference to Exhibit 10.73 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2002 (File No. 000-23262).
10.70*	Limited Liability Company Agreement of @Ventures Investors, LLC, dated as of July 31, 1999 is incorporated herein by reference to Exhibit 10.74 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2002 (File No. 000-23262).
10.71*	Limited Liability Company Agreement of @Ventures Management, LLC, dated as of May 27, 1998 is incorporated herein by reference to Exhibit 10.75 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2002 (File No. 000-23262).
10.72*	Management Contract, dated as of August 7, 1998, by and between @Ventures Management, LLC and @Ventures III, L.P. is incorporated herein by reference to Exhibit 10.76 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2002 (File No. 000-23262).

10.73*	Management Contract, dated as of December 22, 1998, by and between @Ventures Management, LLC and @Ventures Foreign Fund III, L.P. is incorporated herein by reference to Exhibit 10.77 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2002 (File No. 000-23262).
10.74*	Management Contract, dated as of September 4, 1998, by and between @Ventures Management, LLC and CMG @Ventures III, LLC is incorporated herein by reference to Exhibit 10.78 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2002 (File No. 000-23262).
10.75*†	Amendment to Management Contract, dated as of June 7, 2002, by and between @Ventures Management, LLC and @Ventures III, L.P. is incorporated herein by reference to Exhibit 10.79 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2002 (File No. 000-23262).
10.76*†	Amendment to Management Contract, dated as of June 7, 2002, by and between @Ventures Management, LLC and @Ventures Foreign Fund III, L.P. is incorporated herein by reference to Exhibit 10.80 to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2002 (File No. 000-23262).
10.77*	Severance Agreement, dated as of April 27, 2001, by and between SalesLink Corporation and Bryce C. Boothby, Jr.
14	Code of Business Conduct and Ethics of the Registrant.
21	Subsidiaries of the Registrant.
23	Consent of Independent Auditors.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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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.

† Confidential treatment requested with respect to certain portions.

EXHIBIT 10.10

FY 2004 Executive Officer Bonus Plan
for CMGI, Inc.

Plan Objective:

To attract, motivate and retain key executive officer talent for CMGI, Inc. based on CMGI's consolidated business performance and individual performance.

Eligibility:

Executive officers of CMGI who have been identified as having an impact on the overall business goals and objectives of CMGI.

Measurements & Financial Objectives:

The following are the bases and weighting for the bonus plan:

Measurement	Weighting
1. CMGI Consolidated Business Performance	
Financial Objectives:	
• Revenue	25%
• Non-GAAP Operating Income/(Loss)	25%
• Cash Usage	25%
2. Individual Performance	
• Based on achievement against individual goals & objectives and the discretion of the CMGI Board of Directors	25%

Non-GAAP Operating Income/(Loss) is defined as Operating Income/Loss excluding in-process research & development expenses, depreciation, amortization, long-lived asset impairment and restructuring charges.

Both Non-GAAP Operating Income/(Loss) and Cash Usage will be measured prior to any @Venture activity and the loss and cash burn related to certain lease termination activities.

Actual business performance will be based on the annual achievement of the defined financial objectives against the FY 2004 Budget, as approved by CMGI's Board of Directors. CMGI reserves the right to modify the budget and financial objectives as necessary based on business changes associated with mergers, acquisitions, divestitures, shutdowns or other business situations, which also requires approval from the CMGI Board of Directors.

Program Funding:

The bonus payout pool will be determined by CMGI consolidated business performance. Exact funding for the bonus pool for CMGI will be driven by the ability of CMGI to meet or exceed its consolidated budgeted financial objectives as approved by CMGI's Board of Directors.

Overall business performance generally has a direct correlation to individual performance. However, the bonus plan provides for discretion in recognizing individual accomplishments against goals and objectives, in addition to business performance. All executive officers enrolled in the FY 2004 Executive Officer Bonus Plan must have clearly documented goals and objectives in order to be eligible for the Individual Performance measurement. In the case of each participant, any bonus payment for Individual Performance shall be based on (i) accomplishments against documented individual goals and objectives, (ii) overall bonus pool funding, and/or (iii) if in the sole discretion of the CMGI Board of Directors such bonus payment is warranted.

Payout Table:

The tables below will be used to determine the bonus pool based on final CMGI consolidated business performance.

A minimum performance threshold of 100% must be achieved for pool funding associated with the Revenue and Non-GAAP Operating Income/(Loss) financial objectives. The maximum pool funding based on business performance is 200%. Every 1% increase or decrease in performance equals 2.5% increase or decrease in funding.

Business Performance	<100%	100%	110%	120%	130%	^{3}140%
Pool Funding	0%	100%	125%	150%	175%	200%

A minimum performance threshold of 100% must be achieved for pool funding associated with the Cash Usage financial objective. The maximum pool funding based on business performance is 200%.

Cash Usage	$<1.0x	$1.0x	$7.5x	$15.0x	$22.5x	^{3}$30.0x
Pool Funding	0%	100%	125%	150%	175%	200%

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 the FY 2004 Budget.

Employment Status:

In order to be eligible to receive any bonus payment under this Plan, participants must be actively employed by CMGI 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 is a new hire during the year or had a bonus change during the year, he or she will be eligible for a pro-rated bonus payment based on time worked during the plan year. If a participant voluntarily leaves CMGI prior to the time the bonus payments are made, he/she will be ineligible to receive any bonus payment. If a participant is involuntarily terminated by CMGI, for reasons other than cause, prior to the time the bonus payments are made, he/she may, in certain circumstances, be eligible for consideration for a pro-rated bonus payment based on Board of Directors discretion and time worked during the plan year. If a participant transfers to any CMGI controlled subsidiary, he/she will be eligible for a pro-rated bonus payment based on Board of Directors discretion and for the time worked during the plan year.

Administration:

This plan shall be administered by the CMGI Board of Directors. The CMGI Board of Directors reserves the right to apply its discretion to bonus plan eligibility, overall bonus funding and payment of bonuses. The CMGI Board of Directors reserves the right to amend or terminate this plan at any time. The CMGI Board of Directors also reserves the right to modify the financial objectives and FY 2004 Budget at any time based on business changes during the year. This plan shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts.

EXHIBIT 10.11

FY 2004 Executive Officer Bonus Plan
for SalesLink Corporation

Plan Objective:

To attract, motivate and retain key executive officer talent for SalesLink Corporation based on CMGI's consolidated business performance, a substantial portion of which relates to SalesLink's business performance, and individual performance.

Eligibility:

Executive officers of SalesLink who have been identified as having an impact on the overall business goals and objectives of SalesLink and CMGI.

Measurements & Financial Objectives:

The following are the bases and weighting for the bonus plan:

Measurement	Weighting
1. CMGI Consolidated Business Performance	
Financial Objectives:	
• Revenue	25%
• Non-GAAP Operating Income/(Loss)	25%
• Cash Usage	25%
2. Individual Performance	
• Based on achievement against individual goals & objectives and the discretion of the SalesLink Board of Directors	25%

Non-GAAP Operating Income/(Loss) is defined as Operating Income/Loss excluding in-process research & development expenses, depreciation, amortization, long-lived asset impairment and restructuring charges.

Both Non-GAAP Operating Income/(Loss) and Cash Usage will be measured prior to any @Venture activity and the loss and cash burn related to certain lease termination activities.

Actual business performance will be based on the annual achievement of the defined financial objectives against the FY 2004 Budget, as approved by CMGI's Board of Directors. CMGI reserves the right to modify the budget and financial objectives as necessary based on business changes associated with mergers, acquisitions, divestitures, shutdowns or other business situations, which also requires approval from the CMGI Board of Directors. Notwithstanding the foregoing, the financial objectives shall be exclusive of the impact of any acquisitions, except as otherwise unanimously determined by the SalesLink Board of Directors.

Program Funding:

The bonus payout pool will be determined by CMGI consolidated business performance. Exact funding for the bonus pool for SalesLink will be driven by the ability of CMGI to meet or exceed its consolidated budgeted financial objectives as approved by CMGI's Board of Directors.

Overall business performance generally has a direct correlation to individual performance. However, the bonus plan provides for discretion in recognizing individual accomplishments against goals and objectives, in addition to business performance. All executive officers enrolled in the FY 2004 Executive Officer Bonus Plan must have clearly documented goals and objectives in order to be eligible for the Individual Performance measurement. In the case of each participant, any bonus payment for Individual Performance shall be based on (i) accomplishments against documented individual goals and objectives, (ii) overall bonus pool funding, and/or (iii) if in the sole discretion of the SalesLink Board of Directors such bonus payment is warranted.

Payout Table:

The tables below will be used to determine the bonus pool based on final CMGI consolidated business performance.

A minimum performance threshold of 100% must be achieved for pool funding associated with the Revenue and Non-GAAP Operating Income/(Loss) financial objectives. The maximum pool funding based on business performance is 200%. Every 1% increase or decrease in performance equals 2.5% increase or decrease in funding.

Business Performance	**<100%**	**100%**	**110%**	**120%**	**130%**	**^{3}140%**
Pool Funding	0%	100%	125%	150%	175%	200%

A minimum performance threshold of 100% must be achieved for pool funding associated with the Cash Usage financial objective. The maximum pool funding based on business performance is 200%.

Cash Usage	**<$1.0x**	**$1.0x**	**$7.5x**	**$15.0x**	**$22.5x**	**^{3}$30.0x**
Pool Funding	0%	100%	125%	150%	175%	200%

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 the FY 2004 Budget.

Employment Status:

In order to be eligible to receive any bonus payment under this Plan, participants must be actively employed by SalesLink 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 is a new hire during the year or had a bonus change during the year, he or she will be eligible for a pro-rated bonus payment based on time worked during the plan year. If a participant voluntarily leaves SalesLink prior to the time the bonus payments are made, he/she will be ineligible to receive any bonus payment. If a participant is involuntarily terminated by SalesLink, for reasons other than cause, prior to the time the bonus payments are made, he/she may, in certain circumstances, be eligible for consideration for a pro-rated bonus payment based on Board of Directors discretion and time worked during the plan year. If a participant transfers to any CMGI controlled subsidiary, he/she will be eligible for a pro-rated bonus payment based on Board of Directors discretion and for the time worked during the plan year.

Administration:

This plan shall be administered by the SalesLink Board of Directors. The SalesLink Board of Directors reserves the right to apply its discretion to bonus plan eligibility, overall bonus funding and payment of bonuses. The SalesLink Board of Directors reserves the right to amend or terminate this plan at any time. The CMGI Board of Directors also reserves the right to modify the financial objectives and FY 2004 Budget at any time based on business changes during the year. This plan shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts.

CMGI, Inc.

Director Compensation Plan

1. Purpose. In order to attract and retain highly qualified individuals to serve as members of the Board of Directors of CMGI, Inc. (the "Corporation"), the Corporation has adopted this CMGI, Inc. Director Compensation Plan (the "Plan"), effective on the day immediately following the day that it is adopted by the Board of Directors of the Corporation.

2. Eligible Participants. Any director of the Corporation who: (i) is not an employee of the Corporation or any of its subsidiaries or affiliates, or (ii) unless otherwise determined by the Board of Directors of the Corporation, is not an affiliate (as such term is defined in Rule 144(a)(1) promulgated under the Securities Act of 1933), employee, representative, or designee of an institutional or corporate investor in the Corporation, is eligible to participate in the Plan.

3. Quarterly Retainer. Any eligible participant who is serving as a director on the last day of any fiscal quarter shall receive a payment for such quarter, in arrears, of $12,500 (the "Quarterly Retainer").

4. Committee Chairperson Fee. Any eligible participant who is serving as the chairperson of a committee of the Board of Directors of the Corporation on the last day of any fiscal quarter shall receive a payment, in respect thereof, in arrears, of $1,250, provided, however, that the chairperson of the Audit Committee of the Board of Directors of the Corporation on the last day of any fiscal quarter shall receive a payment, in respect thereof, in arrears, of $2,500 (as applicable, the "Committee Chairperson Fee").

5. Board and Committee Meeting Fees. Each eligible participant who attends a telephonic meeting of the Board of Directors or a committee thereof, shall receive a meeting fee of $500. Each eligible participant who attends a meeting of the Board of Directors or a committee thereof, where a majority of the directors attend such meeting in person, shall receive a meeting fee of $1,000 (as applicable, the "Meeting Fee").

6. Payment of Retainer and Fees. Unless otherwise requested by an eligible participant, the Corporation shall pay the Quarterly Retainer, the Committee Chairperson Fee and any Meeting Fee, as soon as practicable following the completion of the fiscal quarter to which the payments relate. In the event of a Change in Control (as defined in the Corporation's Amended and Restated 1999 Stock Option Plan for Non-Employee Directors, as amended) of the Corporation, all amounts due and payable to each eligible participant, including any and all fees that would become due and payable at the completion of the fiscal quarter in which the Change in Control occurs (as if the eligible participant's service to the Corporation as a director had continued until the end of such fiscal quarter), shall be promptly paid to each eligible participant.

7. No Right to Continue as a Director. Neither this Plan, nor the payment of any amounts hereunder, shall constitute or be evidence of any agreement or understanding, express or implied, that the Corporation will retain any participant as a director for any period of time.

8. Administration. This Plan shall be administered by the Board of Directors of the Corporation, whose construction and determinations shall be final.

9. Amendment and Termination. This Plan may be amended, modified or terminated by the Board of Directors at any time.

Adopted by the Board of Directors on March 12, 2003

EXHIBIT 10.33

AMENDED AND RESTATED

LOAN AND SECURITY AGREEMENT

DATED AS OF JULY 31, 2003

BY AND AMONG

SALESLINK CORPORATION, INSOLUTIONS INCORPORATED, ON-DEMAND SOLUTIONS, INC., PACIFIC DIRECT MARKETING CORP., SALESLINK MEXICO HOLDING CORP. AND SL SUPPLY CHAIN SERVICES INTERNATIONAL CORP., AS BORROWERS,

THE LENDERS

AND

**LASALLE BANK NATIONAL ASSOCIATION,
AS AGENT FOR THE LENDERS**

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AMENDED AND RESTATED
LOAN AND SECURITY AGREEMENT

THIS AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT (this **"Agreement"**) is made as of the 31st day of July, 2003 by and among SALESLINK CORPORATION, a Delaware corporation (**"SalesLink"**), INSOLUTIONS INCORPORATED, a Delaware corporation (**"InSolutions"**), ON-DEMAND SOLUTIONS, INC., a Massachusetts corporation (**"On-Demand"**), PACIFIC DIRECT MARKETING CORP., a California corporation (**"Pacific Direct"**), SALESLINK MEXICO HOLDING CORP., a Delaware corporation (**"SalesLink Mexico"**), SL SUPPLY CHAIN SERVICES INTERNATIONAL CORP., a Delaware corporation (**"SL Supply"**) (each herein called a **"Borrower"** and collectively, the **"Borrowers"**), the lenders party hereto (herein collectively called the **"Lenders"** and each individually called a **"Lender"**) and LASALLE BANK NATIONAL ASSOCIATION, as a Lender and as Agent for Lenders.

WHEREAS, Lenders, SalesLink, InSolutions, On-Demand, Pacific Direct and SalesLink Mexico are parties to that certain Loan and Security Agreement dated as of October 30, 2001, as amended by that certain First Amendment to Loan and Security Agreement dated as of August 27, 2002, that certain Consent and Second Amendment to Loan and Security Agreement dated as of October 30, 2002, that certain Third Amendment to Loan and Security Agreement dated as of November 12, 2002, that certain Fourth Amendment to Loan and Security Agreement effective as of October 31, 2002 and that certain Fifth Amendment to Loan and Security Agreement effective as of April 30, 2003 (the **"Existing Loan Agreement"**);

WHEREAS, SalesLink proposes to enter into a Contribution Agreement with CMGI, Inc., a Delaware corporation (**"CMGI"**) which provides for SalesLink to purchase one hundred (100) shares of common stock (the **"SL Supply Stock"**) of SL Supply, which represents all of the issued outstanding shares of capital stock of SL Supply (the **"Contribution Agreement"**);

WHEREAS, in exchange for the SL Supply Stock, SalesLink proposes to (i) make and issue to CMGI a secured promissory note in the aggregate principal amount of $17,151,705.00 (the **"CMGI Note"**), (ii) issue to CMGI an aggregate of 1,320,000 shares of SalesLink's Series B Convertible Preferred Stock (the **"Series B Stock"**), having the rights, restrictions, privileges and preferences set forth in the Certificate of Designation of Series B Convertible Preferred Stock (the **"Certificate of Designation"**) and (iii) execute a Guarantee and Security Agreement pursuant to which (a) SalesLink grants to CMGI a security interest in all of its assets and (b) SL Supply agrees to guaranty and grant to CMGI a security interest all of its assets, in each case to secure SalesLink's obligations under the Contribution Agreement, the CMGI Note and the Certificate of Designation (the **"CMGI Security Agreement"**);

WHEREAS, the transactions contemplated by the Contribution Agreement, including the issuance of the CMGI Note, the issuance of the Series B Stock, the filing of the Certificate of Designation and the execution of the CMGI Security Agreement are collectively referred to herein as the **"Transaction"**;

WHEREAS, the Existing Loan Agreement contains a number of covenants that restrict the Borrowers from consummating the Transaction;

WHEREAS, notwithstanding the restrictions contained in the Existing Loan Agreement the Borrowers have requested that Lenders consent to the Transaction, modify the Existing Loan Agreement in certain respects, including to add SL Supply as a Borrower;

WHEREAS, Lenders are willing to consent to the Transaction, modify the Existing Loan Agreement in certain respects and add SL Supply as a Borrower;

WHEREAS, to effect the forgoing, Borrowers and Lenders have agreed to amend and restate the Existing Loan Agreement in its entirety as set forth in this Agreement; and

WHEREAS, it is the intent of the parties hereto that this Agreement not constitute a novation of the outstanding obligations and liabilities of the Borrowers under the Existing Loan Agreement, that this Agreement re-evidence and confirm such obligations and liabilities and that from the date hereof all references to the Existing Loan Agreement shall be deemed a reference to this Agreement.

NOW, THEREFORE, in consideration of the terms and conditions contained herein, and of any loans or extension of credit previously, now or to be made to or for the benefit of Borrowers by Lenders, the parties agree as follows:

1. DEFINITIONS AND INTERPRETATIONS.

1.1 Definitions. When used in this Agreement, the following terms shall have the following meanings:

"Accounts" shall mean all accounts (including without limitation all right to payment for services rendered or goods sold or leased), contract rights, leases, chattel paper, instruments, life insurance policies, notes and documents, whether now owned or to be acquired by any Borrower.

"Account Debtor" shall mean any Person who is or who may become obligated to any Borrower under, with respect to, or on account of an Account.

"Accounts and Inventory Report" shall mean a report delivered to Agent by Borrowers, in accordance with Section 7.2(C)(iv), consisting of (i) a trial balance of all Accounts existing as of the last day of the month preceding the date of such Accounts and Inventory Report, specifying for each Account Debtor obligated on the Accounts, such Account Debtor's name and outstanding balance, (ii) an aging of such Accounts, (iii) a list of all billings booked in advance as of such day, (iv) an inventory listing, (v) with respect to all Accounts owed by HP and its Affiliates, a statement of the average number of days elapsed between the invoice date and the payment date of such Accounts and (vi) any other information reasonably required herein.

"Affiliate" shall mean any and all Persons which, in the reasonable judgment of Agent, directly or indirectly, own or control, are controlled by or are under common control with a Borrower, and any and all Persons from whom, in the reasonable judgment of Agent, a Borrower has not or is not likely to exhibit independence of decision or action. For the purpose of this definition and where otherwise applicable herein, **"control"** means the possession, directly or indirectly, of the power to direct or cause the direction of management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. For purposes of this Agreement, no Borrower shall be deemed to be an Affiliate of any other Borrower.

"Agent" shall mean LaSalle in its capacity as administrative, collateral and documentation agent for all of the Lenders and not in its individual capacity, and its successor appointed pursuant to Section 9.9.

"Agent-Related Persons" shall mean Agent and any successor agent arising under Section 9.9, together with their respective Affiliates and the officers, directors, employees, agents and attorneys-in-fact of such Persons and its Affiliates.

"Aggregate Revolving Credit Commitment" shall mean the combined Revolving Credit Commitments of Lenders, which shall initially be in the amount of $23,000,000, as such amount may be reduced from time to time pursuant to this Agreement.

"Aggregate Term Loan Commitment" shall mean the combined Term Loan Commitments of Lenders, which shall initially be in the amount of $6,258,125, as such amounts may be reduced from time to time pursuant to this Agreement.

"Allocable Amount" shall have the meaning ascribed to it in Section 11.7.

"Ancillary Agreements" shall mean all Security Documents and all agreements, instruments and documents, including without limitation, notes, guaranties, mortgages, deeds of trust, chattel mortgages, pledges, powers of attorney, consents, assignments, contracts, notices, security agreements, leases, financing statements, environmental indemnity agreement, subordination agreements, trust account agreements and all other written matter whether previously, now, or to be executed by or on behalf of a Borrower or any other Person or delivered to Agent or any Lender with respect to this Agreement.

"Applicable Margin" shall mean (i) with respect to the Revolving Credit Facility, 1.75% and (ii) with respect to the Term Loan, 2.25%.

"Assignment Agreement" shall have the meaning ascribed to it in Section 10.2.

"Availability" shall mean at any time, the lesser of (i) the Aggregate Revolving Credit Commitment and (ii) the Borrowing Base, as determined on the basis of the most recent Borrowing Base Certificate.

"Borrowing Base" shall have the meaning ascribed to it in Section 2.1.

"Borrowing Base Certificate" shall have the meaning ascribed to it in Section 7.2(C)(v).

"Business Day" shall mean any day that is not a Saturday, Sunday or other day on which (i) commercial banks in the State of Illinois or the Commonwealth of Massachusetts or (ii) the New York Stock Exchange, are required or authorized by law to remain closed; provided that when used in connection with a LIBOR Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in Dollars in the London interbank market.

"Buy Back Agreement" shall mean an agreement between a Borrower(s) and a customer of such Borrower pursuant to which such customer agrees to purchase from such Borrower any Inventory that is in excess of such Borrower's then current requirements or which is obsolete, at a price that is not less than 100% of the original purchase price of such Inventory.

"Capital Expenditures" shall mean for any period, the sum of all expenditures during that period that are or are to be included in "additions to property, plant or equipment" or a comparable item in the statement of cash flows of each Borrower, net of the amount of any reimbursement payments made to any Borrower by any third party, other than any Affiliate of a Borrower, in connection with any such expenditures.

"Capitalized Lease Obligations" shall mean for any period the amounts payable with respect to leases of tangible or intangible property of any character, however denoted, which is required by generally accepted accounting principles to be reflected as a liability on the face of the balance sheet.

"Cash and Cash Equivalents" shall mean cash and other instruments that can be promptly, and in no event less than two Business Days, converted into cash without the payment of a monetary penalty or other material cost.

"Cash Collateral Account" shall mean a deposit account maintained with Agent, which deposit account and all the funds deposited therein will be subject to a first priority security interest in favor of Agent, for its benefit and the benefit of Lenders, upon such terms as are required by Agent, into which Borrowers deposit funds required to be deposited by them pursuant to Section 2.13(B) and Section 3.2(C). Borrowers shall not have access to funds deposited in the Cash Collateral Account.

“**Cash Collateralized Letter of Credit**” shall mean those Letters of Credit that are secured by Borrowers’ deposits to the Cash Collateral Account as required pursuant to Section 2.13(B) and Section 3.2(C).

“**Charges**” shall mean all national, federal, state, county, city, municipal, or other governmental (including, without limitation, the Pension Benefit Guaranty Corporation) taxes, levies, assessments, charges, Liens, claims or encumbrances upon or relating to (i) the Collateral, (ii) the Liabilities, (iii) Borrowers’ employees, payroll, income or gross receipts, (iv) Borrowers’ ownership or use of any of its assets, or (v) any other aspect of Borrowers’ respective businesses.

“**Closing**” shall have the meaning ascribed to it in Section 2.11(A).

“**CMGI**” shall have the meaning ascribed to it in the preamble to this Agreement.

“**CMGI Note**” shall have the meaning ascribed to it in the preamble to this Agreement.

“**CMGI Security Agreement**” shall have the meaning ascribed to it in the preamble to this Agreement.

“**Collateral**” shall mean all of the Property and interests in Property described in Section 4.1 and all other Property and interests in Property which shall, from time to time, secure any part of the Liabilities.

“**Commercial Tort Claims**” shall mean commercial tort claims of any Borrower, including those specifically identified on Schedule T to this Agreement, as it may be amended from time to time.

“**Commitment**” means, for each Lender, the sum of its Revolving Loan Commitment and Term Loan Commitment.

“**Compliance Certificate**” shall have the meaning ascribed to it in Section 2.11(A)(ix).

“**Contribution Agreement**” shall have the meaning ascribed to it in the preamble to this Agreement.

“**Creditor**” shall mean LG Electronics and its subsidiaries.

“**Default**” shall mean any event or condition which, with the passage of time or the giving of notice or both, would constitute an Event of Default.

"Dollars" and the symbol **"$"** shall mean the lawful currency of the United States of America.

"EBITDA" shall mean with reference to any period (i) consolidated net income (or net deficit) of Borrowers and their respective Subsidiaries for such period as computed in accordance with generally accepted accounting principles consistently applied, plus (ii) (a) Interest Expense without duplication, Interest Expense shall not include interest that is paid in kind for such period, (b) all amounts deducted in arriving at such net income (or net deficit) in respect of federal, state and local income taxes for such period (c) all amounts properly charged for depreciation of fixed assets and amortization of intangible assets during such period on the books of such Persons and (d) all restructuring charges recognized by Borrowers during the quarters ended April 30, 2003, July 31, 2003 and October 31, 2003 up to a maximum amount of $22,100,000.

"Eligible Collateral Location" shall mean the locations identified on Exhibit G attached hereto, together with such other locations as to which Agent may, from time to time, agree, subject to Section 4.6 and such reasonable conditions as Agent may determine appropriate, including the execution and filing of appropriate financing statements and the obtaining of any lien waivers from any bailee, warehouseman, landlord, mortgagee or similarly situated Person who may have a Lien in or upon any Inventory at such location.

"Eligible Inventory" means the aggregate amount of all Inventory (including raw materials) of Borrowers and their Subsidiaries that is subject to a Buy Back Agreement, valued on the first-in, first-out method of inventory valuation, less any inventory:

(i) which is damaged, or not of merchantable quality, or has any defects that would affect the market value of such inventory; or

(ii) which is located in Minnesota or New Jersey, unless a Borrower has qualified to do business in such State and has filed appropriate notices of business activities reports (or other appropriate filings) with the appropriate state authorities for the then current year; or

(iii) which is consigned, in transit or the subject of a bill in lading or other title document; or

(iv) which is not located at an Eligible Collateral Location; or

(v) which Agent in its reasonable discretion determines not to treat as Eligible Inventory, including without limitation due to age, type, category or quantity (Agent shall notify Borrowers of any such determination within a reasonable time after it has been made); or

(vi) which fails to meet or violates any warranty, representation or covenant contained in this Agreement or any related document or instrument relating to such Inventory; or

(vii) which is subject to any Lien or security interest except in favor of Agent; or

(viii) which is produced in violation of the Fair Labor Standards Act or is packaging or shipping material or general supplies; or

(ix) which is not in good condition or does not meet in all material respects all material standards imposed by any Person having regulatory authority over such goods or their use and/or sale, is damaged, is not currently saleable in the normal course of business or is saleable but requires repairs, repackaging or other cost and expense (other than normal and customary stocking costs).

Borrowers agree that work in process inventory shall not be included in Eligible Inventory. Notwithstanding anything to the contrary herein, no Inventory owned by any Borrower or Subsidiary located outside of the United States shall be Eligible Inventory until such time as Agent shall have received evidence satisfactory to it, in its reasonable discretion, of the creation, perfection and the relative priority of a security interest in such Inventory in favor of Agent including an opinion of counsel to that effect acceptable to Agent in its reasonable discretion.

"Eligible Receivables" means the aggregate amount of all accounts of each Borrower and its Subsidiaries arising in the ordinary course of such Borrower's or Subsidiary's business as presently conducted, valued at the lowest of invoice (adjusted for credits, returns or the like), book value or the amount reasonably expected by such Borrower or Subsidiary to be collected from the particular Account Debtor(s), less any accounts and related amounts:

(i) which remain fully or partially unpaid for more than ninety (90) days after their respective invoice dates except as contemplated by (xvi) below; or

(ii) which are not due and payable in full in accordance with such Borrower's credit and collection policy as disclosed by such Borrower to Agent; provided that regardless of the terms of such credit and collection policy, no Eligible Receivable shall have a payment term which is greater than sixty (60) days from the date of its related invoice; or

(iii) which are owed by a particular Account Debtor if fifty percent (50%) or more of the balance owing by such Account Debtor has not been paid within 90 days of the invoice date; or

(iv) with respect to which the Account Debtor is another Borrower or is a partner, shareholder, director, officer, employee, or agent of any such Borrower or is a Subsidiary or other Affiliate; or

(v) with respect to which payment by the Account Debtor is or may be conditional, and accounts commonly known as "bill and hold" or accounts with a similar or like arrangement; or

(vi) with respect to which the Account Debtor is not a resident or citizen of or otherwise located in the United States of America, or with respect to which the Account Debtor is not subject to service of process in the United States of America, unless such Borrower has furnished Agent with a letter of credit or account receivable insurance in at least the amount of the account acceptable as to form, substance and issuer to Agent in its sole discretion; or

(vii) with respect to which the Account Debtor is the United States of America or any department, agency or instrumentality thereof, unless all necessary steps are taken to comply with the Assignment of Claims Act of 1940, as amended, and all other necessary steps to perfect Agent's security interest in such account have been completed to Agent's satisfaction; or

(viii) with respect to which such Borrower is or may become liable to the Account Debtor for goods sold or services rendered by such Account Debtor to Borrower; or

(ix) with respect to which the goods giving rise thereto have not been shipped and delivered to and accepted as satisfactory by the Account Debtor thereof or with respect to which the services performed giving rise thereto have not been completed and accepted as satisfactory by the Account Debtor; or

(x) arising from a "sale on approval" or "sale or return"; or

(xi) which are subject to any Lien or security interest except in favor of Agent, or are "bonded" or similar accounts; or

(xii) which are owed by an Account Debtor which has a dispute with such Borrower, or as to which any adverse claim, dispute or litigation relates (including without limitation any claim that any amounts are not owed to such Borrower), but only in the amount of such adverse claim, dispute or litigation; or

(xiii) which are owed by an Account Debtor which is located in Minnesota or New Jersey, unless such Borrower has qualified to do business in such State and has filed appropriate notices of business activities reports (or other appropriate filings) with the appropriate state authorities for the then current year; or

(xiv) which are owed by an Account Debtor which (a) has filed a petition or (b) is subject to an involuntary petition under any section or chapter of the United States Bankruptcy Code or any similar law or regulation or has made a general assignment for the benefit of its creditors; or

(xv) which fails to meet or violates any warranty, representation or covenant contained in this Agreement or any related document or instrument relating directly to Accounts; or

(xvi) which are owed by HP or an Affiliate of HP and remain fully or partially unpaid for more than 65 days after their respective invoice dates; or

(xvii) which are owed by HP or an Affiliate of HP and such Account(s), together with all other Accounts owed by HP or its Affiliates on a combined basis, constitute in excess of seventy-five percent (75%) of the dollar-value of all Eligible Receivables; or

(xviii) which Agent deems, in its reasonable discretion, to be doubtful in their collection.

Notwithstanding anything to the contrary herein, no Accounts which are owed to any Subsidiary that is not a resident of the United States shall be Eligible Receivables until such time as Agent shall have received evidence satisfactory to it, in its reasonable discretion, of the creation, perfection and the relative priority of a security interest in such Accounts in favor of Agent including an opinion of counsel to that effect acceptable to Agent in its reasonable discretion.

"Environmental Laws" means all applicable federal, state or local statutes, laws, ordinances, codes, rules, regulations and guidelines (including consent decrees and administrative orders) relating to public health and safety and protection of the environment.

"Equipment" shall mean all of Borrowers' and their respective Subsidiaries' now owned and to be acquired equipment and fixtures, including without limitation, furniture, machinery, vehicles and trade fixtures, together with any and all accessories, parts, appurtenances, substitutions and replacements.

"Equipment Debt" shall mean up to $500,000 in consolidated indebtedness of Borrowers related to Borrowers' equipment.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

“**Event of Default**” shall mean the occurrence or existence of any one or more of the events described in Section 8.1.

“**Financials**” shall mean those financial statements of Borrowers and their respective Subsidiaries delivered to Agent pursuant to Section 7.2(C).

“**General Intangibles**” shall mean all contract rights, choses in action, general intangibles, causes of action and all other intangible personal property of Borrowers and their respective Subsidiaries of every kind and nature (other than Accounts) now owned or to be acquired by Borrowers and their respective Subsidiaries. Without in any way limiting the generality of the foregoing, General Intangibles specifically includes, without limitation, all corporate or other business records, deposit accounts, inventions, designs, patents, patent applications, trademarks, trademark applications, service marks, service mark applications, trade names, trade secrets, goodwill, copyrights, registrations, licenses, leasehold interests, franchises and tax refund claims owned by a Borrower or its Subsidiaries and all letters of credit, banker’s acceptances, guarantee claims, security interests or other security held by or granted to a Borrower or its Subsidiaries to secure payment by an Account Debtor of any Accounts, letter of credit rights, payment intangibles, supporting obligations, Commercial Tort Claims, software and such other assets as Agent determines to be intangible in its sole and absolute discretion.

“**Guaranteed Indebtedness**” shall mean up to $1,500,000 in indebtedness of SL Supply and its subsidiaries (including SalesLink International C.V., SalesLink International B.V. and SalesLink International (Singapore) Pte. Ltd.) guaranteed by SalesLink under the Guaranty.

“**Guarantor Payment**” shall have the meaning ascribed to it in Section 11.7.

“**Guaranty**” shall mean that certain Guaranty by SalesLink in favor of Creditor, dated as of October 30, 2002.

“**HP**” shall mean Hewlett-Packard Company, a Delaware corporation.

“**Indebtedness**” shall mean all of Borrowers’ or their respective Subsidiaries’ liabilities, obligations and indebtedness to all Persons of any and every kind and nature, whether primary, secondary, direct, indirect, absolute, contingent, fixed, or otherwise, previously, now or to be owing, due, or payable, however evidenced, created, incurred, acquired or owing and however arising, whether under written or oral agreement, by operation of law, or otherwise. Without in any way limiting the generality of the foregoing, Indebtedness specifically includes (i) the Liabilities, (ii) all obligations or liabilities of any Person that are secured by any Lien, claim, encumbrance, or security interest upon property owned by a Borrower or a Subsidiary, even though such Borrower or such Subsidiary has not assumed or become liable for the payment thereof, (iii) all obligations or liabilities created or arising under any lease of real or personal property (including Capitalized Lease Obligations, but excluding operating leases), or conditional sale or other title retention agreement with respect to property used or acquired by a Borrower or a Subsidiary, even though the rights and remedies of the lessor, seller or lender, thereunder are limited to repossession of such property, (iv) all unfunded pension fund obligations and liabilities and (v) deferred Taxes.

"Indebtedness for Borrowed Money" shall mean for any Person (without duplication) (i) all Indebtedness created, assumed or incurred in any manner by such Person representing money borrowed (including but not limited to the issuance of debt securities), (ii) all Indebtedness for the deferred purchase price of property or services (other than trade accounts payable arising in the ordinary course of business which are not more than sixty (60) days past due), (iii) all Indebtedness secured by any Lien upon property of such Person, whether or not such Person has assumed or become liable for the payment of such indebtedness, (iv) all Capitalized Lease Obligations of such Person and (v) all obligations of such Person on or with respect to letters of credit, bankers' acceptances and other extensions of credit whether or not representing obligations for borrowed money.

"Indemnified Liabilities" shall have the meaning ascribed to it in Section 9.7.

"Interest Expense" shall mean for any period the sum of all interest charges on Indebtedness (including imputed interest charges with respect to Capitalized Lease Obligations and all amortization of debt discount and expense) of Borrowers and their respective Subsidiaries for such period determined in accordance with generally accepted accounting principles.

"Interest Payment Date" shall mean: (i) (a) with respect to any Prime Rate Loan, the first Business Day of each calendar month and the date of any conversion of such Prime Rate Loan into a LIBOR Loan and (b) with respect to any LIBOR Loan, the last day of the applicable Interest Period; and (ii) for Prime Rate Loans and LIBOR Loans accrued interest shall be payable upon (a) the Revolving Credit Termination Date and the Term Loan Maturity Date, as applicable and (b) the date on which each such Loan is paid in full or otherwise satisfied.

"Interest Period" shall mean with respect to any LIBOR Loan (a) initially, the period commencing on the initial date of borrowing as set forth in the Notice of Borrowing or the conversion date, as the case may be, with respect to such LIBOR Loan and ending one, two or three months thereafter, as selected by Borrowers in the Notice of Borrowing or Notice of Conversion, and (b) thereafter, each period commencing on and including the first day of the next Interest Period applicable to such LIBOR Loan and ending one, two or three months thereafter, as selected by Borrowers in the Notice of Continuance described in Section 2.7(B); provided that the foregoing provisions relating to Interest Periods are subject to the following:

(i) If any Interest Period would otherwise end on a day which is not a Business Day, that Interest Period shall be extended to the next succeeding

Business Day except if the result of such extension would be for such Interest Period to end in another calendar month in which event such Interest Period shall end on the immediately preceding Business Day;

(ii) any Interest Period of a LIBOR Loan made pursuant to the Revolving Credit Facility that would otherwise extend beyond the Revolving Credit Termination Date shall end on the Revolving Credit Termination Date;

(iii) if Borrowers fail to give notice of the length of the Interest Period it requests with respect to the LIBOR Loan, it shall be deemed to have selected a LIBOR Loan of one month; and

(iv) any Interest Period pertaining to a LIBOR Loan that begins on the last Business Day of a calendar month (or a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month.

"Interest Rate" shall mean the interest rate determined in accordance with Section 2.4.

"Inventory" shall mean all goods, inventory, merchandise, finished goods, component goods, packaging materials and other personal property including, without limitation, goods in transit, wherever located and whether now owned or to be acquired by any Borrower or any Subsidiary which is or may at any time be held for sale or lease, furnished under any contract of service or held as raw materials, work in process, supplies or materials used or consumed in Borrowers' and their respective Subsidiaries' business, and all such property the sale or other disposition of which has given rise to Accounts and which has been returned to or repossessed or stopped in transit by a Borrower.

"Issuance Request" shall have the meaning ascribed to it in Section 2.13(E)

"Issuing Lender" shall mean LaSalle in its capacity as issuer of any Letter of Credit.

"LaSalle" shall mean LaSalle Bank National Association.

"Letter of Credit" shall mean any letter of credit issued by the Issuing Lender for the account of a Borrower in accordance with Section 2.13.

"Letter of Credit Expiry Date" shall mean, with respect to any Letter of Credit, the date which is the earlier of (i) one (1) year after the date of issuance thereof or (ii)(A) with respect to Letters of Credit that are not Cash Collateralized Letters of Credit, five (5) Business Days prior to the Revolving Credit Termination Date and (B) with respect to Cash Collateralized Letters of Credit, one (1) year after the Revolving Credit Termination Date.

"Letter of Credit Fees" shall have the meaning ascribed to it in Section 2.13(G).

"Letter of Credit Obligations" shall mean, as at the time of determination thereof, the sum of (a) the Reimbursement Obligations then outstanding and (b) the aggregate then undrawn face amount of the then outstanding Letters of Credit.

"Letter of Credit Sublimit" shall mean an aggregate amount not to exceed the Aggregate Revolving Credit Commitment.

"Liabilities" shall mean all of Borrowers' and their respective Subsidiaries' liabilities, obligations and indebtedness to Agent or any Lender of any and every kind and nature, whether primary, secondary, direct, absolute, contingent, fixed, or otherwise (including, without limitation, interest, charges, expenses, attorneys' fees and other sums chargeable to a Borrower or its Subsidiaries by Agent or any Lender, future advances made to or for the benefit of a Borrower and obligations of performance), whether arising under this Agreement, under any of the Ancillary Agreements or acquired by Agent or any Lender from any other source, whether previously, now or to be owing, arising, due, or payable from a Borrower or its Subsidiaries to Agent or any Lender, however evidenced, created, incurred, acquired or owing and however arising, whether under written or oral agreement, operation of law, or otherwise.

"LIBOR Loan" shall mean any Loan (or portion thereof) bearing interest at the LIBOR Rate, as designated by Borrowers in a Notice of Borrowing, Notice of Conversion or Notice of Continuance.

"LIBOR Rate" shall mean a rate of interest equal to the per annum rate of interest at which United States dollar deposits in an amount comparable to the principal balance of Loans and for a period equal to the relevant Interest Period are offered in the London Interbank Eurodollar market at 11:00 a.m. (London time) two Business Days prior to the commencement of each Interest Period, as displayed in the Bloomberg Financial Markets system, or other authoritative source selected by Agent in its sole discretion, divided by a number determined by subtracting from 1.00 the maximum reserve percentage for determining reserves to be maintained by member banks of the Federal Reserve System for Eurocurrency liabilities, such rate to remain fixed for such Interest Period. Agent's determination of the LIBOR Rate shall be conclusive, absent manifest error.

"Lien" means any mortgage, pledge or lease of, security interest in or lien, charge, restriction or encumbrance on any Property of the Person involved in favor of or which secures any obligation to, any other Person.

"Loan" shall mean any advance made by Lenders to Borrowers under the Revolving Credit Facility or the Term Loan.

"Long Term Debt" shall mean any Indebtedness with a maturity of over one year from any date of determination.

"Non-Funding Lender" shall have the meaning ascribed to it in Section 3.1(B).

"Notes" shall mean, collectively, each Amended and Restated Revolving Credit Note and each Amended and Restated Term Note to be executed and delivered by Borrowers to each Lender on the Closing and which are described in Section 2.2.

"Notice of Borrowing" shall mean a Notice of Borrowing described in Section 2.5.

"Notice of Continuance" shall mean a Notice of Continuance described in Section 2.7(B).

"Notice of Conversion" shall mean a Notice of Conversion described in Section 2.7(A).

"Parent Intercreditor Agreement" shall mean the Amended and Restated Parent Intercreditor Agreement described in Section 2.11(A)(xvi).

"Participant" shall mean any Person, now or at any time or times to be, participating with any Lender in the Loans made by such Lender to Borrowers pursuant to this Agreement and the Ancillary Agreements.

"Percentage" shall mean, as to any Lender, the percentage (calculated to the ninth decimal place) which such Lender's Revolving Credit Commitment plus such Lender's Term Loan Commitment is of the Aggregate Revolving Credit Commitments plus the Aggregate Term Loan Commitment, as reflected in the records of Agent. If the Term Loan Commitments have terminated, such Lender's "Percentage" of the Term Loan Commitments shall be deemed to be the percentage which the aggregate amount of such Lender's outstanding Term Loans to Borrowers is of the aggregate amount of all of Lenders' outstanding Term Loans to Borrowers. If the Revolving Credit Commitments have terminated, such Lender's "Percentage" of the Revolving Credit Commitments shall be deemed to be the percentage which the aggregate amount of such Lender's outstanding Revolving Credit Loans to Borrowers plus all Reimbursement Obligations of Borrowers to such Lender is of the aggregate amount of all of Lenders' outstanding Revolving Credit Loans to Borrowers plus the aggregate amount of all Reimbursement Obligations of Borrowers to all of the Lenders.

"Permitted Debt" shall mean:

(i) the Liabilities;

(ii) current unsecured Indebtedness arising in the ordinary course of business of Borrowers and their respective Subsidiaries, including trade payables, utility costs, payroll and benefit obligations, accrued tax liabilities and other non-extraordinary accounts payable but excluding Indebtedness for Borrowed Money;

(iii) the Subordinated Debt;

(iv) Indebtedness incurred by Borrowers to any Person at a time no Default or Event of Default exists constituting Capitalized Lease Obligations;

(v) the Guaranteed Indebtedness;

(vi) the Equipment Debt; and

(vii) such other Indebtedness outstanding on the date hereof and described on Exhibit B-1 attached hereto.

"Permitted Liens" shall mean:

(i) Liens and encumbrances in favor of Agent, whether granted under or established by this Agreement, the Ancillary Agreements, or otherwise;

(ii) subject to Section 7.4, Liens for taxes, assessments or other governmental charges incurred by a Borrower or its Subsidiaries in the ordinary course of business and for which no interest, late charge or penalty is attaching or which are being contested in good faith by appropriate proceedings diligently pursued and for which adequate reserves in accordance with generally accepted accounting principles shall have been set aside on its books;

(iii) Liens, not delinquent, incurred by a Borrower or its Subsidiaries in the ordinary course of business created by statute in connection with worker's compensation, unemployment insurance, social security, old age pensions (subject to the applicable provisions of this Agreement) and similar statutory obligations;

(iv) Liens incurred by a Borrower or its Subsidiaries in favor of mechanics, materialmen, carriers, warehousemen, landlords or repairmen or other like statutory or common law Liens securing obligations incurred in good faith in the ordinary course of business that are not overdue for a period of more than 15 days or which are being contested in good faith;

(v) pledges and deposits to secure the performance of bids, tenders, trade contracts (other than for borrowed money), leases (other than capital leases), utility purchase obligations, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(vi) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business and encumbrances consisting of zoning restrictions, easements, licenses, restrictions on the use of property or minor imperfections in title thereto which, in the aggregate, are not material in amount, and which do not, in the aggregate, materially detract from the value of the property of any Borrower or Subsidiary or materially interfere with the ordinary conduct of the business of any Borrower or Subsidiary;

(vii) Liens and encumbrances related to Equipment Debt; and

(viii) any existing Liens and encumbrances identified in Exhibit B-2 hereto to secure Indebtedness outstanding as of the date hereof.

"Person" shall mean any individual, sole proprietorship, partnership, joint venture, trust, limited liability company, unincorporated organization, association, corporation, institution, entity, party, or government (whether national, federal, state, county, city, municipal or otherwise, including, without limitation, any instrumentality, division, agency, body or department).

"Post-Termination Letter of Credit" shall the meaning ascribed to it in Section 2.13(B)(ii).

"Prime Rate" shall mean the rate per annum equal to the prime rate of interest announced by LaSalle from time to time as its **"prime rate."** Changes in interest charged under this Agreement on Prime Rate Loans, shall take effect on the date of each change in the Prime Rate, without further notice from LaSalle. The Prime Rate is not necessarily the lowest rate of interest charged by LaSalle in connection with extensions of credit.

"Prime Rate Loan" shall mean any Loan (or portion thereof) bearing interest at the Prime Rate, as designated by Borrowers in the Notice of Borrowing, Notice of Conversion or Notice of Continuance.

"Property" shall mean any and all rights, titles and interests in and to any and all property whether real or personal, tangible (including cash) or intangible, and wherever situated and whether now owned or hereafter acquired.

"Quick Ratio" shall mean as of any date the ratio of (i) Borrowers' consolidated Cash and Cash Equivalents, liquid securities (valued at the opening bid price of such securities on the date the Quick Ratio is measured) and accounts receivable (including without limitation all rights to payment for services rendered or goods sold or leased) to

(ii) Borrowers' consolidated accounts payable, the current portion of all Liabilities and the current portion of Capitalized Lease Obligations.

"Reimbursement Agreement" shall mean a Master Letter of Credit Agreement substantially in the form of Exhibit Q hereto as such form may be amended by LaSalle from time to time and a letter of credit application and reimbursement agreement in such form as the Issuing Lender may from time to time employ in the ordinary course of business.

"Reimbursement Obligations" shall mean all amounts owed by any Borrower to the Issuing Lender or any other Lender (whether or not evidenced by any note or instrument), direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, representing the principal of and interest on payments made by the Issuing Lender or any other Lender under or in connection with any Letter of Credit, including but not limited to, all unpaid drawings, fees, premiums, expenses, attorneys' fees, accountants' fees, capital adequacy charges, increased costs and similar costs and expenses owed or payable under this Agreement or any Letters of Credit, including but not limited to, the fees set forth in Section 2.13.

"Reportable Event" shall have the meaning ascribed to it in Section 6.1(O).

"Required Lenders" shall mean Lenders (other than Non-Funding Lenders) having aggregate percentages of 66-2/3% or more, or if the Commitments have been terminated 66-2/3% the aggregate outstanding principal amount of the outstanding Loans and Reimbursement Obligations.

"Revolving Credit Commitment" shall have the meaning ascribed to it in Section 2.1.

"Revolving Credit Facility" shall have the meaning ascribed to it in Section 2.1.

"Revolving Credit Termination Date" shall mean June 30, 2004.

"SalesLink Mexico Pledge Agreement" shall mean the Amended and Restated SalesLink Mexico Pledge Agreement described in Section 2.11(A)(xv).

"SalesLink Pledge Agreement" shall mean the Amended and Restated SalesLink Pledge Agreement described in Section 2.11(A)(xiv).

"Security Documents" shall mean this Agreement and all other agreements, instruments, documents, financing statements, warehouse receipts, bills of lading, notices of assignment, schedules, assignments, mortgages and other written matter necessary or requested by Agent to create, perfect and maintain perfected Agent's security interest in the Collateral.

"Senior Leverage Ratio" shall mean as of any day the ratio of (i) the consolidated Liabilities plus consolidated Capitalized Lease Obligations which are not satisfactorily subordinated, in the reasonable opinion of Agent, to the Liabilities plus Letter of Credit Obligations to (ii) consolidated EBITDA for the immediately preceding twelve (12) month period.

"SL Supply Pledge Agreement" shall have the meaning ascribed to it in Section 2.11(A)(xvii).

"Solvent" shall mean with respect to any Person on a particular date, that on such date (a) the fair salable value of its property is greater than the fair present value of its liabilities (including for purposes of this definition all liabilities whether reflected on a balance sheet prepared or otherwise and whether direct or indirect, fixed or contingent, secured or unsecured, disputed or undisputed), (b) the present fair salable value of its assets is not less than the amount that will be required to pay the probable liability on its debts as they become absolute and matured; (c) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature; and (d) such Person is not engaged in a business or transaction, and is not about to engage in a business or transaction, for which such Person's property would constitute an unreasonably small capital. The amount of contingent liabilities (such as litigation, guarantees and pension plan liabilities) at any time shall be computed as the amount which, in light of all the facts and circumstances existing at the time, represents the amount which can be reasonably be expected to become an actual or matured liability.

"Special Collateral" shall have the meaning ascribed to it in Section 4.3.

"Subordinated Debt" shall mean all Indebtedness which is expressly subordinated to Agent, including without limitation, Indebtedness subordinated by the Parent Intercreditor Agreement, containing subordination provisions which are satisfactory to Agent in its sole discretion.

"Subsidiary" shall mean any corporation, partnership, limited liability company or other legal entity of which a Borrower owns directly or indirectly 50% or more of the outstanding voting stock or interests, or of which a Borrower has effective control by contract or otherwise.

"Tangible Capital" shall mean the excess of total assets of Borrowers and their respective Subsidiaries over Indebtedness of Borrowers and their respective Subsidiaries (other than Subordinated Debt), total assets and Indebtedness each to be determined on a consolidated basis in accordance with generally accepted accounting principals consistently applied, excluding, however, from the determination of total assets (i) all notes receivable from officers and employees of Borrowers and their respective Subsidiaries, (ii) all assets which would be classified as intangible assets under generally accepted accounting principals, including, without limitation, goodwill, patents, trademarks, trade names, copyrights, franchises and deferred charges (including, without limitation, unamortized debt discount and expense, organization costs and deferred research and development expense) and similar assets, (iii) the write-up of assets above cost and (iv) prepaid assets and assets designated as "other" on Borrowers' consolidated balance sheet.

"Taxes" shall mean for any fiscal year the federal, state, local and foreign taxes payable by each Borrower and their Subsidiaries.

"Term Loan" shall have the meaning ascribed to it in Section 2.1.

"Term Loan Commitment" shall have the meaning ascribed to it in Section 2.1.

"Term Loan Maturity Date" shall mean June 30, 2004.

"Total Liabilities to Tangible Capital Ratio" shall mean as of any day the ratio of (i) Borrowers' consolidated liabilities, including, without limitation, all Liabilities, consolidated Capitalized Lease Obligations which are not satisfactorily subordinated, in the reasonable opinion of Agent, to the Liabilities, Letter of Credit Obligations, accounts payable, Charges but excluding Subordinated Debt to (ii) Tangible Capital.

"UCC" shall have the meaning ascribed to it in Section 1.3.

1.2 **Accounting Terms**. Any accounting terms used in this Agreement which are not specifically defined shall have the meanings customarily given them in accordance with generally accepted accounting principles.

1.3 **Other Terms**. All other terms, whether or not capitalized, contained in this Agreement which are not otherwise defined in this Agreement shall, unless the context indicates otherwise, have the meanings provided for by the Uniform Commercial Code of the State of Illinois (the **"UCC"**) in effect from time to time, to the extent the same are used or defined therein.

1.4 **Interpretation**. In this Agreement and each Ancillary Agreement, unless a clear contrary intention appears:

(i) the singular number includes the plural number and *vice versa*;

(ii) reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are permitted by such documents, and reference to a Person in a particular capacity excludes such Person in any other capacity;

(iii) reference to either gender includes the other gender;

(iv) reference to any agreement (including this Agreement and the Schedules and Exhibits and the Ancillary Agreements) documents or instruments means such agreement, document or instrument as amended, modified, supplemented or replaced from time to time in accordance with the terms thereof and, if applicable, the terms hereof and the Ancillary Agreements, and reference to any promissory note includes any promissory note which is an extension or renewal thereof or a substitute or replacement therefor;

(v) reference to any law, rule, regulation, order, decree, requirement, policy, guideline, directive or interpretation means as amended, modified, codified, replaced or reenacted, in whole or in part, and in effect on the determination date, including rules and regulations promulgated thereunder;

(vi) reference to any Article, Section, paragraph, clause, other subdivision, Schedule or Exhibit means such Article, Section, paragraph, clause or other subdivision of this Agreement or Schedule or Exhibit to this Agreement;

(vii) "hereunder," "hereof," "hereto" and words of similar import shall be deemed references to this Agreement as a whole and not to any particular Article, Section or other provision hereof;

(viii) "including" (and with correlative meaning "include") means including without limiting the generality of any description preceding such term;

(ix) relative to the determination of any period of time, "from" means "from and including" and "to" means "to but excluding"; and

(x) references herein to any Subsidiary shall apply only during such times as a Borrower has any Subsidiary.

1.5 Multiple Borrowers. The term "Borrowers" refers to more than one corporation. The Borrowers hereby designate SalesLink to act on behalf of the Borrowers for all purposes under this Agreement, including, without limitation, the requesting of Loans hereunder, and the reduction of any Commitment. Notice when given to SalesLink shall be sufficient notice to the Borrowers. Any document delivered to SalesLink shall be considered delivered to each of the Borrowers.

2. LOANS; GENERAL TERMS.

2.1 Credit Facilities.

(A) Revolving Line of Credit. Each Lender with a Revolving Loan Commitment severally and not jointly agrees, on the terms and conditions hereinafter set forth, to make available for Borrowers' use, from time to time until the Revolving Credit Termination Date, upon request of the Borrowers in accordance with Section 2.5, certain

Loans under a revolving line of credit (the **"Revolving Credit Facility"**) in an aggregate amount not to exceed at any time outstanding the amount set forth opposite such Lender's name in Schedule 2.1(A) under the heading **"Revolving Credit Commitments"** (such amount as the same may be reduced from time to time, being referred to as such Lender's **"Revolving Credit Commitment"**); provided that the aggregate amount of Loans under the Revolving Credit Facility outstanding at any one time shall not exceed the lesser of:

(i) the Aggregate Revolving Credit Commitment then in effect; and

(ii) (A) (1) 80% of Eligible Receivables plus (2) 50% of Eligible Inventory minus (B) $5,000,000 until such time as Agent has received the results of a field audit with respect to the Collateral which results are reasonably acceptable to Agent minus (C) the outstanding balance of the Term Loan (such amount referred to herein as the **"Borrowing Base"**).

During such period and subject to Section 3.2(C), the Revolving Credit Facility may be utilized by borrowing, repaying and reborrowing the Loans thereunder.

(B) Term Loan. Each Lender with a Term Loan Commitment severally and not jointly agrees, on the terms and conditions hereinafter set forth, to make available for Borrowers' use, a term loan (the **"Term Loan"**) in the amount set forth opposite such Lender's name in Schedule 2.1(B) under the heading **"Term Loan Commitments"** (such amount being referred to herein as such Lender's **"Term Loan Commitment"**). Repayments and prepayments of the Term Loan shall not be subject to reborrowing.

2.2 Evidence of Debt. The Revolving Credit Facility and the Loans made by each Lender to Borrowers thereunder shall be evidenced by an Amended and Restated Revolving Credit Note payable to the order of such Lender, which note shall be in the form attached hereto as Exhibit C-1 in an amount equal to such Lender's Revolving Credit Commitment. The Term Loan and the Loans made by each Lender to Borrowers thereunder shall be evidenced by an Amended and Restated Term Note payable to the order of such Lender, which note shall be in the form attached hereto as Exhibit C-2 in an amount equal to such Lender's Term Loan Commitment.

2.3 Loan Accounts; Amount and Maintenance of Loans; Interest Rate Not Determined.

(A) Loan Account. Agent, on behalf of Lenders, shall record on its books and records the amount of each Loan made, the interest rate applicable, all payments of principal and interest thereon and the principal balance thereof from time to time outstanding, and such record shall, absent demonstrable error be conclusive evidence of the amount of the Loans made by Lenders to Borrowers and the interest and payments thereon. Any failure to record or any error in doing so shall, however, limit or otherwise affect the obligation of Borrowers hereunder (and under any Note) to pay any amount owing with respect to the Loans.

(B) Amount and Maintenance of Loans. The Loans under the Revolving Credit Facility may be made and maintained as (i) Prime Rate Loans, (ii) LIBOR Loans, or (iii) a combination of Prime Rate Loans and LIBOR Loans. The Term Loan may be made and maintained as (i) Prime Rate Loans or (ii) LIBOR Loans or (iii) a combination of Prime Rate Loans and LIBOR Loans. The aggregate principal amount of each LIBOR Loan, whether new, converted or continued, shall not be less than $500,000. More than one borrowing may occur on the same date, but at no time shall there be outstanding more than five LIBOR Loans in the aggregate under the Revolving Credit Facility and five LIBOR Loans in the aggregate under the Term Loan. The amount of any Loan is also subject to the limits contained in Section 2.1. No LIBOR Loan shall be made at any time a Default or Event of Default shall exist.

(C) Inability to Determine Interest Rate. In the event, and on each occasion, that on the day two Business Days prior to the commencement of any Interest Period for a LIBOR Loan, Agent shall have determined in good faith (which determination shall be conclusive and binding upon Borrowers) that currency deposits in the amount of such LIBOR Loan are not generally available in the London Interbank market, or that the rate at which such currency deposits are being offered will not adequately and fairly reflect the cost to Agent of maintaining the principal amount of such LIBOR Loan during such Interest Period, Agent shall promptly, after such determination shall have been made, give facsimile notice of such determination to Borrowers and Lenders, and, until Agent shall notify Borrowers and Lenders that the circumstances giving rise to such notice no longer exist, any request by Borrowers for the making of, conversion to or continuation of a LIBOR Loan shall be deemed to be a request for a Prime Rate Loan. Agent shall use its reasonable efforts to notify Borrowers of a change in the circumstances causing the LIBOR Loan to be unavailable but shall not incur any liability for any failure so to notify Borrowers.

2.4 Interest Rate. Unless otherwise provided in a writing evidencing such Liabilities, Borrowers agree, jointly and severally, to pay Agent, for the benefit of each Lender, interest on the outstanding principal balance of the Loans from time to time at a rate equal to (i) with respect to Prime Rate Loans, the Prime Rate and (ii) with respect to LIBOR Loans, the LIBOR Rate plus the Applicable Margin. The records of Agent as to the interest rate applicable to a particular advance shall be binding and conclusive absent manifest error. Interest shall be payable from the date of such advance of the Loan to the day of repayment of such advance. Interest shall be computed on the basis of a year of 360 days and actual days elapsed and shall be payable as provided in Section 3.2. Agent, for the ratable benefit of each Lender, reserves the right to charge Borrowers' checking account(s) for accrued interest on the applicable Interest Payment Date. In no contingency or event whatsoever shall the rate or amount of interest paid by Borrowers under this Agreement or any of the Ancillary Agreements exceed the maximum amount permissible under any law which a court of competent jurisdiction shall, in a final determination, deem applicable. In the event that such a court determines that Agent or any

Lender has received interest under this Agreement or under any Ancillary Agreement in excess of the maximum amount permitted by such law, (i) Agent or such Lender shall apply such excess to any unpaid principal owed by Borrowers to such Lender first, under the Revolving Credit Facility and second under the Term Loan or, if the amount of such excess exceeds the unpaid balance of such principal on both the Revolving Credit Facility and the Term Loan, such Lender shall promptly refund such excess interest to Borrowers and (ii) the provisions of this Agreement shall be deemed amended to provide for such permissible rate. All sums paid, or agreed to be paid, by Borrowers which are, or to be may be construed to be, compensation for the use, forbearance or detention of money shall, to the extent permitted by applicable law, be amortized, prorated, spread and allocated throughout the term of all such indebtedness until the indebtedness is paid in full.

2.5 Revolving Credit Facility Borrowing Procedures. In order to effect a Loan under the Revolving Credit Facility, an authorized officer of each of the Borrowers shall give Agent irrevocable written notice (in form and substance acceptable to Agent) or irrevocable telephone notice (immediately confirmed by such written notice by facsimile) not later than 11:00 a.m., Chicago time, on (i) the proposed borrowing date in the case of Prime Rate Loans, and (ii) the second Business Day prior to the proposed borrowing date in the case of LIBOR Loans (the **"Notice of Borrowing"**). Borrowers hereby authorize Agent and each Lender to extend advances and make Loans to Borrowers based on written or telephone notice from an authorized officer of Borrowers. Each Notice of Borrowing shall specify the principal amount of the Loan to be made pursuant to such borrowing and the date of such borrowing (which shall be a Business Day), that the Loans are under the Revolving Credit Facility, whether the Loans being made pursuant to such borrowing are to be maintained as Prime Rate Loans or LIBOR Loans and, if LIBOR Loans, the initial Interest Period to be applicable thereto. Promptly after receipt of such request, Agent shall advise each Lender thereof. Not later than 2:30 p.m., Chicago time, on the date of a proposed borrowing, each Lender shall provide Agent, at the principal office of Agent in Chicago, with immediately available funds equal to such Lender's pro rata share of the borrowing, and subject to receipt by Agent of the documents required under Section 2.11(B) with respect to such borrowing, if any are required, Agent shall pay over such funds received by it to Borrowers on the requested borrowing date.

2.6 General Provisions.

(A) One Loan. All Loans and advances by each Lender to Borrowers under this Agreement and the Ancillary Agreements (whether made under the Revolving Credit Facility or the Term Loan) shall constitute one loan and all indebtedness and obligations of Borrowers to all of the Lenders under this Agreement and the Ancillary Agreements shall constitute one general obligation secured by the Collateral.

(B) Events of Default. Each Lender may, in its sole discretion, refrain from making any Loans or extensions of credit to Borrowers under this Agreement or any Ancillary Agreement after the occurrence and during the continuation of an Event of Default.

2.7 Conversion Options; Continuance.

(A) Conversion Requirements. Provided that no Default or Event of Default has occurred and is continuing and subject to the terms and conditions of this Agreement, Borrowers may elect from time to time to convert a Prime Rate Loan, or any portion thereof, to a LIBOR Loan by Borrowers giving Agent at least two Business Days' prior irrevocable written notice of conversion, which notice must be in form and substance acceptable to Agent and received by Agent prior to 11:00 a.m. (Chicago time) (the **"Notice of Conversion"**). If the date on which a Prime Rate Loan is to be converted to a LIBOR Loan is not a Business Day, then such conversion shall be made on the next succeeding Business Day, and during the period from such date to such succeeding Business Day, such Prime Rate Loan shall bear interest as if it were a Prime Rate Loan. All or any part of outstanding borrowings may be converted as provided herein. Subject to the terms and conditions of this Agreement, Borrowers may convert a LIBOR Loan into a Prime Rate Loan by Borrowers giving Agent a Notice of Conversion not later than 11:00 a.m. (Chicago time) on the desired conversion date. Promptly upon receipt of each Notice of Conversion, Agent shall advise each Lender thereof.

(B) Continuance. Any LIBOR Loan may be continued as such, in whole or in part, upon the expiration of an Interest Period with respect thereto if Borrowers gives Agent irrevocable written notice of continuance which notice must be in form and substance acceptable to Agent and received by Agent prior to 11:00 a.m. (Chicago time), at least two Business Days prior to the date of expiration of the Interest Period expiring with respect to the LIBOR Loan which is requested to be continued, specifying (i) the LIBOR Loan, or portion thereof, requested to be continued; (ii) the date of expiration of the Interest Period expiring with respect to the LIBOR Loan, or portion thereof, which is requested to be continued; and (iii) the length of the Interest Period with respect to such LIBOR Loan, or portion thereof, after the continuation thereof (the **"Notice of Continuance"**); provided that no LIBOR Loans may be continued as such when any Default or Event of Default has occurred and is continuing, but shall be automatically converted to a Prime Rate Loan on the last day of the Interest Period for such Loan. If Borrowers do not comply with the notice provisions of this clause (B), such LIBOR Loan shall be automatically converted to a Prime Rate Loan upon the expiration of the Interest Period with respect thereto. Promptly upon receipt of each Notice of Continuance, Agent shall advise each Lender thereof.

(C) Restatement of Representations and Warranties. Any Notice of Conversion or Notice of Continuance delivered pursuant to this Section 2.7 shall be deemed to be a representation that all of the representations and warranties of Borrowers contained in this Agreement shall then be true and correct as if made on such date, except to the extent that such representations and warranties expressly relate to an earlier date, and that no Default or Event of Default shall have occurred and be continuing.

2.8 Requirements of Law.

(A) Increased Costs. Notwithstanding any other provisions herein, in the event that the introduction of or any change in any law, rule, regulation, treaty or directive or in the interpretation or application thereof, or compliance by any Lender with any request or directive (whether or not having the force of law) from any central bank or other governmental authority, agency or instrumentality or regulatory body:

(i) subjects such Lender to any tax of any kind whatsoever with respect to this Agreement, the Notes, the Ancillary Agreement or the Loans made hereunder, or changes the basis of taxation of payments to such Lender of principal, interest or any other amount payable hereunder (except for changes in the rate of tax imposed on the overall net income of such Lender by the United States, any state or subdivision thereof);

(ii) imposes, modifies, holds applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, or deposits or other liabilities in or for the account of, advances or loans by, or other credit extended by, or any other acquisition of funds by, any office of such Lender (which is not otherwise included in the determination of the LIBOR Rate hereunder); or

(iii) imposes on any Lender or the London interbank market any other condition affecting this Agreement or the LIBOR Loans made by such Lender;

and the result of any of the foregoing is to increase the cost to such Lender of agreeing to make, making, continuing or maintaining or participating in LIBOR Loans, or to reduce any amount receivable thereunder or to increase the withholding taxes payable then, in any such case, Borrowers agree, jointly and severally, to pay such Lender, within 15 days after demand by such Lender, any additional amounts necessary to compensate such Lender on an after-tax basis for such additional cost or reduced amount receivable or increased withholding taxes payable which such Lender deems to be material as determined by such Lender with respect to this Agreement, the Notes, the other Ancillary Agreements or the Loans made hereunder.

(B) Capital Adequacy. In the event that any Lender shall have determined that the adoption of any law, rule, regulation, treaty or guideline regarding capital adequacy, or any change in any of the foregoing or in the interpretation or application of any of the foregoing or compliance by such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) from any central bank or other governmental authority, agency or instrumentality or regulatory body, does or shall have the effect of reducing the rate of return on such Lender's or its parent's capital as a consequence of its obligations under this Agreement to a level below that which such Lender or such parent could have achieved but for such adoption, change, or compliance (taking into consideration such Lender's or such parent's policies with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time, after submission by such Lender to Borrowers of a written request therefor, Borrowers agree, jointly and severally, to pay to such Lender, within 15 days after its demand, such additional amount or amounts as will compensate such Lender or such parent on an after-tax basis for such reduction; provided that such Lender is charging such amounts to similarly situated borrowers.

(C) Certificate for Claim. If any Lender or its parent becomes entitled to claim any additional amounts pursuant to this Section 2.8, it shall promptly notify Borrowers, Agent and the other Lenders of the event by reason of which it has become so entitled. A certificate setting forth in reasonable detail any additional amounts payable pursuant to the foregoing sentence submitted by such Lender or its parent shall be conclusive and binding on Borrowers in the absence of manifest error. The provisions of this Section 2.8 shall survive the repayment of the Loans and the termination of this Agreement.

(D) No Waiver. Failure on the part of any Lender or its parent to demand compensation for any increased costs or reduction in amounts received or receivable or reduction in return on capital with respect to any period shall not constitute a waiver of such party's right to demand compensation with respect to such period or any other period. The protection of this Section 2.8 shall be available to such party regardless of any possible contention of the invalidity or inapplicability of the law, rule, regulation, guideline or other change or condition which shall have occurred or been imposed; provided that if such party shall have recouped any amount therefore paid to it by Borrowers under this Section 2.8, such Lender shall pay to Borrowers an amount equal to the net recoupment so received by such party, as determined in good faith by such party.

(E) Replacement of Lenders. If any Lender determines in accordance with Section 2.9 that, due to illegality, it is unable to make or maintain a LIBOR Loan or requests compensation under this Section 2.8, or if any Lender becomes a Non-Funding Lender, then Borrowers may, at their sole expense and effort, upon notice to such Lender and Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 10.2), all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if such Lender accepts such assignment); provided that (i) the Borrower shall have received the prior written consent of Agent, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans (and unpaid Reimbursement Obligations), accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or Borrowers (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under this Section 2.8 such assignment will result in a reduction of such compensation.

2.9 Illegality. Any Lender may make or maintain LIBOR Loans at or for the credit of any branch, subsidiary or affiliate office inside or outside the United States or any international banking facility within the United States, as such Lender may elect from time to time. Notwithstanding any other provisions herein, if any law, rule, regulation, treaty or directive or any change therein or in the interpretation or application thereof, shall make it unlawful for such Lender to maintain LIBOR Loans as contemplated by this Agreement, the agreement of such Lender to make or maintain LIBOR Loans shall terminate and all outstanding LIBOR Loans shall be converted automatically to Prime Rate Loans, on the last day of the then current Interest Period or within such earlier period as required by law.

2.10 Indemnity. Borrowers agree, jointly and severally, to indemnify any Lender and to hold such Lender harmless from any cost, loss or expense which such Lender may sustain or incur as a consequence of (i) Borrowers making a payment or prepayment of principal or interest on any LIBOR Loan (including, without limitation, through a conversion to the same or a different type of Loan or pursuant to Sections 2.3(B) and 2.9 above) on a day which is not the last day of an Interest Period with respect thereto, (ii) any failure by Borrowers to borrow or convert any Loan hereunder after a Notice of Borrowing or Notice of Conversion has been given (in the case of LIBOR Loans), (iii) default by Borrowers in making any prepayment after Borrowers have given a notice of prepayment and (iv) any acceleration of the maturity of the Loans in accordance with the terms of this Agreement, including, but not limited to, any such reasonable cost, loss or expense arising in liquidating the Loans and from interest or fees payable by such Lender to lenders of funds obtained by it in order to maintain the Loans hereunder. The provisions of this Section 2.10 shall survive the repayment of the Loans and the termination of this Agreement.

2.11 Conditions Precedent. The obligations of each Lender to make Loans hereunder is subject to the following conditions precedent:

(A) Effectiveness of Agreement. On or prior to the effective date of this Agreement (hereinafter called the **"Closing"**), Borrowers shall have delivered or caused to be delivered to Agent, each in form and substance satisfactory to Agent, the following:

(i) The Notes, which shall be duly executed by each Borrower;

(ii) Certified (as of the date of the Closing) copies of resolutions of each Borrower authorizing the execution, delivery and performance of this Agreement, the Notes, and each other document to be delivered pursuant hereto;

(iii) A certificate (dated the date of the Closing) of each Borrower's corporate secretary as to the incumbency and signatures of the officers of such Borrower signing this Agreement, the Notes, and each other document to be delivered by such Borrower pursuant to this Agreement.

(iv) A copy of each Borrower's charter and by-laws, together with a certificate (dated the date of the Closing) of such Borrower's corporate secretary, as applicable, to the effect that such charter and by-laws have not been amended since the date each document became effective;

(v) For each Borrower, certificates, as of the most recent dates practicable, of the Secretary of State of such Borrower's state of organization and the Secretary of State of each state in which each Borrower is qualified as a foreign corporation, or in which it intends to do business following the receipt of proceeds of the Loans, as to the good standing of such Borrower;

(vi) Financing statements regarding all Collateral, and filed in any and all offices and jurisdictions deemed appropriate by Agent in Agent's sole discretion;

(vii) Uniform Commercial Code, tax lien, bankruptcy and judgment searches concerning each Borrower from all offices and jurisdictions deemed appropriate by Agent in Agent's sole discretion, showing no other filing of record with respect to the Collateral granted hereunder other than any financing statement filed by Agent;

(viii) An opinion of counsel to Borrowers in substantially the form of Exhibit D attached hereto;

(ix) A loss payable endorsement respecting each Borrower's casualty insurance in the form of Exhibit F attached hereto;

(x) Evidence of insurance in the form set forth in Section 7.6 or otherwise acceptable to Agent;

(xi) Payment of the Closing Fee referenced in Section 2.12(A);

(xii) An Amended and Restated SalesLink Pledge Agreement (a **"SalesLink Pledge Agreement"**) in the form of Exhibit L attached hereto;

(xiii) An Amended and Restated SalesLink Mexico Pledge Agreement (a **"SalesLink Mexico Pledge Agreement"**) in the form of Exhibit M attached hereto together with a consent of SalesLink;

(xiv) An Amended and Restated Parent Intercreditor Agreement (a **"Parent Intercreditor Agreement"**) in the form of Exhibit N attached hereto;

(xv) A SL Supply Pledge Agreement (a **"SL Supply Pledge Agreement"**) in the form of Exhibit O attached hereto;

(xvi) A duly and fully executed copy of the Contribution Agreement, certified by the corporate secretary of SalesLink;

(xvii) A duly and fully executed copy of the CMGI Note, certified by the corporate secretary of SalesLink;

(xviii) A duly and fully executed copy of the Certificate of Designation, file stamped by the Secretary of Sate of Delaware;

(xix) A duly and fully executed copy of the CMGI Security Agreement, certified by the corporate secretary of SalesLink;

(xx) An Amended and Restated Trademark Security Agreement (**"Trademark Security Agreement"**) in the form of Exhibit R attached hereto;

(xxi) A duly and fully executed Landlord Waiver with respect to each Eligible Collateral Location in the form of Exhibit S attached hereto; and

(xxiii) Such other documents as Agent shall reasonably determine to be necessary or desirable.

(B) <u>Additional Advances</u>. At the time of (1) the effectiveness of this Agreement and (2) of each disbursement under the Revolving Credit Facility after the effectiveness of this Agreement:

(i) Each Borrower must be in full compliance with all of the terms and conditions of this Agreement and the Ancillary Agreements, and no Default or Event of Default shall have occurred and be continuing;

(ii) No material adverse change shall have occurred in the business, assets, operations, financial or other condition of any Borrower or in Borrowers collective ability to pay the Loans since the date of this Agreement or since the Closing, as applicable;

(iii) Each Borrower shall have good and marketable title to and ownership of the Collateral owned by it. The Collateral shall be free from any security interest, Lien or encumbrance except the Permitted Liens and no financing statement concerning the Collateral, excepting any filed on behalf of Agent and those listed on Exhibit B-2, is on file in any public office;

(iv) Each of the representations and warranties set forth in Section 6 shall be true and correct as of such time; and

(v) After giving effect to the requested advance, the aggregate principal amount of all Loans outstanding under the Revolving Credit Facility shall not exceed the then current Availability.

2.12 Fees.

(A) Closing Fee. Borrowers agree, jointly and severally, to pay to Agent at Closing a non-refundable closing fee in the amount of $50,000.

(B) Non-Use Fee. Borrowers agree, jointly and severally, to pay to Agent, for the ratable benefit of Lenders, with respect to the Revolving Credit Facility, for the period commencing on the date hereof and continuing through the Revolving Credit Termination Date, a non-use fee at the rate of one-half of one percent (0.50%) per annum on the amount of the average daily unused portion of the Aggregate Revolving Credit Commitment. Such non-use fee shall be payable by Borrowers, jointly and severally, in arrears on the last Business Day of each calendar month and on the Revolving Credit Termination Date. The non-use fee shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

2.13 Letters of Credit.

(A) Issuance of Non-Cash Collateralized Letters of Credit. From and after the date hereof, the Issuing Lender agrees, upon the terms and conditions set forth in this Agreement, to issue at the request and for the account of Borrowers, one or more Letters of Credit; provided that the Issuing Lender shall not be under any obligation to issue, and shall not issue, any Letter of Credit if (a) any order, judgment or decree of any governmental authority with jurisdiction over the Issuing Lender shall purport by its terms to enjoin or restrain such Issuing Lender from issuing such Letter of Credit, or any law or governmental rule, regulation, policy, guideline or directive (whether or not having the force of law) from any governmental authority with jurisdiction over the Issuing Lender shall prohibit, or request that the Issuing Lender refrain from, the issuance of Letters of Credit in particular or shall impose upon the Issuing Lender with respect to any Letter of Credit any restriction or reserve or capital requirement (for which the Issuing Lender is not otherwise compensated) or any unreimbursed loss, cost or expense which was not applicable, in effect and known to the Issuing Lender as of the date of this Agreement and which the Issuing Lender in good faith deems material to it (the Issuing Lender shall promptly notify Borrowers of any event which, in the judgment of the Issuing Lender, would preclude the issuance of a Letter of Credit pursuant to this clause); (b) one or more of the conditions to such issuance contained in Section 2.11 is not then satisfied; or (c) after giving effect to such issuance, the aggregate outstanding amount of the Letter of Credit Obligations would exceed the Letter of Credit Sublimit. Except with respect to a Cash Collateralized Letter of Credit, in no event shall: (a) the aggregate amount of the Letter of Credit Obligations at any time exceed the Letter of Credit Sublimit; (b) the sum at any time of (1) the aggregate amount of Letter of Credit Obligations and (2) the aggregate principal balance of all outstanding Loans issued pursuant to the Revolving Credit Facility exceed the then current Availability; and (c) the expiration date of any Letter of Credit (including, without limitation, Letters of Credit issued with an automatic “evergreen” provision providing for renewal absent advance notice by Borrowers or the Issuing Lender), or the date for payment of any draft presented thereunder and accepted by the Issuing Lender, be later than the Letter of Credit Expiry Date.

(B) Issuance of Cash Collateralized Letters of Credit.

(i) Pre-Termination Cash Collateralized Letters of Credit. In the event Borrowers request the issuance of any Letter(s) of Credit with that would, if issued, result in the sum of (1) the aggregate amount of Letter of Credit Obligations and (2) the aggregate principal amount of Loans outstanding under the Revolving Credit Facility to exceed the then current Availability, Borrowers may request that the Issuing Lender issue a Cash Collateralized Letter of Credit provided that Borrowers, jointly and severally, deposit cash in an amount equal to such excess in the Cash Collateral Account at least five (5) Business Days prior to the issuance of any such Cash Collateralized Letter of Credit. To the extent that one or more Cash Collateralized Letter(s) of Credit expire (and are not drawn upon) and are not extended or are otherwise terminated without any continuing liability to Agent, the Issuing Lender or Lenders, which results in the sum of (i) the aggregate principal amount of Loans outstanding under the Revolving Credit Facility plus (ii) the aggregate amount of Letter of Credit Obligations being equal to or less than the Availability as of such date, Agent shall refund the cash held in the Cash Collateral Account with respect to such Cash Collateralized Letter of Credit to the Borrowers within five (5) Business Days less any Letter of Credit Fees applicable thereto. In addition, following any such deposit of cash in the Cash Collateral Account, at any time and from time to time that the sum of (i) the aggregate principal amount of Loans outstanding under the Revolving Credit Facility plus (ii) the aggregate principal amount of Letter of Credit Obligations becomes equal to or less than the sum of (x) the Availability plus (y) the amount of cash held in the Cash Collateral Account as of such date, Agent shall refund to the Borrowers within (5) Business Days a sum of cash held in the Cash Collateral Account equal to such excess less any Letter of Credit Fees applicable thereto. Any deposit made to the Cash Collateral Account pursuant to this Section 2.13(B)(i) shall be used exclusively to facilitate the issuance of Cash Collateralized Letters of Credit requested hereunder and shall not affect the Availability or Borrowing Base.

(ii) Post-Termination Letters of Credit. In the event any Letter of Credit issued under Section 2.13(A) or 2.13(B)(i) exists on, and has an expiration date that is later than the Revolving Credit Termination Date (each a **"Post-Termination Letter of Credit"**), at least five (5) Business Days prior to the Revolving Credit Termination Date Borrowers, jointly and severally, shall deposit in the Cash Collateral Account available funds free and clear of all Liens in an amount equal to the face amount of such Post-Termination Letter of Credit. In no event may a Post-Termination Letter of Credit be renewed or include an automatic "evergreen" provision providing for renewal. Upon the expiration of any such Post-Termination Letter of Credit, Agent shall refund to the Borrowers within five (5) Business Days after such expiration any undrawn funds deposited pursuant to this Section 2.13(B)(ii) associated with such Post-Termination Letter of Credit less any Letter of Credit Fees applicable thereto. Any deposit made to the Cash Collateral Account pursuant to this Section 2.13(B)(ii) shall not affect the Availability or Borrowing Base.

(C) Participating Interests. Immediately upon the issuance by the Issuing Lender of a Letter of Credit in accordance with Section 2.13(A) or Section 2.13(B), each Lender shall be deemed to have irrevocably and unconditionally purchased and received from the Issuing Lender, without recourse, representation or warranty, an undivided participation interest equal to its Percentage of the face amount of such Letter of Credit and each draw paid by the Issuing Lender thereunder, including, without limitation any Cash Collateralized Letter of Credit or Post Termination Letter of Credit. Each Lender's obligation to pay its proportionate share of all draws under the Letters of Credit (including, without limitation any Cash Collateralized Letter of Credit or Post Termination Letter of Credit), absent gross negligence or willful misconduct by the Issuing Lender in honoring any such draw, shall be absolute, unconditional and irrevocable and in each case shall be made without counterclaim or set-off by such Lender.

(D) Letter of Credit Reimbursement Obligations.

(i) (a) Borrowers agree to pay to the Issuing Lender (1) on each date that any amount is drawn under each Letter of Credit a sum (and interest on such sum as provided in clause (2) below) equal to the amount so drawn plus all other charges and expenses with respect thereto or in the applicable Reimbursement Agreement and (2) interest on any and all amounts remaining unpaid under this Section 2.13 until payment in full at the Prime Rate plus 2.00% per annum. Borrowers agree to pay to the Issuing Lender the amount of all Reimbursement Obligations owing in respect of any Letter of Credit immediately when due, under all circumstances, including, without limitation, any of the following circumstances: (w) any lack of validity or enforceability of this Agreement or any Ancillary Agreements executed pursuant hereto; (x) the existence of any claim, set-off, defense or other right which Borrowers may have at any time against a beneficiary named in a Letter of Credit, any transferee of any Letter of Credit (or any Person for whom any such transferee may be acting), any Lender or any other Person, whether in connection with this Agreement, any Letter of Credit, the transactions contemplated herein or any unrelated transactions (including any underlying transaction between the Borrowers and the beneficiary named in any Letter of Credit); (y) the validity, sufficiency or genuineness of any document which the Issuing Lender has determined in good faith complies on its face with the terms of the applicable Letter of Credit, even if such document should later prove to have been forged, fraudulent, invalid or insufficient in any respect or any statement therein shall have been untrue or inaccurate in any respect; or (z) the surrender or material impairment of any security for the performance or observance of any of the terms hereof.

(ii) Notwithstanding any provisions to the contrary in any Reimbursement Agreement, Borrowers agree to reimburse the Issuing Lender for amounts which the Issuing Lender pays under such Letter of Credit no later than the time specified in this Agreement. If Borrowers do not pay any such Reimbursement Obligations when due, Borrowers shall be deemed to have immediately requested that Lenders make a Prime Rate Loan under this Agreement in a principal amount equal to such unreimbursed Reimbursement Obligations. Agent shall promptly notify Lenders of such deemed request and, without the necessity of compliance with the requirements of Sections 2.1 and 2.11, each Lender shall make available to Agent its Loan in the manner prescribed for Prime Rate Loans. The proceeds of such Loans shall be paid over by Agent to the Issuing Lender for the account of Borrowers in satisfaction of such unreimbursed Reimbursement Obligations, which shall thereupon be deemed satisfied by the proceeds of, and replaced by, such Prime Rate Loan.

(iii) If the Issuing Lender makes a payment on account of any Letter of Credit and is not concurrently reimbursed therefore by Borrowers and if for any reason a Prime Rate Loan may not be made pursuant to Section 2.13(D)(ii), then as promptly as practical during normal banking hours on the date of its receipt of such notice or, if not practicable on such date, not later than noon (Chicago time) on the Business Day immediately succeeding such date of notification, each Lender shall deliver to Agent for the account of the Issuing Lender, in immediately available funds, the purchase price for such Lender’s interest in such unreimbursed Reimbursement Obligations, which shall be an amount equal to such Lender’s pro-rata share of such payment. Each Lender shall, upon demand by the Issuing Lender, pay the Issuing Lender interest on such Lender’s pro-rata share of such draw from the date of payment by the Issuing Lender on account of such Letter of Credit until the date of delivery of such funds to the Issuing Lender by such Lender at a rate per annum, computed for actual days elapsed based on a 360-day year, equal to the federal funds rate for such period; provided that such payments shall be made by such Lender only in the event and to the extent that the Issuing Lender is not reimbursed in full by Borrowers for interest on the amount of any draw on the Letters of Credit.

(iv) At any time after the Issuing Lender has made a payment on account of any Letter of Credit and has received from any other Lender such Lender’s pro-rata share of such payment, the Issuing Lender shall, forthwith upon its receipt of any reimbursement (in whole or in part) by Borrowers for such payment, or of any other amount from Borrowers or any other Person in respect of such payment (including, without limitation, any payment of interest or penalty fees and any payment under any collateral account agreement of the Borrowers or any Ancillary Agreements executed pursuant hereto but excluding any transfer of funds from any other Lender pursuant to Section 2.13(D)(ii)), transfer to such other Lender such other Lender's ratable share of such reimbursement or other amount; provided that interest shall accrue for the benefit of such Lender from the time the Issuing Lender has made a payment on account of any Letter of Credit; provided further that, in the event that the receipt by the Issuing Lender of such reimbursement or other amount is found to have been a transfer in fraud of creditors or a preferential payment under the Bankruptcy Code or is otherwise required to be returned, such Lender shall promptly return to the Issuing Lender any portion thereof previously transferred by the Issuing Lender to such Lender, but without interest to the extent that interest is not payable by the Issuing Lender in connection therewith.

(E) Procedure for Issuance. Prior to the issuance of each Letter of Credit, and as a condition of such issuance, including, without limitation any Cash Collateralized Letter of Credit or Post Termination Letter of Credit, Borrowers shall deliver to the Issuing Lender (with a copy to Agent) a Reimbursement Agreement signed by the Borrowers, together with such other documents or items as may be required pursuant to the terms thereof, and the proposed form and content of such Letter of Credit shall be reasonably satisfactory to the Issuing Lender. Except as provided in Section 2.13(B), each Letter of Credit shall be issued no earlier than two (2) Business Days after delivery of the foregoing documents, which delivery may be by Borrowers to the Issuing Lender by facsimile transmission, telex or other electronic means followed by delivery of executed originals within five days thereafter. The documents so delivered shall be in compliance with the requirements set forth in Section 2.13(A) or Section 2.13(B), as the case may be, and shall specify therein (i) the stated amount of the Letter of Credit requested, (ii) the effective date of issuance of such requested Letter of Credit, which shall be a Business Day, (iii) the date on which such requested Letter of Credit is to expire, (iv) the entity for whose benefit the requested Letter of Credit is to be issued, which shall be a Borrower, (v) the aggregate amount of Letter of Credit Obligations which are outstanding and which will be outstanding after giving effect to the requested Letter of Credit issuance and (vi) that the requested Letter of Credit is to be a Cash Collateralized Letter of Credit, if applicable. The delivery of the foregoing documents and information shall constitute an **"Issuance Request"** for purposes of this Agreement. Subject to the terms and conditions of Section 2.13(A) or Section 2.13(B), as the case may be, and provided that the applicable conditions set forth in Section 2.11 hereof have been satisfied, the Issuing Lender shall, on the requested date, issue a Letter of Credit on behalf of Borrowers in accordance with the Issuing Lender's usual and customary business practices. In addition, any amendment of an existing Letter of Credit shall be deemed to be an issuance of a new Letter of Credit and shall be subject to the requirements set forth above. The Issuing Lender shall give Agent prompt written notice of the issuance of any Letter of Credit.

(F) Nature of Lenders' Obligations.

(i) As between Borrowers and Lenders, Borrowers assume all risks of the acts and omissions of, or misuse of the Letters of Credit by, the respective beneficiaries of the Letters of Credit. In furtherance and not in limitation of the foregoing, Lenders shall not be responsible for (i) the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for an issuance of a Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (ii) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; (iii) the failure of the beneficiary of a Letter of Credit to comply fully with conditions required to be satisfied by any Person other than the Issuing Lender in order to draw upon such Letter of Credit (other than a failure to satisfy documentary conditions to drawing where payment of the Letter of Credit despite such failure would constitute gross negligence or willful misconduct of the Issuing Lender); (iv) errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, facsimile transmission, telex or otherwise; (v) the misapplication by the beneficiary of a Letter of Credit of the proceeds of any drawing under such Letter of Credit; or (vi) any consequences arising from causes beyond control of the Issuing Lender.

(ii) In furtherance and extension and not in limitation of the specific provisions hereinabove set forth (including in Section 2.13(D)), any action taken or omitted by the Issuing Lender under or in connection with the Letters of Credit or any related certificates, if taken or omitted in good faith, shall not put Agent or any Lender under any resulting liability to Borrowers or relieve Borrowers of any of its obligations hereunder to the Issuing Lender or any such Person.

(G) Compensation for Letters of Credit. Borrowers shall pay to Agent (for the benefit of the Issuing Lender and the other Lenders) on the first Business Day of each calendar quarter, in arrears, a letter of credit fee at a rate per annum (the **"Letter of Credit Fees"**) equal to the Applicable Margin for Loans made under the Revolving Credit Facility per annum of the stated amount of each Letter of Credit. In addition, the Borrower shall pay to Agent (for the benefit of the Issuing Lender and the other Lenders) any other processing, issuance, amendment or other similar fees customarily charged in connection with Letters of Credit, together with the Issuing Lender's out-of-pocket costs of issuing and servicing letters of credit. All Letter of Credit Fees shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

3. PAYMENTS.

3.1 Making of Payments.

(A) All payments and prepayments of principal, or interest on, the Notes shall be made by Borrowers to Agent in immediately available funds for the account of the holders of the Notes pro rata according to the respective unpaid amounts of principal or interest, as the case may be, owed to such holders. All payments of non-use fees shall be made by Borrowers to Agent for the account of Lenders pro rata according to their respective Percentages. All such payments shall be made to Agent at its office in Chicago, not later than 12:30 p.m. Chicago time, on the date due, and funds received after that hour shall be deemed to have been received by Agent on the next following Business Day. Agent shall, on the Business Day a payment is deemed to be received in collected funds by it, remit to each Lender or other holder of a Note its share of such payment.

(B) Unless Borrowers or a Lender, as the case may be, notify Agent prior to the date on which it is scheduled to make payment to Agent of (i) in the case of a Lender, the proceeds of a Loan under the Revolving Credit Facility or a Term Loan, or (ii) in the case of Borrowers, a payment of principal, interest or fees to Agent for the account of Lenders, that it does not intend to make such payment, Agent may assume that such payment has been made. Agent may, but shall not be obligated to, make the amount of such payment available to the intended recipient in reliance upon such assumption. If Borrowers have not in fact made such payment to Agent, Lenders shall, on demand by Agent, repay to Agent the amount so made available together with interest thereon in respect of each day during the period commencing on the date such amount was so made available by Agent until the date Agent recovers such amount at a rate per annum equal to the federal funds rate for such day. If any Lender has not in fact made such payment to Agent (such a Lender herein called a **"Non-Funding Lender"**), such Non-Funding Lender or Borrowers shall, on demand by Agent, repay to Agent the amount so made available together with interest thereon in respect of each day during the period commencing on the date such amount was so made available by Agent until the date Agent recovers such amount at a rate per annum equal to (i) in the case of payment by a Non-Funding Lender, an amount equal to $200 plus the federal funds effective rate for such day or (ii) in the case of payment by Borrowers, the interest rate applicable to the relevant Revolving Loan or Term Loan (it being understood and agreed that prior to making a request pursuant to this clause (ii) Agent will use its best efforts to request Lenders (other than a Non-Funding Lender) to reallocate such amount among Lenders (other than a Non-Funding Lender) subject to Sections 2.1(A) or (B), as applicable.

3.2 Payment Terms.

(A) General. All of the Liabilities shall be paid to Agent at the address set forth in Section 10.10. Subject to the remainder of this Section 3.2 and Section 8.2, the Liabilities will be payable as follows:

(i) accrued interest shall be payable in arrears on the applicable Interest Payment Date;

(ii) fees, costs, expenses and similar charges shall be payable as and when provided for in this Agreement or the Ancillary Agreements;

(iii) the then outstanding principal balance of the Revolving Credit Facility shall be payable in full on the Revolving Credit Termination Date; and

(iv) the then outstanding principal balance of the Term Loan shall be payable in full on the Term Loan Maturity Date.

Except as otherwise set forth herein (including, but not limited to Section 2.10 hereof), Borrowers may prepay all or any portion of the Loans upon notice from Borrowers to Agent at least one (1) day before the date of prepayment, without penalty or premium, at any time and from time to time; provided that all prepayments of principal shall include interest accrued to the date of prepayment on the principal amount being prepaid. After maturity (whether upon acceleration or otherwise) of any Liabilities, accrued interest on such Liabilities shall be payable upon demand.

(B) Scheduled Reductions of Term Loan. The Term Loan shall be payable in quarterly principal installments on the first Business Day of each of Borrowers' fiscal quarters, commencing on the first such day occurring after the Closing such that the outstanding unpaid principal balance of the Term Loan shall amortize in twenty (20) equal quarterly installments of principal. The quarterly payment amount shall be calculated by dividing the outstanding unpaid principal balance of the Term Loan at Closing by 20. The principal amount of the Term Loan outstanding, and all accrued and unpaid interest with respect to the Term Loan, shall be due and payable on the Term Loan Maturity Date.

(C) Mandatory Prepayment. Borrowers shall not permit the sum of (i) the aggregate amount of Letter of Credit Obligations plus (ii) the aggregate principal amount of Loans outstanding under the Revolving Credit Facility at any time to exceed the then current Availability. Borrowers agree, jointly and severally, to make such payments to Agent on the Loans outstanding under the Revolving Credit Facility which are necessary to cure any such excess within two (2) Business Days after the occurrence thereof. To the extent that any payment made under the previous sentence is insufficient to cause the Letter of Credit Obligations to be equal to or less then the Availability, Borrowers agree, jointly and severally, to immediately deposit with Agent an amount of cash equal to the entire Letter of Credit Obligation with respect to one or more Letters of Credit which are causing the deficiency (which, for this purpose, shall be deemed to be Cash Collateralized Letters of Credit) in the Cash Collateral Account. To the extent that one or more Cash Collateralized Letter(s) of Credit expire (and are not drawn upon) and are not extended or are otherwise terminated without any continuing liability to Agent, the Issuing Lender or Lenders, which results in the sum of (i) the aggregate principal amount of Loans outstanding under the Revolving Credit Facility plus (ii) the aggregate amount of Letter of Credit Obligations being equal to or less than the Availability as of such date, Agent shall refund the cash held in the Cash Collateral Account with respect to such Cash Collateralized Letter of Credit to the Borrowers within five (5) Business Days less any Letter of Credit Fees applicable thereto. In addition, following any such deposit of cash in the Cash Collateral Account, at any time and from time to time that the sum of

(i) the aggregate principal amount of Loans outstanding under the Revolving Credit Facility plus (ii) the aggregate principal amount of Letter of Credit Obligations becomes equal to or less than the sum of (x) the Availability plus (y) the amount of cash held in the Cash Collateral Account as of such date, Agent shall refund to the Borrowers within (5) Business Days a sum of cash held in the Cash Collateral Account equal to such excess less any Letter of Credit Fees applicable thereto. No Lender shall be under an obligation to make Loans under the Revolving Credit Facility or to issue any Letter of Credit during the period that any such excess described in the first sentence of this Section 3.2(C) exists or would result from the making of an additional Loan under the Revolving Credit Facility or issuing an additional Letter of Credit.

3.3 Lockbox; Collection of Accounts and Payments.

(A) Lockbox. Borrowers shall maintain a special account as a lockbox in Borrowers' name with Agent, upon such terms as are required by Agent, to which Borrowers and their respective Subsidiaries will cause all Account Debtors to send all remittances on Accounts and all customers party to Buy Back Agreements to send all remittances related to any purchases by such customers pursuant to such Buy Back Agreements. If received directly by a Borrower or a Subsidiary, such Borrower or Subsidiary will immediately deposit in such special account all remittances and proceeds of the Collateral in the identical form in which such payment was made, whether by cash or check. Borrowers agree that upon the occurrence and during the continuation of a Default or an Event of Default, all payments made to such special account or otherwise received by Agent, whether on the Accounts, on any Buy Back Agreement or as proceeds of other Collateral or otherwise, will be the sole and exclusive property of Agent for the benefit of Agent and Lenders and will be applied on account of the Liabilities. So long as no Default or an Event of Default has shall have occurred and be continuing, Borrowers shall be entitled to direct the use of the funds maintained in such special account in accordance with the terms of this Agreement. Two (2) Business Days after Agent's receipt of good funds, Agent will credit (conditional upon final collection) all payments received through the special account to the Liabilities. Each Borrower, its Subsidiaries and any Affiliates, shareholders, directors, officers, employees, agents of such Borrower and its Subsidiaries and all Persons acting for or in concert with such Borrower shall, acting as trustee for Agent, receive, as the sole and exclusive property of Agent for the benefit of Agent and Lenders, any monies, checks, notes, drafts or any other payments relating to or proceeds of Accounts, Buy Back Agreements or other Collateral which come into their possession or under their control and immediately upon receipt, shall remit the same or cause the same to be remitted, in kind, to Agent, at Agent's address set forth in Section 10.10. Borrowers agree, jointly and severally, to pay to Agent any and all reasonable fees, costs and expenses (if any) which Agent incurs in connection with opening and maintaining the special account and depositing for collection by Agent any check or item of payment received or delivered to Agent on account of the Liabilities.

(B) Limitation of Liability.

(i) Agent shall have no liability to Borrowers other than that imposed upon it by law for its failure to exercise ordinary care with respect to the lockbox established hereunder. Establishment of and substantial compliance with the procedures set forth herein or in other documents related to the lockbox by Agent shall be deemed to constitute the exercise of ordinary care. A mere inadvertence or honest mistake of judgment will not constitute a failure to exercise ordinary care, and in no case will be deemed wrongful. Agent shall not be liable for consequential, indirect or special damages, even if it has been advised of the possibility that they exist. Agent shall have no liability for mail not bearing a complete and proper address.

(ii) Agent shall not be liable for failure to perform any services under this Agreement within the time provided therefore in the event and to the extent that such failure arises out of war, civil commotion, an act of God, accident, interruption of power supplies or other utility or service, strikes or lockouts, delay in transportation, legislative action, government regulations or interferences, or any other event beyond Agent's control.

(iii) In the event Agent becomes involved in controversies or litigation with any third party or parties involving or relating to the services provided for herein to Borrowers, Borrowers agree, jointly and severally, to indemnify Agent against any claims, costs, damages and liabilities, including reasonable attorneys' fees and court costs incurred by or asserted against Agent to or by such third party or parties, excluding claims, costs, damages and liabilities resulting from Agent's gross negligence or willful misconduct. This indemnity shall survive the termination of this Agreement.

3.4 Application of Payments and Collections. Subject to the rights of the Borrowers to direct funds under Section 3.3(A), Borrowers irrevocably waive the right to direct the application of payments and collections received by Agent and/or any Lender from or on behalf of Borrowers, and Borrowers agree that Agent shall have the continuing exclusive right to apply and reapply any and all such payments and collections against the Liabilities in such manner as Agent may deem appropriate, notwithstanding any entry by Agent upon any of its books and records. To the extent that Borrowers make a payment or payments to Agent or Agent receives any payment or proceeds of the Collateral for Borrowers' benefit, which payment(s) or proceeds are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party under any bankruptcy act, state or federal law, common law or equitable cause, then to the extent of such payment or proceeds received, the Liabilities intended to be satisfied shall be revived and shall continue in full force and effect, as if such payments or proceeds had not been received by Agent. Interest shall be payable out of the first collections received with respect to any proceeds of Collateral.

3.5 Records. All advances to Borrowers, and all other debits and credits provided for in this Agreement, shall be evidenced by entries made by Agent in its internal data control systems showing the date, amount and reason for each such debit or credit.

4. COLLATERAL; GENERAL TERMS.

4.1 Security Interest. To secure the prompt payment to each Lender of the Liabilities, each Borrower grants to Agent, for the benefit of Agent and Lenders, a continuing security interest in and to all of such Borrower's Property including the following Property and interest in Property of such Borrower, whether now owned or existing or to be acquired or arising and wherever located: (i) all Accounts, Inventory, Equipment, General Intangibles, tax refunds, chattel paper, instruments, letters of credit, investment property, including, without limitation, stocks, bonds, interests in limited liability companies, partnership interests, securities, certificates of deposit, mutual fund shares, securities entitlements, including, without limitation, all of each Borrower's rights to any securities account, any free credit balance or other money owing by any securities intermediary with respect to such account, all securities and commodities held by Agent or any of its Affiliates, all commodity contracts held by any Borrower and all commodity accounts held by any Borrower, documents and documents of title evidencing or issued with respect to any of the foregoing; (ii) all of such Borrower's deposit accounts (general or special) with and credits and other claims against Agent or any Lender; (iii) all of such Borrower's now owned or to be acquired monies, and any and all other property of such Borrower now or to be coming into the actual possession, custody or control of Agent, any Lender or any agent or affiliate of any Lender in any way or for any purpose (whether for safekeeping, deposit, custody, pledge, transmission, collection or otherwise); (iv) all insurance proceeds of or relating to any of the foregoing; (v) all of such Borrower's books and records, including without limitation customer lists, credit files, computer programs, printouts and other materials, relating to any of the foregoing; (vi) the Cash Collateral Account; and (vii) all accessions and additions to, substitutions for, and replacements, products and proceeds of any of the foregoing.

4.2 Disclosure of Security Interest. Each Borrower shall make appropriate entries upon its financial statements and books and records disclosing Agent's security interest in the Collateral of such Borrower.

4.3 Special Collateral. Immediately upon receipt by a Borrower of any Collateral that is evidenced or secured by an agreement, chattel paper, instrument or document, including, without limitation, promissory notes, documents of title and warehouse receipts (the **"Special Collateral"**), such Borrower shall deliver the original thereof to Agent or to such agent of Agent as Agent shall designate, together with appropriate endorsements, or other specific evidence (in form and substance acceptable to Agent) of assignment thereof to Agent.

4.4 Further Assurances. Each Borrower hereby irrevocably authorizes Agent at any time, and from time to time, to file in any jurisdiction any initial financing statements and amendments thereto that (a) indicate the Collateral (i) as all assets of each such Borrower or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the Uniform Commercial Code of the jurisdiction wherein such financing statement or amendment is filed, or (ii) as being of an equal or lesser scope or within greater detail, and (b) contain any other information required by Section 5 of Article 9 of the Uniform Commercial Code of the jurisdiction wherein such financing statement or amendment is filed regarding the sufficiency or filing office acceptance of any financing statement or amendment, including (i) whether such Borrower is an organization, the type of organization and any organization identification number issued to such Borrower and (ii) in the case of a financing statement filed as a fixture filing or indicating Collateral as as-extracted collateral or timber to be cut, a sufficient description of real property to which the Collateral relates. Each Borrower agrees to furnish any such information to Agent promptly upon request. Each Borrower further ratifies and affirms its authorization for any financing statements and/or amendments thereto, previously filed by Agent in any jurisdiction.

4.5 Inspection. Each Borrower agrees to permit Agent and its duly authorized representatives and agents, upon prior notice, during normal business hours, and if no Default or Event of Default has occurred and is continuing, no more than once per calendar year, to visit and inspect any of the Collateral of such Borrower, corporate books and financial records of such Borrower, to examine and make copies of the books of accounts and other financial records of such Borrower, and to discuss the affairs, finances and accounts of such Borrower with, and to be advised as to the same by, its officers, employees and independent public accounts (and by this provision such Borrower hereby authorizes such accountants to discuss with Agent the finances and affairs of such Borrower); provided that after the occurrence of and during the continuance of an Event of Default, such inspections may occur during normal business hours without notice and at such times and intervals as Agent may designate.

4.6 Location of Collateral. Borrowers' chief executive office, principal places of business and all other offices and locations of the Collateral and books and records related thereto (including, without limitation, computer programs, printouts and other computer materials and records concerning the Collateral) are set forth on Exhibit G. Borrowers shall not remove their respective books and records or the Collateral from any Eligible Collateral Location (except to another Eligible Collateral Location and except for removal of items of Inventory upon sale in accordance with Section 5.6) and shall not change the location of their chief executive office, open any new offices (provided that an employee of any Borrower working from such employee's home shall not be deemed to be opening a new office) or relocate any of their respective books and records or the Collateral except within the continental United States of America with at least thirty (30) days' prior written notice thereof to Agent.

4.7 Agent's Payment of Claims Asserted Against Borrowers. Agent may, but shall not be obligated to, at any time or times, in its sole discretion, and without waiving any Event of Default or waiving or releasing any obligation, liability or duty of Borrowers under this Agreement or the Ancillary Agreements, pay, acquire or accept an assignment of any security interest, Lien, claim or other encumbrance asserted by any Person against the Collateral. All sums paid by Agent under this Section 4.7, including all costs, fees (including without limitation reasonable attorney's and paralegals' fees and court costs), expenses and other charges relating thereto, shall be payable by Borrowers, jointly and severally, to Agent on demand and shall be additional Liabilities secured by the Collateral.

4.8 **Letter of Credit Rights.** If any Borrower at any time is a beneficiary under a letter of credit now or hereafter issued in favor of such Borrower, such Borrower shall promptly notify Agent thereof and, at the request and option of Agent, such Borrower shall, pursuant to an agreement in form and substance satisfactory to Agent, either (i) arrange for the issuer and any confirmer of such letter of credit to consent to an assignment to Agent of the proceeds of any drawing under the letter of credit or (ii) arrange for Agent to become the transferee beneficiary of the letter of credit, with Agent agreeing, in each case, that the proceeds of any drawing under the letter of credit are to be applied as provided in this Agreement.

4.9 **Commercial Tort Claims.** If any Borrower shall at any time hold or acquire a Commercial Tort Claim, the Borrower shall immediately notify Agent in writing signed by such Borrower of the details thereof and grant to Agent in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance reasonably satisfactory to Agent.

4.10 **Electronic Chattel Paper and Transferable Records.** If any Borrower at any time holds or acquires an interest in any electronic chattel paper or any “transferable record”, as that term is defined in Section 201 of the federal Electronic Signatures in Global and National Commerce Act, or in §16 of the Uniform Electronic Transactions Act as in effect in any relevant jurisdiction, such Borrower shall promptly notify Agent thereof and, at the request of Agent, shall take such action as Agent may reasonably request to vest in Agent control under Section 9-105 of the UCC of such electronic chattel paper or control under Section 201 of the federal Electronic Signatures in Global and National Commerce Act or, as the case may be, §16 of the Uniform Electronic Transactions Act, as so in effect in such jurisdiction, of such transferable record. Agent agrees with Borrowers that Agent will arrange, pursuant to procedures reasonably satisfactory to Agent and so long as such procedures will not result in Agent’s loss of control, for such Borrower to make alterations to the electronic chattel paper or transferable record permitted under Section 9-105 of the UCC or, as the case may be, Section 201 of the federal Electronic Signatures in Global and National Commerce Act or §16 of the Uniform Electronic Transactions Act for a party in control to make without loss of control, unless an Event of Default has occurred and is continuing or would occur after taking into account any action by such Borrower with respect to such electronic chattel paper or transferable record.

4.11 **Continuation of Security Interest.** Borrowers agree and confirm that nothing in this Agreement shall be construed to release, cancel, terminate or otherwise adversely affect all or any part of any Lien or other encumbrance granted with respect to the loans under the Existing Loan Agreement and such security shall continue to secure the Liabilities.

5. COLLATERAL; ACCOUNTS AND COLLATERAL MAINTENANCE.

5.1 **Verification of Accounts and Inventory.** Any of Agent’s officers, employees or agents shall have the right, at any time or times following the occurrence and during the continuation of a Default or an Event of Default, in Agent's or Borrowers' name or in the name of a firm of independent certified public accountants acceptable to Agent, during normal business hours, to verify the validity, amount or any other matters relating to any Accounts and Inventory by mail, telephone, telecopy or otherwise, provided that Agent's officers, employees or agents give one (1) day advance notice to any party subject to Agent's account verification activities that are conducted on the premises of such party.

5.2 Assignments, Records and Accounts and Inventory Report. Each Borrower shall keep accurate and complete records of its Accounts. Borrowers shall deliver to Agent, upon demand a copy of (and after the occurrence of and during the continuance of an Event of Default, the original of) all documents relating to the Accounts and such other matters and information relating to the status of then existing Accounts as Agent shall reasonably request.

5.3 Notice Regarding Disputed Accounts. Borrowers shall give Agent prompt notice of any dispute in excess of $300,000 in respect of any Account. Each such notice shall identify any such disputed Account and disclose with respect thereto, in reasonable detail, the reason for the dispute, all claims related thereto and the amount in controversy. Agent shall promptly notify each Lender of receipt of such a notice.

5.4 Sale or Encumbrance of Accounts. Each Borrower shall not, without the prior written consent of Agent, sell, transfer, grant a security interest in or otherwise dispose of or encumber any of its Accounts to any Person other than Agent, except for the Permitted Liens.

5.5 Equipment. Each Borrower shall keep and maintain in good operating condition (normal wear and tear excepted), and repair and make all necessary replacements and renewals to, the Equipment so that the value and operating efficiency thereof shall at all times be maintained and preserved, and keep such Collateral only at an Eligible Collateral Location.

5.6 Notice of Loss; Prohibition on Sale or Disposition. Borrowers shall immediately notify Agent of any material loss or depreciation in value of the Collateral. Borrowers shall not sell, transfer or otherwise dispose of any Collateral; provided that until notice is given by Agent to Borrowers, Borrowers may sell Inventory in the ordinary course of business substantially in the same manner as now conducted, but a sale in the ordinary course of business shall not include any transfer or sale in satisfaction, partial or complete, of a debt owed by a Borrower; provided further that Borrowers may transfer Collateral other than Inventory so long as the aggregate sales price of such Collateral sold during any 12 month period shall not exceed $300,000.

5.7 Compliance with Buy Back Agreements. Each Borrower shall fully comply with all terms and conditions of any Buy Back Agreements to which such Borrower is a party.

6. WARRANTIES AND REPRESENTATIONS.

6.1 General Warranties and Representations. Each Borrower warrants and represents to Agent and Lenders that:

(A) (i) SalesLink is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and its state issued organizational identification number is 2721217, (ii) InSolutions, is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and its state issued organizational identification number is 2903046, (iii) On-Demand is a corporation duly organized, validly existing and in good standing under the laws of the State of Massachusetts and its state issued organizational identification number is 3328616, (iv) Pacific Direct is a corporation duly organized, validly existing and in good standing under the laws of the State of California and its state issued organizational identification number is 1585724, (v) SalesLink Mexico is a corporation duly organized, existing and in good standing under the laws of the state of Delaware and its state issued organizational number is 3111152 and (vi) SL Supply is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and its state issued organizational number is 3533556 8110H. Each Borrower is qualified or licensed as a foreign corporation to do business in all other states in which the laws thereof require such Borrower to be so qualified or licensed except where a lack of such qualification or licensing will not have a material adverse effect on the business, operations or financial condition of such Borrower;

(B) Such Borrower has not used, during the five (5) year period preceding the date of this Agreement, and on the date hereof does not intend to use, any other corporate or fictitious name, except as disclosed in Exhibit H;

(C) Such Borrower has the right and power and is duly authorized and empowered to enter into, execute, deliver and perform this Agreement and the Ancillary Agreements;

(D) The execution, delivery and performance by such Borrower of this Agreement and the Ancillary Agreements shall not, by its execution or performance, the lapse of time, the giving of notice or otherwise, constitute a violation of any applicable law, rule, regulation, judgment, order or decree applicable to such Borrower or its assets or constitute a breach of any provision contained in such Borrower's charter or by-laws or contained in any material agreement, instrument, indenture or other document to which such Borrower is now a party or by which it or any of its property is bound;

(E) Such Borrower's use of the proceeds of any advances made by each Lender hereunder are, and will continue to be, legal and proper corporate uses (duly authorized by its board of directors, in accordance with any applicable law, rule or regulation) and such uses are consistent with all applicable laws, rules and regulations, as in effect as of the date hereof;

(F) Such Borrower has, and is current and in good standing with respect to, all material governmental approvals, permits, certificates, inspections, consents and franchises necessary to conduct and to continue to conduct its business and its intended business and to own or lease and operate its properties as now owned or leased and operated by it;

(G) None of such approvals, permits, certificates, consents or franchises contains any term, provision, condition or limitation more burdensome than such as are generally applicable to Persons engaged in the same or similar business as such Borrower;

(H) Such Borrower now has capital sufficient to carry on its business and transactions and all businesses and transactions in which it is about to engage and is now able to pay its debts as they mature and such Borrower now owns property the fair saleable value of which is greater than the amount required to pay such Borrower’s debts;

(I) Except as disclosed in the Financials, (i) there is no litigation, suit, action, proceeding, inquiry or investigation pending or, to the best of such Borrower’s knowledge, threatened against such Borrower which if unfavorably determined would materially adversely affect the transactions contemplated hereby, or such Borrower’s property, assets, operations or condition (financial or otherwise) (except, in the case of Financials delivered to Agent on or prior to the date of this Agreement, as shown on Exhibit I), and (ii) such Borrower has no Indebtedness and has not guaranteed the obligations of any other Person (except for Permitted Debt);

(J) (i) There are no strikes, work stoppages, labor disputes decertification petitions, union organizing efforts, grievances or other claims pending or, to such Borrower’s knowledge, threatened in writing, between such Borrower and any of its employees, other than employee grievances arising in the ordinary course of business which, in the aggregate, would not have a material adverse effect on such Borrower and (ii) to the best of such Borrower’s knowledge, such Borrower has no obligation under any collective bargaining agreement or any employment agreement. To such Borrower’s knowledge, there is no organizing activity pending or threatened in writing by any labor union or group of employees. There are no representation proceedings pending or threatened with the National Labor Relations Board or other applicable governmental authority, and no labor organization or group of employees has made a pending demand for recognition. There are no material complaints or charges pending or, to such Borrower’s knowledge, threatened to be filed with any governmental authority or arbitrator based on, arising out of, in connection with or otherwise relating to the employment or termination of employment by such Borrower of any individual or group of individuals which, if decided adversely to such Borrower, would have a material adverse effect on such Borrower;

(K) Such Borrower has good, indefeasible and merchantable title to and ownership of its Collateral, free and clear of all Liens, claims, security interests and other encumbrances, except those of Agent and Permitted Liens;

(L) Such Borrower is not in violation of any applicable statute, rule, regulation or ordinance of any governmental entity, including, without limitation, the United States of America, any state, city, town, municipality, county or of any other jurisdiction, or of any agency thereof, in any respect materially and adversely affecting the Collateral or such Borrower's business, property, assets, operations or condition, financial or other;

(M) Such Borrower is not in default under any indenture, loan agreement, mortgage, lease, trust deed, deed of trust or other similar agreement relating to the borrowing of monies to which it is a party or by which it or any of its property is bound;

(N) The Financials fairly present in all material respects the assets, liabilities and financial condition and results of operations of such Borrower and such other Persons as are described therein as of the stated dates; there are no omissions or other facts or circumstances which are or may be material and there (i) has been no material and adverse change in the assets, liabilities or financial or other condition of such Borrower or any such Person since the date of the Financials and (ii) exists no equity or long term investments in or outstanding advances to any Person not reflected in the Financials other than the Transaction;

(O) Neither such Borrower nor any Subsidiary has received a notice to the effect that it is not in full compliance with any of the requirements of ERISA and the regulations promulgated thereunder and, to the best of its knowledge, there exists no event described in Section 4043 of ERISA, excluding subsections 4043(b)(2) and 4043(b)(3) (**"Reportable Event"**);

(P) Such Borrower has filed all federal, state and local tax returns and other reports, or has been included in consolidated returns or reports filed by an Affiliate, which such Borrower is required by law, rule or regulation to file and all Charges that are due and payable have been paid, except for Charges being contested in good faith and for which adequate reserves are being maintained;

(Q) Such Borrower's execution and delivery of this Agreement and the Ancillary Agreements do not directly or indirectly violate or result in any violation of the Securities Exchange Act of 1934, as amended, or any regulations issued pursuant thereto, including without limitation, Regulation U, T or X of the Board of Governors of the Federal Reserve System (12 CFR 221, 207, 220 and 224, respectively) and Borrower does not own or intend to purchase or carry any **"margin security,"** as defined in such Regulations;

(R) Except as set forth on Exhibit J, as of the date of this Agreement such Borrower has no Subsidiaries and does not own an equity interest in any other Person;

(S) Such Borrower has no knowledge of any fact or circumstance which would impair the validity or collectibility of any material amount of its Accounts or General Intangibles;

(T) None of such Borrower's Collateral has been pledged or sold to any other Person or otherwise encumbered, such Borrower is the owner of its Collateral free of all Liens and encumbrances except those of Agent and except for the Permitted Liens and no financing statement concerning the Collateral, except any filed on behalf of Agent and those relating to Permitted Liens;

(U) To the best of such Borrower's knowledge, each property (including underlying ground water), operation and facility that such Borrower operates or controls is in compliance with all statutes, judicial or administrative orders, licenses, permits and governmental rules and regulations applicable to them, including, without limitation, Environmental Laws, the noncompliance with which is reasonably likely to have a material adverse effect on the financial condition, continued operations or Property of such Borrower;

(V) Such Borrower possesses adequate copyrights, patents, trademarks, trade secrets and computer software to conduct its business and all such intellectual property (other than computer software and trade secrets) in the possession of such Borrower as of the date of this Agreement is listed on Schedule 6.1(V); and

(W) Neither Pacific Direct Marketing Corp., a California corporation, nor any other Borrower or Affiliate of any of them is in any way associated with or related to The Lake Group, Inc., d/b/a Pacific Direct, Lake Graphics and Elan Resources, which filed bankruptcy in the Northern District of California Case No. 93-30351; and

(X) On July 11, 2002, SL Supply acquired substantially all of the worldwide assets and operations of Software Logistics Corporation, a California corporation doing business as iLogistix, free and clear of all Liens.

6.2 <u>Account Warranties and Representations</u>. Each Borrower warrants and represents to Agent and each Lender that such Agent and such Lender may rely on all statements, warranties and representations made by such Borrower on or with respect to any Accounts and Inventory Report and, unless otherwise indicated in writing by such Borrower, that:

(A) Such Borrower's Accounts are genuine, are in all respects what they purport to be, are not reduced to a judgment and, if evidenced by any instrument, item of chattel paper, agreement, contract or documents, are evidenced by only one executed original instrument, item of chattel paper, agreement, contract, or document, which original has been endorsed and delivered to Agent;

(B) Such Borrower's Accounts represent undisputed, bona fide transactions completed in accordance with the terms and provisions contained in any related documents;

(C) The amounts shown on any Accounts and Inventory Report, and all invoices and statements delivered to Agent with respect to any Account, are actually and absolutely owing to such Borrower and are not contingent for any reason;

(D) Except as may be disclosed on such Accounts and Inventory Report, there are no setoffs, counterclaims or disputes existing or asserted with respect to any Accounts included on an Accounts and Inventory Report, and such Borrower has not made any agreement with any Account Debtor for any deduction from such Account, except for discounts or allowances allowed by such Borrower in the ordinary course of its business for prompt payment, which discounts and allowances have been disclosed to Agent and are reflected in the calculation of the invoice related to such Account;

(E) To the best of such Borrower's knowledge, there are no facts, events or occurrences which in any way impair the validity or enforcement of any of the Accounts or tend to reduce the amount payable thereunder from the amount of the invoice shown on any Accounts and Inventory Report, and on all contracts, invoices and statements delivered to Agent with respect thereto;

(F) To the best of such Borrower's knowledge, all Account Debtors are Solvent and had the capacity to contract at the time any contract or other document giving rise to or evidencing the Accounts was executed; and

(G) To the best of such Borrower's knowledge, there are no proceedings or actions which are threatened in writing or pending against any Account Debtor which might result in any material adverse change in such Account Debtor's financial or other condition.

6.3 <u>Automatic Warranty and Representation and Reaffirmation of Warranties and Representations</u>. Each request for a Loan made by Borrowers pursuant to this Agreement or the Ancillary Agreements shall constitute (i) an automatic warranty and representation by Borrowers to Agent and each Lender that there does not then exist a Default or an Event of Default and (ii) a reaffirmation as of the date of such request of all of the warranties and representations of each Borrower contained in this Agreement and in the Ancillary Agreements.

6.4 <u>Survival of Warranties and Representations</u>. Each Borrower covenants, warrants and represents to Agent and each Lender that all representations and warranties of such Borrower contained in this Agreement and the Ancillary Agreements shall be true at the time of such Borrower's execution of this Agreement and the Ancillary Agreements, and shall survive the execution, delivery and acceptance by the parties and the closing of the transactions described in this Agreement. Each Borrower and Agent and each Lender expressly agree that any misrepresentation or breach of any representation or warranty whatsoever contained in this Agreement or in any of the Ancillary Agreements shall be deemed material.

7. COVENANTS AND CONTINUING AGREEMENTS.

7.1 Financial Covenants.

(i) Total Liabilities to Tangible Capital Ratio. Borrowers shall maintain, on the last day of each fiscal quarter of Borrowers and their Subsidiaries, other than Twin Solutions, LLC, through and including the date of termination of this Agreement, a Total Liabilities to Tangible Capital Ratio of not more than 2.75:1.0.

(ii) Senior Leverage Ratio. Borrowers shall not permit, on the last day of each fiscal quarter of Borrowers and their Subsidiaries, other than Twin Solutions, LLC, through and including the date of termination of this Agreement, the Senior Leverage Ratio to be greater than: (a) 3.0:1.0 on July 31, 2003, (b) 4.0:1.0 on October 31, 2003, (c) 6.50:1.0 on January 31, 2004 and (d) 6.75:1.0 on April 30, 2004.

(iii) Quick Ratio. Borrowers shall not permit, on the last day of each fiscal quarter of Borrowers and their Subsidiaries, other than Twin Solutions, LLC through and including the date of termination of this Agreement, the Quick Ratio to be less than 1.75:1.0.

(iv) Minimum Equity Percentage. Borrowers shall maintain, on the last day of each fiscal quarter of Borrowers and their Subsidiaries, other than Twin Solutions, LLC, through and including the date of termination of this Agreement, shareholders equity equal to not less than 85% of shareholder equity reported on the audited consolidated financial statements for Borrowers' fiscal year ending July 31, 2003 delivered to Agent pursuant to Section 7.2(C)(i)(a).

(v) Minimum Cash Balance. Borrowers shall maintain, on a consolidated basis, Cash and Cash Equivalents of not less than $23,000,000 at all times through and including the date of termination of this Agreement.

7.2 Affirmative Covenants. Each Borrower covenants, unless at any time the Required Lenders shall otherwise expressly consent in writing, it shall:

(A) Fees and Costs. Pay to Agent on demand, any and all reasonable fees, costs or expenses which Agent or any Lender incurs arising out of or in connection with (i) the forwarding to Borrowers or any other Person on behalf of Borrowers, by Agent of proceeds of Loans made to Borrowers pursuant to this Agreement and (ii) the depositing for collection by Agent, of any check or item of payment received or delivered to Agent on account of the Liabilities;

(B) Insurance. At its sole cost and expense, keep and maintain and cause each Subsidiary to keep and maintain the Collateral, its other assets and its business insured in such amounts and against loss or damage by fire, theft, explosion, sprinklers and all other hazards and risks (including business interruption) as is ordinarily insured against by other owners or users of such properties in similar businesses and notify Agent promptly of any event or occurrence causing a material loss or decline in value of the Collateral and the estimated (or actual, if available) amount of such loss or decline;

(C) Financial Reports. Keep books of account and prepare financial statements and furnish to Agent and each Lender the following (all of the foregoing and following to be kept and prepared in accordance with generally accepted accounting principles applied on a basis consistent with the Financials, unless Borrowers' independent certified public accountants concur in any changes therein and such changes are disclosed to Agent and are consistent with then generally accepted accounting principles):

(i) as soon as available, but not later than ninety (90) days after the close of each fiscal year of Borrowers, (a) financial statements of Borrowers and Subsidiaries prepared on a consolidated basis (including a balance sheet, statement of income and retained earnings and cash flow, all with supporting footnotes) as at the end of such year and for the year then ended, all in reasonable detail as requested by Agent and audited by a firm of independent certified public accountants of recognized standing selected by Borrowers and approved by Agent, together with an unqualified opinion thereon from such certified public accountants, (b) internally prepared financial statements of Borrowers and Subsidiaries prepared on a consolidating basis by business line and (c) a Financial Condition and Compliance Certificate (**"Compliance Certificate"**) in the form of Exhibit E attached hereto for the last month of such fiscal year of Borrowers, together with a calculation sheet related thereto, signed by an authorized officer of each Borrower;

(ii) as soon as available, but not later than forty-five (45) days after the end of each fiscal quarter of Borrowers, (a) a Compliance Certificate for such period (except as required to be delivered in Section 7.2(C)(i)), (b) pro forma financial projections for Borrowers and Subsidiaries prepared on a consolidated basis for the then current fiscal quarter, (c) a revenue forecast reconciliation report for the Borrowers and Subsidiaries for the immediately preceding fiscal quarter prepared on a consolidated basis, (d) a revenue report of Borrowers and Subsidiaries prepared on a consolidated basis and organized according to the geographic location of Borrower and Subsidiary and (e) pipeline reports with respect to the sales activity of Borrowers and Subsidiaries prepared on a consolidated basis;

(iii) as soon as available, but no later than thirty (30) days after the end of each month of each fiscal year of Borrowers, internally prepared consolidated financial statements of Borrowers and Subsidiaries (including a balance sheet, statement of income and retained earnings and cash flow) as at the end of and for the portion of Borrowers' fiscal year then elapsed, all in reasonable detail as requested by Agent and certified by Borrowers' principal financial officer as prepared in accordance with generally accepted accounting principles and fairly presenting in all material respects the financial position and results of operations of Borrowers and Subsidiaries for such period (subject to normal year-end audit adjustments and omission of footnotes);

(iv) within 15 Business Days after the last day of each month of each fiscal year of Borrowers, (a) an Accounts and Inventory Report; provided that in the event loans outstanding under the Revolving Credit Facility are less than $5,000,000, Borrowers shall not be required to provide the information set forth in (iv) of the definition of Accounts and Inventory Report and (b) a reconciled Borrowing Base Certificate for the immediately preceding month;

(v) as soon as available, but no later than the Monday after the end of each week of each fiscal year of Borrowers, Borrowers shall furnish to Agent a properly completed and executed certificate (**"Borrowing Base Certificate"**), in the form of Exhibit K attached hereto or in such other form as Agent deems acceptable, setting forth a calculation of the Borrowing Base as at the last day of such week; and

(vi) such other data and information (financial and other) as Agent or any Lender, from time to time, may reasonably request, bearing upon or related to the Collateral, Borrowers' or any Affiliate's financial condition or results of its operations, or the financial condition of any Person who is a guarantor of any of the Liabilities;

(D) Litigation and Other Events. Notify Agent and each Lender, promptly upon such Borrower's learning of: (i) the institution or threat of any litigation, suit, action, inquiry, investigation or administrative proceeding which, if adversely determined, could reasonably be expected to materially and adversely affect the operations, financial condition or business of such Borrower or any Affiliate or which may affect Agent's security interest in the Collateral; (ii) the occurrence of an Event of Default or Default; (iii) any Borrowers use of any other corporate or fictitious name other than as currently used; (iv) any Borrowers formation of any Subsidiary; or (v) any Borrowers obtaining any copyrights, patents, trademarks and similar intellectual property;

(E) Bank Accounts; Compensating Balances. Maintain all of its primary bank accounts and its primary banking relationship with Agent. Without affecting such obligation to maintain such balances, if such Borrower fails to maintain such balances, then on the last day of such calendar quarter of each year such Borrower shall pay to Agent in arrears, immediately upon demand, a reasonable fee in lieu of balances as determined by Agent which may be charged at Agent's option to any bank account of any

Borrower with Agent. Neither the maintenance of balances nor payment of any fees shall obligate Agent or any Lender to make any advances under the Revolving Credit Facility. Any balances in bank accounts and fees shall compensate, and be deemed to compensate, Agent for the cost incurred by Agent in being prepared to respond to requests for credit under such facility and for costs incurred by Agent in processing and servicing such accounts;

(F) Reserve Costs. Upon demand by Agent or by any Lender, reimburse Agent or such Lender for any reasonable additional costs incurred by Agent or such Lender if at any time after the date of this Agreement any law, regulation, treaty or any change in any law, regulation, treaty or the interpretation thereof by any governmental agency, central bank or other fiscal, monetary or other authority having jurisdiction of Agent or such Lender shall impose, modify or deem applicable any reserve (except reserve requirements taken into account by Agent or such Lender in calculating the Interest Rate) and/or special deposit requirement against Agent or such Lender or impose any other condition with respect to the loans or other financial accommodations the result of which is to increase the cost to Agent or such Lender in making or maintaining the Loans or to reduce the amount of principal or interest received or receivable by Agent or such Lender with respect to the Liabilities. Borrowers' reimbursement obligation shall apply only to those costs which directly result from the imposition of such requirement and shall begin as of the date of any such change in law, treaty, rule or regulation. Notwithstanding the preceding, such Borrower shall not be required to pay any such additional costs which could be avoided by Agent or such Lender with the exercise of reasonable conduct and diligence;

(G) Existence and Status. Maintain and preserve and cause each Subsidiary to maintain and preserve its existence as a limited partnership, limited liability company or corporation, as applicable, in its state of formation and all rights, privileges, licenses, copyrights, trademarks, trade names, franchises and other authority to the extent material and necessary for the conduct of its business in the ordinary course as conducted from time to time. Such Borrower shall not take any action or suffer any action to be taken by others and will not permit any Subsidiary to take any action or suffer any action which will alter, change or destroy its status as a limited partnership, limited liability company or corporation;

(H) Use of Proceeds. Use proceeds of the Loans as follows: (a) the proceeds of Loans under the Revolving Credit Facility shall be used to finance working capital of Borrowers and their Subsidiaries but in no event may proceeds of any Loan made under the Revolving Credit Facility be (i) used to finance operations of Borrowers or any of their Subsidiaries outside of the United States or (ii) invested, lent or otherwise contributed to any Subsidiary of any of the Borrowers located outside of the United States until such time as Agent shall have received evidence satisfactory to it, in its reasonable discretion, of the creation, perfection and the relative priority of a security interest in the Property of such Borrower or Subsidiary located outside of the United States, including such Borrower's or Subsidiary's Inventory and Accounts located outside of the United

States, together with an opinion of counsel to that effect acceptable to Agent in its reasonable discretion, provided that Letters of Credit may be issued to finance the operations of Borrowers and their Subsidiaries outside of the United States and (b) the proceeds of Term Loan shall be used to finance working capital of Borrowers; but in no event may proceeds of any Loan made under the Term Loan be used in connection with operations of Borrowers or any Subsidiaries outside of the United States or invested, lent or otherwise contributed to any Subsidiary of any of the Borrowers. In no event may proceeds of any Loan made either under the Revolving Credit Facility or the Term Loan be invested, lent or otherwise contributed to Twin Solutions LLC;

(I) Environmental Covenant. (a) Use and operate and cause each Subsidiary to use and operate all of its facilities and properties in material compliance with all Environmental Laws, keep all necessary permits, approvals, certificates, licenses and other authorizations relating to environmental matters in effect and remain in material compliance therewith, and handle all hazardous substances and waste in material compliance with all applicable Environmental Laws; (b) immediately notify Agent and each Lender and provide copies upon receipt of all written claims, complaints, notices or inquiries relating to the condition of its or any Subsidiary's facilities and properties or compliance with Environmental Laws, and shall (i) promptly cure and have dismissed with prejudice to the satisfaction of Agent any actions and proceedings relating to compliance with Environmental Laws or (ii) contest any such actions or proceedings in good faith by appropriate proceedings and establish adequate reserves therefor; and (c) provide such information and certifications which Agent may reasonably request from time to time to evidence compliance with this subsection; and

(J) Guaranty. SalesLink shall give Agent prompt notice of any request for payment under the Guaranty or any other correspondence from the Creditor. Each such notice shall identify the amount of the requested payment and the reason for the requested payment. Agent shall promptly notify each Lender of receipt of such a notice.

7.3 Negative Covenants. Each Borrower covenants that, unless at any time the Required Lenders shall otherwise expressly consent in writing, it shall not:

(A) Capital Expenditures. Collectively with the other Borrowers, make Capital Expenditures in an amount greater than $8,000,000 in any fiscal year;

(B) Mergers and Acquisitions. (i) Liquidate, dissolve or merge or consolidate with or acquire any Person, (ii) permit any Subsidiary to liquidate, dissolve or merge or consolidate with or acquire any Person or (iii) lose control (as such term is defined in the definition of **"Affiliate"**) of any Subsidiary, except that any Borrower may merge or consolidate with any other Borrower;

(C) Investments. (i) Except in respect of other Borrowers and other than in the ordinary course of its business, make any investment in the securities of any Person other than to a Subsidiary as permitted under Section 7.2(H) or (ii) use or permit any proceeds of the Loans to be used, either directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of “purchasing or carrying” any margin stock (such Borrower will furnish to Agent upon request, a statement in conformity with the requirements of Federal Reserve Form U-1 referred to in Regulation U of the Federal Reserve Board);

(D) Loans. Make any loans or other advances of money (other than salary) to any other Borrower, or any Affiliate, officers, directors, employees or agents of Affiliates or such Borrower or to any other Person, except for (i) such loans or advances to employees in the ordinary course of business consistent with past practice or (ii) loans or advances to any other Borrower that are subordinated to the Liabilities on terms satisfactory to Agent;

(E) Capital Structure and Business. Make any material change in such Borrower’s capital structure or in any of its business objectives, purposes and operations or permit any Subsidiary to make any material change in such Subsidiary’s capital structure or in any of its business objectives, purposes and operations;

(F) Affiliate Transactions. Enter into, or be a party to, any transaction with any Affiliate or partner, shareholder, director or officer of such Borrower or an Affiliate, except in the ordinary course of and pursuant to the reasonable requirements of such Borrower’s business and upon fair and reasonable terms which are fully disclosed to Agent and are no less favorable to such Borrower than could be obtained in a comparable arm’s length transaction with a Person not an Affiliate or partner, shareholder, director or officer of such Borrower or an Affiliate;

(G) Adverse Transactions. (i) Enter or permit any Subsidiary to enter into any transaction which materially and adversely affects the Collateral or such Borrower’s ability to repay Agent or any Lender the Liabilities or (ii) permit or agree to any extension, compromise or settlement or make any change or modification of any kind or nature with respect to any Account, including any of the terms relating thereto, except in accordance with such Borrower’s current credit collection policy as disclosed to Agent and each Lender;

(H) Guarantees. Except with respect to the Guaranty, guarantee or otherwise, in any way, become liable or permit any Subsidiary to become liable with respect to the obligations or liabilities of any other Person, except by endorsement of instruments or items of payment for deposit to the general account of such Borrower or for delivery to Agent on account of the Liabilities;

(I) Other Liens; Transfer of Assets. Except for Permitted Liens and as otherwise expressly permitted in this Agreement or in the Ancillary Agreements, pledge, mortgage, grant a security interest in or permit to exist a Lien on, encumber, assign, sell, lease, license or otherwise dispose of or transfer, whether by sale, merger, consolidation, liquidation, dissolution, or otherwise, any of such Borrower’s assets or permit any

Subsidiary to pledge, mortgage, grant a security interest in or permit to exist a Lien on, encumber, assign, sell or otherwise dispose of or transfer, whether by sale, merger, consolidation, liquidation, dissolution or otherwise, any of such Subsidiary's assets;

(J) Other Indebtedness. Incur or permit any Subsidiary to incur any Indebtedness other than Permitted Debt;

(K) Asset Purchase. Purchase or otherwise acquire or permit any Subsidiary to acquire all or substantially all or a substantial portion of the assets of any Person (or any division or line of business of any Person);

(L) Organic Documents. Amend or otherwise modify or permit any Subsidiary to amend or otherwise modify any material term of its certificate of limited partnership or agreement of limited partnership or charter and by-laws or other organic document, as applicable, in effect on the date hereof or on the date of its later formation except for amendments, modifications or waivers that are not adverse in any way to Agent or Lenders;

(M) Restriction on Redemptions and Dividend Distributions. (a) Directly or indirectly purchase, redeem or otherwise acquire or retire any interest of any shareholder of such Borrower, (b) make or declare any partial or full liquidating distributions to any shareholder of such Borrower with respect to such shareholder's interest in such Borrower or (c) make or declare any dividends or distributions to such Borrower's shareholders, including, without limitation, those distributions required under the Certificate of Designation;

(N) Restrictions on Activities for SalesLink Mexico. Until such time as SalesLink Mexico shall provide Agent with evidence of insurance required by Section 7.2(B) hereof, SalesLink Mexico shall conduct no operations other than to hold the stock certificates of any Subsidiary of SalesLink Mexico;

(O) Modification of Guaranty. Amend, modify or extend the Guaranty or increase the Guaranteed Indebtedness; or

(P) Intercompany Payables to CMGI. Make any payment to CMGI for the account of any accrued intercompany payables.

7.4 Contesting Charges. Notwithstanding anything to the contrary in this Agreement, a Borrower may dispute any Charges without prior payment thereof, so long as such non-payment will not cause a Lien except a Permitted Lien to attach to such Borrower's assets, and provided that such Borrower shall give Agent and each Lender prompt notice of such dispute and shall be diligently contesting the same in good faith and by an appropriate proceeding and there is no danger of a loss or forfeiture of any of the Collateral and provided further that, if such disputed Charges are potentially or actually in excess of $10,000 in the aggregate, such Borrower shall give Agent and each Lender such additional collateral and assurances as Agent and such Lender, in their sole discretion, deems necessary under the circumstances, immediately upon demand by Agent and such Lender.

7.5 **<u>Payment of Charges</u>.** Subject to the provisions of Section 7.4, a Borrower shall pay promptly when due all of the Charges. In the event such Borrower, at any time or times, shall fail to pay the Charges or to promptly obtain the satisfaction of such Charges, such Borrower shall promptly so notify Agent and each Lender and Agent and such Lender may, without waiving or releasing any obligation or liability of such Borrower under this Agreement or any Event of Default, in its sole discretion, at any subsequent time or times, make such payment or any part thereof (but shall not be obligated so to do), or obtain such satisfaction and take any other action which Agent or such Lender deems advisable. All sums so paid by Agent or any Lender and any expenses, including reasonable attorneys' fees, court costs, expenses and other related charges, shall be payable by such Borrower to Agent or such Lender upon demand and shall be additional Liabilities.

7.6 **<u>Insurance; Payment of Premiums</u>.** All policies of insurance on the Collateral or otherwise required under this Agreement shall be in form and amount satisfactory to Agent and with insurers reasonably recognized as adequate by Agent. Borrowers shall deliver to Agent the original (or a certified copy) of each policy of insurance, or, in lieu thereof, certificates of such policies of insurance satisfactory to Agent, and evidence of payment of all premiums therefor and shall deliver renewals of all such policies to Agent at least thirty (30) days prior to their expiration dates. Such policies of insurance shall contain an endorsement, in form and substance acceptable to Agent, showing all losses payable to Agent for the benefit of each Lender. Such endorsement shall provide that the insurance companies will give Agent at least thirty (30) days' prior written notice before any such policy shall be altered or canceled and that no act or default of Borrowers or any other Person shall affect the right of Agent to recover under such policy in case of loss or damage. Each Borrower hereby directs all insurers under such policies to pay all proceeds directly to Agent after the occurrence of an Event of Default. Each Borrower irrevocably makes, constitutes and appoints Agent (and all officers, employees or agents designated by Agent) as such Borrower's true and lawful attorney and agent-in-fact for the purpose of making, settling and adjusting claims under such policies (provided that Agent shall consult with such Borrower prior to finally making, settling or adjusting claims under such policies), endorsing the name of such Borrower in writing or by stamp on any check, draft, instrument or other item of payment for the proceeds of such policies and for making all determinations and decisions with respect to such policies. If such Borrower shall fail to obtain or maintain any of the policies required by this Section 7.6 or to pay any premium relating thereto, then Agent or any Lender, without waiving or releasing any obligation or Event of Default by such Borrower hereunder, may (but shall be under no obligation to do so) obtain and maintain such policies of insurance and pay such premiums and take any other action which Agent or such Lender deems advisable. All sums so disbursed by Agent or any Lender, including reasonable attorneys' fees, court costs, expenses and other charges relating thereto, shall be payable by Borrowers to Agent or such Lender upon demand and shall be additional Liabilities.

7.7 Survival of Obligations Upon Termination of Agreement. Except as otherwise expressly provided for in this Agreement and in the Ancillary Agreements, no termination or cancellation (regardless of cause or procedure) of this Agreement or the Ancillary Agreements shall in any way affect or impair the powers, obligations, duties, rights, and liabilities of Borrowers or Agent or any Lender in any way with respect to (i) any transaction or event occurring prior to such termination or cancellation, (ii) the Collateral, or (iii) any of the undertakings, agreements, covenants, warranties and representations of Borrowers or Agent or any Lender contained in this Agreement or the Ancillary Agreements. All such undertakings, agreements, covenants, warranties and representations shall survive such termination or cancellation.

7.8 Consent to the Transaction. Subject to the terms and conditions set forth herein, Lenders hereby consent to the Transaction.

8. EVENTS OF DEFAULT; RIGHTS AND REMEDIES.

8.1 Event of Default. The occurrence of any one or more of the following events shall constitute an Event of Default under this Agreement:

(A) (i) Borrowers fail to pay, within three (3) days after the same shall be due and payable or be declared due and payable, any part of the Liabilities or (ii) a Borrower is in default in the payment of Indebtedness in the aggregate in excess of $100,000 beyond any applicable cure period or (iii) any Subsidiary is in default on its indebtedness in the aggregate in excess of $100,000 beyond any applicable cure period; or

(B) Borrowers or any Subsidiary or any guarantor of the Liabilities fails or neglects to perform, keep or observe (i) any term, provision, condition or covenant contained in Sections 7.1, 7.2 or 7.3 of this Agreement and such failure continues unremedied for a period of ten (10) days or (ii) any other term, provision, condition or covenant contained in this Agreement or in the Ancillary Agreements, which is required to be performed, kept or observed by a Borrower or such Subsidiary or guarantor and such failure continues unremedied for a period of ten (10) days; or

(C) The occurrence of any default (subject to any applicable cure periods) under (i) any of the Ancillary Agreements or (ii) any document evidencing or securing any Subordinated Debt with a principal amount in excess of $100,000; or

(D) Any statement, warranty, representation, report, financial statement, or certificate made or delivered by a Borrower, any of its officers, employees or agents, to Agent or any Lender is not true and correct in any material respect on the date it was made or delivered or deemed re-made; or

(E) There shall occur any material uninsured damage to or loss, theft, or destruction of any of the Collateral in excess of $65,000; or

(F) The Collateral or any of Borrowers’ other assets or any assets of any Subsidiary are attached, seized, levied upon or subjected to a writ or distress warrant, or come within the possession of any receiver, trustee, custodian or assignee for the benefit of creditors and the same is not cured within ten (10) days; or an application is made by any Person for the appointment of a receiver, trustee, or custodian for any of the Collateral or any of Borrowers’ other assets or any assets of any Subsidiary and the same is not dismissed within sixty (60) days after such application; or

(G) An application is made by a Borrower for the appointment of a receiver, trustee or custodian for any of the Collateral or any of such Borrower’s other assets; or an application is made by any Subsidiary or any guarantor of the Liabilities, for the appointment of a receiver, trustee or custodian for any of such Subsidiary’s or such guarantor’s assets; or any case or proceeding is filed by or against a Borrower, any Subsidiary or any such guarantor for its dissolution, liquidation, or termination; or a Borrower or any Subsidiary ceases to conduct its business as now conducted or is enjoined, restrained or in any way prevented by court order from conducting all or any material part of its business affairs; or

(H) A notice of Lien, levy or assessment is filed of record with respect to all or any substantial portion of a Borrower’s assets or any Subsidiary’s assets by the United States, or any department, agency or instrumentality, or by any state, county, municipal or other governmental agency including, without limitation, the Pension Benefit Guaranty Corporation, or any taxes or debts owing to any of the foregoing becomes a Lien or encumbrance upon the Collateral or any of a Borrower’s other assets or upon any Subsidiary’s assets and such Lien or encumbrance is not released within sixty (60) days after its creation; or

(I) Judgment(s) is or are rendered against a Borrower or any Subsidiary in the aggregate in excess of $300,000 and such Person fails to either discharge the judgment or commence appropriate proceedings to appeal such judgment(s) within the applicable appeal period or, after such appeal is filed, such Person fails to diligently prosecute such appeal or such appeal is denied; or

(J) A petition under any section or chapter of the United States Bankruptcy Code or any similar law or regulation is filed by or against a Borrower, any Subsidiary or any guarantor of the Liabilities, and, if filed against a Borrower, any Subsidiary or any such guarantor, is not dismissed within sixty (60) days after filing; or a Borrower, any Subsidiary or any such guarantor makes an assignment for the benefit of its creditors; or a Borrower or any Subsidiary becomes insolvent, fails generally to pay its debts as they become due or admits its inability to pay its debts as they become due; or

(K) A Borrower fails within fifteen (15) days after the occurrence of any of the following events, to furnish Agent and each Lender with appropriate notice thereof: (i) the happening of a Reportable Event with respect to any profit sharing or pension plan governed by ERISA (such notice shall contain the statement of the chief financial officer of a Borrower setting forth details as to such Reportable Event and the action which such Borrower or the applicable Subsidiary proposes to take with respect thereto and a copy of the notice of such Reportable Event to the Pension Benefit Guaranty Corporation), (ii) the termination of any such plan, (iii) the appointment of a trustee by an appropriate United States District Court to administer any such plan, or (iv) the institution of any proceedings by the Pension Benefit Guaranty Corporation to terminate any such plan or to appoint a trustee to administer any such plan; or

(L) A Borrower fails to: (i) notify Agent and each Lender promptly upon receipt by such Borrower or any Subsidiary of any notice of the institution of any proceeding or other actions which may result in the termination of any profit sharing or pension plan; or (ii) acquire and maintain or cause any Subsidiary to acquire and maintain, when available, the contingent employer liability coverage insurance provided for under Section 4023 of ERISA in an amount satisfactory to the Required Lenders; or

(M) This Agreement or any Ancillary Agreement shall be repudiated or become unenforceable or incapable of performance, in whole or in part; or

(N) Any Person(s) presently not in control of a Borrower shall obtain control directly or indirectly of such Borrower; or;

(O) HP is downgraded by Standard & Poor’s to an investment grade below BBB- and by Moody’s to an investment grade below Baa3.

8.2 Effect of Event of Default. If (a) any Event of Default described in Section 8.1(J) shall occur, the Commitments (if they have not theretofore terminated) shall immediately terminate and all Notes shall become immediately due and payable, all without presentment, demand, protest or notice of any kind, or any action by Agent or any of the Lenders; and (b) any other Event of Default shall occur (other than an Event of Default described in Section 8.1(J)), Agent may (and upon written request of the Required Lenders, shall) declare the Commitments (if they have not theretofore terminated) to be terminated and all Notes to be due and payable, whereupon the Commitments (if they have not theretofore terminated) shall immediately terminate and all Notes shall become immediately due and payable, all without presentment, demand, protest or notice of any kind. Agent shall promptly advise Borrowers and each Lender of any such declaration, but failure to do so shall not impair the effect of such declaration.

8.3 Remedies. Upon and after the occurrence of an Event of Default, Agent shall have all of the following rights and remedies:

(A) All of the rights and remedies of a secured party under the Illinois Uniform Commercial Code or other applicable law, all of which rights and remedies shall be cumulative and non-exclusive, to the greatest extent permitted by law, and in addition to any other rights and remedies contained in this Agreement and in any of the Ancillary Agreements;

(B) The right to (i) peacefully enter upon the premises of each Borrower or any other place or places where the Collateral is located and kept, without any obligation to pay rent to such Borrower or any other person, through self-help and without judicial process or first obtaining a final judgment or giving such Borrower notice and opportunity for a hearing on the validity of Agent's and each Lender's claim, and remove the Collateral from such premises and places, for such time as Agent and each Lender may require to collect or liquidate the Collateral, and/or (ii) require each Borrower to assemble and deliver the Collateral to Agent at a place to be designated by Agent;

(C) The right to (i) open each Borrower's mail and collect any and all amounts due from Account Debtors, (ii) notify Account Debtors that the Accounts have been assigned to Agent and that Agent has a security interest therein and (iii) direct such Account Debtors to make all payments due from them upon the Accounts, including the Special Collateral, directly to Agent or to a lock box designated by Agent. Agent shall promptly furnish each Borrower with a copy of any such notice sent and each Borrower hereby agrees that any such notice in Agent's sole discretion, may be sent on Agent's stationery, in which event, each Borrower shall, upon demand, co-sign such notice with Agent; and

(D) The right to sell, lease or to otherwise dispose of all or any Collateral in its then condition, or after any further manufacturing or processing thereof, at public or private sale or sales, with such notice as provided in Section 8.4, in lots or in bulk, for cash or on credit, all as Agent, in its sole discretion, may deem advisable. At any such sale or sales of the Collateral, the Collateral need not be in view of those present and attending the sale, nor at the same location at which the sale is being conducted. Agent shall have the right to conduct such sales on each Borrower's premises or elsewhere and shall have the right to use each Borrower's premises without charge by Borrowers or their Affiliates for such sales for such time or times as Agent may see fit, subject to the rights of any landlord to such premises. Agent is granted a license or other right to use, without charge, each Borrower's labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trademarks and advertising matter, or any property of a similar nature, as it pertains to the Collateral, in advertising for sale and selling any Collateral and each Borrower's rights under all licenses and all franchise agreements shall inure to Agent's benefit but Agent shall have no obligations thereunder. Agent may purchase all or any part of the Collateral at public or, if permitted by law, private sale and, in lieu of actual payment of such purchase price, may setoff the amount of such price against the Liabilities. The proceeds realized from the sale of any Collateral shall be applied as set forth in Section 8.7. If any deficiency shall arise, Borrowers shall remain liable to Agent and each Lender for the amount of such deficiency.

8.4 <u>Notice</u>. Each Borrower agrees that any notice required to be given by Agent or any Lender of a sale, lease, other disposition of any of the Collateral or any other intended action by Agent or such Lender, which is personally delivered to such Borrower or which is deposited in the United States mail, postage prepaid and duly addressed to such Borrower at the address set forth in Section 10.10, at least ten (10) days prior to any such public sale, lease or other disposition or other action being taken, or prior to the time after which any private sale of the Collateral is to be held, shall constitute commercially reasonable and fair notice to such Borrower.

8.5 Default Interest Rate. To compensate Agent and each Lender for additional unreimbursed costs resulting from the occurrence of an Event of Default, including without limitation, acts associated with the uncertainty of future funding and additional supervisory and administrative efforts, upon the occurrence of and during the continuance of an Event of Default and after notice thereof is given to Borrowers at the direction of the Required Lenders, the Liabilities shall continue to bear interest, calculated daily on the basis of a 360-day year at the per annum rate set forth in Section 2.4 above, plus additional post-default interest of two percent (2%) per year until the Liabilities are paid in full.

8.6 Preservation of Rights. No delay or omission of Agent or any Lender to exercise any right under this Agreement or any Ancillary Agreement shall impair such right or be construed to be a waiver of any Event of Default or an acquiescence therein, and the making of a Loan notwithstanding the existence of an Event of Default or the inability of Borrowers to satisfy the conditions precedent to such Loan shall not constitute any waiver or acquiescence. Any single or partial exercise of any such right shall not preclude other or further exercise thereof or the exercise of any other right, and no waiver, amendment or other variation of the terms, conditions or provisions of this Agreement or any Ancillary Agreement whatsoever shall be valid unless in writing signed by the Required Lenders, and then only to the extent in such writing specifically set forth. All remedies contained in this Agreement or any Ancillary Agreement or by law afforded shall be cumulative and all shall be available to Agent and Lenders until the Liabilities have been paid in full.

8.7 Distributions. Agent shall distribute all proceeds and other amounts received by it with respect to Collateral:

First, to the payment of any amounts owed to it under Section 10.3 or under any Ancillary Agreement executed pursuant hereto and any expenses incurred by Agent in connection with the maintenance, preservation or protection of any Collateral;

Second, to all Lenders pro rata according to the then outstanding amount of Liabilities held by each such Lender; and

Third, if any balance remains after the Liabilities have been paid in full, to Borrowers.

Each Lender shall apply any payment so received from Agent,

First, to unpaid accrued interest, if any, on its Liabilities until paid in full;

Second, to the unpaid premium, if any, on its Liabilities;

Third, to the unpaid principal of its Liabilities until paid in full; and

Fourth, to its other Liabilities;

provided that any Lender which receives any payment on account of the Borrowers' contingent obligations under a Letter of Credit shall hold such payment as cash collateral for such contingent obligation (and shall have no obligation to pay interest thereon), and, following any reduction of the stated amount of such Letter of Credit or termination thereof, shall return to Agent for distribution pursuant to this Section 8.7 any amounts in excess of the Borrowers' contingent obligations not used to reimburse such Lender.

8.8 Method of Adjustment. If any Lender shall obtain any payment with respect to its Liabilities in excess of its (or their) pro rata share pursuant to Section 8.7, it shall be deemed to have received such excess on behalf of all Lenders and shall promptly deliver such excess to Agent for distribution in accordance with Section 8.7. If for any reason payments to Agent in the preceding sentence shall be determined by Agent to be improper or not advisable, then such Lender shall purchase from each Lender receiving less than its pro rata share, such participation in its Liabilities as shall be necessary for such purchasing Lender to share the excess payment received pro rata with such other Lenders; provided that if all or any portion of such excess payment be thereafter recovered from such purchasing Lender, the purchase shall be rescinded to the extent of such recovery, but without interest or premium; and, provided further that the nonperformance by any Lender of its obligation under this Section 8.8 shall not excuse any other Lender hereunder.

9. AGENT.

9.1 Appointment and Authorization. Each Lender hereby irrevocably (subject to Section 9.9) appoints, designates and authorizes each Agent to take such action on its behalf under the provisions of this Agreement and each other Ancillary Agreement and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Ancillary Agreement, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Ancillary Agreement, Agent shall not have any duties or responsibilities except those expressly set forth herein, nor shall Agent have or be deemed to have any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Ancillary Agreement or otherwise exist against Agent.

9.2 Delegation of Duties. Agent may execute any of its duties under this Agreement or any other Ancillary Agreement by or through its agents, employees or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects with reasonable care.

9.3 Liability of Agent. No Agent-Related Persons shall (i) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Ancillary Agreement or the transactions contemplated hereby (except for its own gross negligence or willful misconduct) or (ii) be responsible in any manner to any of the Lenders for any recital, statement, representation or warranty made by Borrowers or any Subsidiary or Affiliate of Borrowers, or any officer thereof, contained in this Agreement or in any other Ancillary Agreement, or in any certificate, report, statement or other document referred to or provided for in, or received by Agent under or in connection with, this Agreement or any other Ancillary Agreement, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Ancillary Agreement, or for any failure of the Borrowers or any other party to any Ancillary Agreement to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Ancillary Agreement, or to inspect the properties, books or records of Borrowers or any of Borrowers' Subsidiaries or Affiliates.

9.4 Reliance by Agent. Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to Borrowers), independent accountants and other experts selected by Agent. Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Ancillary Agreement unless it shall first receive such advice or concurrence of the Required Lenders and, if it so requests, confirmation from Lenders of their obligation to indemnify Agent against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Ancillary Agreement in accordance with a request or consent of the Required Lenders (unless the consent of all Lenders is required in such case, in which case unanimous consent of Lenders) and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Lenders. For purposes of determining compliance with the conditions specified in Section 2.11 or in any comparable provision of any amendment hereto, each Lender that has executed this Agreement or such amendment shall be deemed to have consented to, approved or accepted, or to be satisfied with, each document or other matter either sent by an Agent to such Lender for consent, approval, acceptance or satisfaction, or required thereunder to be consented to or approved by or acceptable or satisfactory to the Lender.

9.5 Notice of Default. Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest and fees required to be paid to Agent for the account of Lenders, unless Agent shall have received written notice from a Lender or Borrowers referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". Agent will notify Lenders of its receipt of any such notice. Agent shall take such action with respect to such Default or Event of Default as may be requested by the Required

Lenders in accordance with Section 8; provided that unless and until Agent has received any such request, Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable or in the best interest of Lenders.

9.6 <u>Credit Decision</u>. Each Lender acknowledges that none of the Agent-Related Persons has made any representation or warranty to it, and that no act by Agent hereinafter taken, including any review of the affairs of Borrowers and their Subsidiaries, shall be deemed to constitute any representation or warranty by any Agent-Related Person to any Lender. Each Lender represents to Agent that it has, independently and without reliance upon any Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of Borrowers and their Subsidiaries, and all applicable bank regulatory laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to Borrowers hereunder. Each Lender also represents that it will, independently and without reliance upon any Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the Ancillary Agreements, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of Borrowers. Except for notices, reports and other documents expressly herein required to be furnished to Lenders by Agent, Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of Borrowers which may come into the possession of any of the Agent-Related Persons.

9.7 <u>Indemnification</u>. Lenders shall indemnify upon demand any Agent-Related Persons (to the extent not reimbursed by or on behalf of Borrowers and without limiting the obligation of Borrowers to do so), pro rata, from and against any and all Indemnified Liabilities; provided that no Lender shall be liable for the payment to Agent or any Agent-Related Persons of any portion of such Indemnified Liabilities resulting solely from such Person’s gross negligence or willful misconduct. Without limitation of the foregoing, each Lender shall reimburse Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including reasonable fees of attorneys for Agent) incurred by Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Ancillary Agreement, or any document contemplated by or referred to herein, to the extent that Agent is not reimbursed for such expenses by or on behalf of Borrowers. To the extent that Agent or any Agent-Related Person shall thereafter be reimbursed by or on behalf of Borrowers for any amount paid by the Banks pursuant to this Section 9.7, such Person shall reimburse each Lender for its ratable share of any such amount. The undertaking in this Section 9.7 shall survive the expiration or termination of the Commitments and payment of the Loans and other liabilities of Borrowers hereunder and the resignation or replacement of Agent. For the purposes of this Section 9.7,

“Indemnified Liabilities” shall mean: any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, charges, expenses and disbursements (including reasonable fees of attorneys for Agent) of any kind or nature whatsoever which may at any time (including at any time following repayment of the Loans and the termination, resignation or replacement of Agent or replacement of any Lender) be imposed on, incurred by or asserted against any such Agent Related Person in any way relating to or arising out of this Agreement or any document contemplated by or referred to herein, or the transactions contemplated hereby, or any action taken or omitted by any such Agent Related Person under or in connection with any of the foregoing, including with respect to any investigation, litigation or proceeding (including (i) any case, action or proceeding before any court or other governmental authority relating to bankruptcy, reorganization, insolvency, liquidation, receivership, dissolution, winding-up or relief of debtors or (ii) any general assignment for the benefit of creditors, composition, marshaling of assets for creditors, or other, similar arrangement in respect of its creditors generally or any substantial portion of its creditors; undertaken under U.S. Federal, state or foreign law, including the Bankruptcy Code or appellate proceeding) related to or arising out of this Agreement or the Loans or the use of the proceeds thereof, whether or not any Agent-Related Person, any Lender or any of their respective officers, directors, employees, counsel, agents or attorneys-in-fact is a party thereto.

9.8 Agent in Individual Capacity. LaSalle and its Affiliates may make loans to, issue Letters of Credit for the account of, accept deposits from and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with Borrowers and their Subsidiaries and Affiliates as though it were not Agent hereunder and without notice to or consent of Lenders. Lenders acknowledge that, pursuant to such activities, Agent or its Affiliates may receive information regarding Borrowers or their Affiliates (including information that may be subject to confidentiality obligations in favor of Borrowers or such Subsidiaries) and acknowledge that Agent shall be under no obligation to provide such information to them. With respect to their Loans, Agent and its Affiliates shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though such Agent were not an Agent, and the terms Lender and Lenders include Agent and its Affiliates, to the extent applicable, in their individual capacities.

9.9 Successor Agent. Agent may resign as an Agent upon 30 days’ notice to Lenders. If Agent resigns under this Agreement, the Required Lenders shall, with the prior written consent of Borrowers, appoint from among Lenders a successor agent for Lenders. If no successor agent is appointed prior to the effective date of the resignation of Agent, Agent may appoint, after consulting with Lenders and with the prior written consent of Borrowers, a successor agent from among Lenders. Upon the acceptance of its appointment as successor agent hereunder, such successor agent shall succeed to all the rights, powers and duties of the retiring Agent and the term Agent shall mean such successor agent and the retiring Agent’s appointment, powers and duties as an Agent shall be terminated. After any retiring Agent’s resignation hereunder as Agent, the provisions of this Section 9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was an Agent under this Agreement. If no successor agent has accepted appointment as an Agent by the date which is 30 days following a retiring Agent’s notice of resignation, the retiring Agent’s resignation shall nevertheless thereupon become effective and Lenders shall perform all of the duties of an Agent hereunder until such time, if any, as the Required Lenders appoint a successor agent as provided for above.

10. MISCELLANEOUS.

10.1 Appointment of Agent as Each Borrower's Lawful Attorney-In-Fact. Each Borrower irrevocably designates, makes, constitutes and appoints Agent (and all persons designated by Agent) as such Borrower's true and lawful attorney and agent-in-fact and Agent, or Agent's agent, may, without notice to such Borrower:

(A) At any time after the occurrence of and during the continuance of an Event of Default, endorse by writing or stamp each Borrower's name on any checks, notes, drafts or any other payment relating to and/or proceeds of the Collateral which come into the possession of Agent or under Agent's control and deposit the same to the account of Agent for application to the Liabilities;

(B) At any time after the occurrence of and during the continuance of an Event of Default, in each Borrower's or Agent's name: (i) demand payment of the Collateral; (ii) enforce payment of the Collateral, by legal proceedings or otherwise; (iii) exercise all of each Borrower's rights and remedies with respect to the collection of the Collateral; (iv) settle, adjust, compromise, extend or renew the Accounts and the Special Collateral; (v) settle, adjust or compromise any legal proceedings brought to collect the Collateral; (vi) if permitted by applicable law, sell or assign the Collateral upon such terms, for such amounts and at such time or times as Agent deems advisable; (vii) satisfy and release the Accounts and Special Collateral; (viii) take control, in any manner, of any item of payment or proceeds referred to in Section 3.3; (ix) prepare, file and sign each Borrower's name on any proof of claim in bankruptcy or similar document against any Account Debtor; (x) prepare, file and sign each Borrower's name on any notice of Lien, assignment or satisfaction of Lien or similar document in connection with the Collateral; (xi) do all acts and things necessary, in Agent's sole discretion, to fulfill each Borrower's obligations under this Agreement; (xii) endorse by writing or stamp the name of each Borrower upon any chattel paper, document, instrument, invoice, freight bill, bill of lading or similar document or agreement relating to the Collateral; and (xiii) use the information recorded on or contained in any data processing equipment and computer hardware and software relating to the Collateral to which each Borrower has access; and

(C) At any time after the occurrence of and during the continuance of an Event of Default, notify the post office authorities to change the address for delivery of Borrower's mail to an address designated by Agent and receive, open and dispose of all mail addressed to each Borrower.

10.2 Modification of Agreement; Sale of Notes; Participations. No amendment, modification or waiver of, or consent with respect to, any provision of this Agreement or the Notes shall in any event be effective unless the same shall be in writing and signed and delivered by Lenders having an aggregate Percentage of not less than the aggregate Percentage expressly designated herein with respect thereto or, in the absence of such designation as to any provision of this Agreement or the Notes, by the Required Lenders, and then any such amendment, modification, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No amendment, modification, waiver or consent shall extend or increase the amount of the Commitments, extend the final maturity of the Notes, reduce the principal thereof, reduce the fees hereunder or the rate of interest payable with respect to the Notes (other than pursuant to Section 2.1), reduce the aggregate Percentage required to effect an amendment, modification, waiver or consent, reduce the amount of or extend the date for the mandatory payments on the Notes, modify the definition of Borrowing Base, amend this Section 10.2 or permit any assignment by Borrowers of their obligations or rights hereunder or amend any covenants contained in Sections 7.1, 7.2 or 7.3, without the consent of the Required Lenders in each instance. No provision of this Agreement relating to Agent shall be amended, modified or waived without the consent of Agent. No provision of Section 2.13 shall be amended, modified or waived without the consent of the Issuing Lender. No Borrower may sell, assign, transfer or otherwise dispose of all or any portion of this Agreement or the Ancillary Agreements, including, without limitation, such Borrower's right, title, interest, remedies, powers, or duties. Each Borrower consents to any Lender's participation, sale, assignment, transfer or other disposition, at any time or times, of this Agreement or the Ancillary Agreements, including, without limitation, such Lender's right, title, interest, remedies, powers, or duties. Each Borrower consents to any Lender's pledge of its rights under this Agreement, any Note issued hereunder or any Ancillary Agreement to the Federal Reserve Bank. Any Lender shall have the right to sell, assign or transfer all or part of any Note to one or more banks or other financial institutions, or to grant participations to one or more banks or other financial institutions, in or to any Loan hereunder and any Note held by such Lender upon three (3) days prior written notice to Borrowers (and if no Default or Event of Default has occurred and is continuing with the prior written consent of Borrowers) and Agent together with, in the case of assignments only, execution and delivery to Agent and the Borrowers of an Assignment Agreement substantially in the form of Exhibit P hereto (**"Assignment Agreement"**) and payment of a $5,000 fee to Agent for processing such assignment. Borrowers hereby consent to the disclosure of any information obtained by Agent or any Lender in connection herewith to any bank or other financial institution to which any Lender now or hereafter has sold, assigned or transferred, or sold or proposed to sell, assign or transfer, all or any part of any Note or any participation interest in any Loan or Note. Upon the sale, transfer or assignment of all or a portion of any Note pursuant to one or more Assignment Agreements, Borrowers shall, upon the request of the assigning Lender, execute a new note or notes in a form substantially similar to the Note or Notes so replaced. Each such transferee shall be deemed to be a Lender under this Agreement. Each transferee of any Note shall take such Note subject to the provisions of this Agreement and to any request made, waiver or consent given or other action taken hereunder prior to the receipt by Agent and Borrowers of written notice of such transfer. Each Lender represents that it is the present intention of such Lender to acquire each Note drawn to its order for its own account and not with a view to the distribution or sale thereof, subject, nevertheless, to the necessity that such Lender remain in control at all times of the disposition of property held by it for its own account; it being understood that the foregoing representation shall not affect the character of the Loans as commercial lending transactions.

10.3 Attorneys' Fees and Expenses; Agent and Each Lender's Out-of-Pocket Expenses. If, at any time or times, whether prior or subsequent to the date of this Agreement and regardless of the existence of a Default or an Event of Default, Agent and each Lender incurs reasonable legal or other costs and expenses or employs counsel, accountants or other professionals for advice or other representation or services in connection with:

(A) The preparation, negotiation and execution of this Agreement, all Ancillary Agreements, any amendment of or modification of this Agreement or the Ancillary Agreements;

(B) Any litigation, contest, dispute, suit, proceeding or action (whether instituted by Agent, any Lender, a Borrower or any other Person) in any way relating to the Collateral, this Agreement, the Ancillary Agreements or Borrowers' affairs;

(C) Any attempt to enforce any rights of Agent or any Lender against a Borrower or any other Person which may be obligated to Agent or such Lender by virtue of this Agreement or the Ancillary Agreements, including, without limitation, the Account Debtors;

(D) Any attempt to inspect, verify, protect, collect, sell, liquidate or otherwise dispose of any of the Collateral; or

(E) Any inspection, verification, protection, collection, sale, liquidation or other disposition of any of the Collateral, including without limitation, Agent's periodic field audits and audits of a Borrower's books and records;

then, in any such event, the reasonable attorneys' and paralegals' fees and expenses arising from such services and all reasonably incurred expenses, costs, charges and other fees of or paid by Agent (or any Lender after the occurrence of and during the continuation of an Event of Default) in any way or respect arising in connection with or relating to any of the events or actions described in this Section 10.3 shall be payable by Borrowers, jointly and severally, to Agent (or any Lender after the occurrence of and during the continuation of an Event of Default) upon demand and shall be additional Liabilities. Without limiting the generality of the foregoing, such expenses, costs, charges and fees may include accountants' fees, costs and expenses; court costs, fees and expenses; photocopying and duplicating expenses; court reporter fees, costs and expenses; long distance telephone charges; courier charges; telegram and telecopy charges.

10.4 No Offset; Right to Charge Accounts. All payments due to Agent or any Lender shall be made in immediately available funds, without setoff or counterclaim. At Agent's or any Lender's sole discretion, Agent or such Lender may charge against any demand account of a Borrower all or any part of the Liabilities which are due and payable.

10.5 Severability. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

10.6 Parties; Entire Agreement. This Agreement and the Ancillary Agreements shall be binding upon and inure to the benefit of the respective successors and assigns of each Borrower, Agent and each Lender. Each Borrower's successors and assigns shall include, without limitation, a trustee, receiver or debtor-in-possession of or for such Borrower. Nothing contained in this Section 10.6 shall be deemed to modify Section 10.2. This Agreement is the complete statement of the agreement by and among Borrowers, Agent and each Lender and supersedes all prior negotiations, understandings and representations between them with respect to the subject matter of this Agreement.

10.7 Conflict of Terms. The provisions of the Ancillary Agreements are incorporated in this Agreement by this reference. Except as otherwise provided in this Agreement and except as otherwise provided in the Ancillary Agreement, by specific reference to the applicable provision of this Agreement, if any provision contained in this Agreement is in conflict with, or inconsistent with, any provision in any Ancillary Agreement, the provision contained in this Agreement shall govern and control.

10.8 Waiver by Borrowers. Except as otherwise provided for in this Agreement, each Borrower waives (i) presentment, demand and protest, notice of protest, notice of presentment, default, non-payment, maturity, release, compromise, settlement, extension or renewal of any or all commercial paper, accounts, contract rights, documents, instruments, chattel paper and guaranties at any time held by Agent or any Lender on which such Borrower may in any way be liable and hereby ratifies and confirms whatever Agent or such Lender may do in this regard; (ii) all rights to notice and a hearing prior to Agent's or any Lender's taking possession or control of, or Agent's or any Lender's replevy, attachment or levy upon the Collateral or any bond or security which might be required by any court prior to allowing Agent or any Lender to exercise any of Agent's or any Lender's remedies; and (iii) the benefit of all valuation, appraisement, extension and exemption laws. Each Borrower acknowledges that it has been advised by its own counsel with respect to this Agreement and the transactions evidenced by this Agreement.

10.9 Waiver and Governing Law. THE LOANS EVIDENCED HEREBY HAVE BEEN MADE, AND THIS AGREEMENT HAS BEEN DELIVERED, AT CHICAGO, ILLINOIS, AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (WITHOUT REGARD TO THE CONFLICTS OF LAWS PROVISIONS) OF THE STATE OF ILLINOIS. EACH BORROWER (i) WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION TO ENFORCE OR DEFEND ANY MATTER ARISING FROM OR RELATED TO THIS AGREEMENT OR ANY OF THE ANCILLARY AGREEMENTS; (ii) IRREVOCABLY

SUBMITS TO THE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED IN COOK COUNTY, ILLINOIS, OVER ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY MATTER ARISING FROM OR RELATED TO THIS AGREEMENT OR ANY OF THE ANCILLARY AGREEMENTS; (iii) IRREVOCABLY WAIVES, TO THE FULLEST EXTENT SUCH BORROWER MAY EFFECTIVELY DO SO, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF ANY SUCH ACTION OR PROCEEDING; (iv) AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN ANY OTHER JURISDICTION BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW; AND (v) AGREES NOT TO INSTITUTE ANY LEGAL ACTION OR PROCEEDING AGAINST AGENT, ANY LENDER OR ANY OF AGENT'S OR LENDER'S DIRECTORS, OFFICERS, EMPLOYEES, AGENTS OR PROPERTY, CONCERNING ANY MATTER ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE ANCILLARY AGREEMENTS IN ANY COURT OTHER THAN ONE LOCATED IN COOK COUNTY, ILLINOIS. EACH BORROWER WAIVES PERSONAL SERVICE OF THE SUMMONS AND COMPLAINT, OR OTHER PROCESS OR PAPERS ISSUED IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY MATTER ARISING FROM OR RELATED TO THIS AGREEMENT OR ANY OF THE ANCILLARY AGREEMENTS, AND AGREES THAT SERVICE OF SUCH SUMMONS AND COMPLAINT, OR OTHER PROCESS OR PAPERS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO SUCH BORROWER AT THE ADDRESS SET FORTH IN SECTION 10.10. SHOULD SUCH BORROWER FAIL TO APPEAR OR ANSWER ANY SUMMONS, COMPLAINT, PROCESS OR PAPERS SERVED WITHIN THIRTY (30) DAYS AFTER THE RECEIPT THEREOF, IT SHALL BE DEEMED IN DEFAULT AND AN ORDER AND/OR JUDGMENT MAY BE ENTERED AGAINST IT AS DEMANDED OR PRAYED FOR IN SUCH SUMMONS, COMPLAINT, PROCESS OR PAPERS. NOTHING IN THIS PARAGRAPH SHALL AFFECT OR IMPAIR LENDER'S RIGHT TO SERVE LEGAL PROCESS IN ANY MANNER PERMITTED BY LAW OR LENDER'S RIGHT TO BRING ANY ACTION OR PROCEEDING AGAINST SUCH BORROWER OR ITS PROPERTY IN THE COURTS OF ANY OTHER JURISDICTION.

10.10 Notice. Except as otherwise provided in this Agreement, any notice required shall be in writing and shall be deemed to have been validly served, given or delivered upon (i) delivery in person, by messenger or overnight courier service, (ii) the day after transmission by facsimile, (iii) or five (5) Business Days after deposit in the United States certified or registered mails, with proper postage prepaid, addressed to the party to be notified as follows:

(a) If to Agent, at:

LaSalle Bank National Association
135 South LaSalle
Chicago, Illinois 60603
Attention: David Bacon
Fax: (312) 904-0409

with a copy to:

Ungaretti & Harris
3500 Three First National Plaza
Chicago, Illinois 60602
Attention: Gary I. Levenstein
Fax: (312) 977-4405

(b) If to Borrowers, at:

SalesLink Corporation
InSolutions Incorporated
On-Demand Solutions, Inc.
Pacific Direct Marketing Corp.
SalesLink Mexico Holding Corp.
SL Supply Chain Services International Corp.
c/o SalesLink Corporation
425 Medford Street
Charlestown, Massachusetts 02129
Attention: Chief Financial Officer
Fax: (617) 886-4550

with a copy to:

Browne Rosedale & Lanouette LLP
31 St. James Avenue
Suite 830
Boston, Massachusetts 02116
Attention: Kevin P. Lanouette
Fax: (978) 684-3845

(c) If to any Lender, addressed to such Lender at the address shown below its signature as its domestic office addressor to such other address or facsimile number as each party may designate for itself by like notice.

10.11 **Section Titles, Etc.** The section titles and table of contents, if any, contained in this Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto. All Exhibits and Schedules which are referred to herein or attached hereto are incorporated by reference.

10.12 **Mutilated, Destroyed, Lost and Stolen Notes.** If any mutilated Note is surrendered to the Borrowers, the Borrowers shall execute therefor a new Note with the same principal amount, containing identical terms and provisions. If there shall be delivered to the Borrowers (a) evidence to its satisfaction of the destruction, loss or theft of any Note and (b) such security or indemnity as may be required by them to hold the Borrowers and any agent of the Borrowers harmless, then, in the absence of notice to the Borrowers that such Note has been acquired by a bona fide purchaser, the Borrowers shall execute and deliver, in lieu of any such destroyed, lost or stolen Note or in exchange for such Note, a new Note with the same principal amount, containing identical terms and provisions. Upon the issuance of any new Note under this Section 10.12, the Borrowers may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith. Every new Note, issued pursuant to this Section 10.12 in lieu of any destroyed, lost or stolen Note, shall constitute an original contractual obligation of the Borrowers, whether or not the destroyed, lost or stolen Note shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Agreement.

11. CROSS-GUARANTY.

11.1 **Cross-Guaranty.** Each Borrower hereby agrees that such Borrower is jointly and severally liable for, and hereby absolutely and unconditionally guarantees to Agent and each Lender and their respective successors and assigns, the full and prompt payment (whether at stated maturity, by acceleration or otherwise) and performance of, all Liabilities owed or hereafter owing to Agent and each Lender by each other Borrower. Each Borrower agrees that its guaranty obligation hereunder is a continuing guaranty of payment and performance and not of collection, that its obligations under this Section 11 shall not be discharged until payment and performance, in full, of the Liabilities has occurred, and that its obligations under this Section 11 shall be absolute and unconditional, irrespective of, and unaffected by, the genuineness, validity, regularity, enforceability or any future amendment of, or change in, this Agreement, any other Ancillary Agreement or any other agreement, document or instrument to which any Borrower is or may become a party; the absence of any action to enforce this Agreement (including this Section 11) or any other Ancillary Agreement or the waiver or consent by Agent and each Lender with respect to any of the provisions thereof; the existence, value or condition of, or failure to perfect its Lien against, any security for the Liabilities or any action, or the absence of any action, by Agent and each Lender in respect thereof (including the release of any such security); the insolvency of any Borrower; or any other action or circumstances that might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor. Each Borrower shall be regarded, and shall be in the same position, as principal debtor with respect to the Liabilities guaranteed hereunder.

11.2 Waivers by Borrowers. Each Borrower expressly waives all rights it may have now or in the future under any statute, or at common law, or at law or in equity, or otherwise, to compel Agent or any Lender to marshal assets or to proceed in respect of the Liabilities guaranteed hereunder, against any other party or against any security for the payment and performance of the Liabilities before proceeding against, or as a condition to proceeding against, such Borrower. It is agreed among each Borrower, Agent and each Lender that the foregoing waivers are of the essence of the transaction contemplated by this Agreement and the Ancillary Agreements and that, but for the provisions of this Section 11.2 and such waivers, Agent and Lenders would decline to enter into this Agreement.

11.3 Benefit of Guaranty. Each Borrower agrees that the provisions of this Section 11.3 are for the benefit of Agent and each Lender and their respective successors, transferees, endorsees and assigns, and nothing herein contained shall impair, as between any other Borrower and Agent or any Lender, the obligations of such other Borrower under this Agreement and the Ancillary Agreements.

11.4 Subordination of Subrogation, Etc.. Notwithstanding anything to the contrary in this Agreement or in any Ancillary Agreement, and except as set forth in Section 11.7, each Borrower hereby expressly and irrevocably subordinates to payment of the Liabilities any and all rights at law or in equity to subrogation, reimbursement, exoneration, contribution, indemnification or set off and any and all defenses available to a surety, guarantor or accommodation co-obligor until the Liabilities are indefeasibly paid in full in cash. Each Borrower acknowledges and agrees that this subordination is intended to benefit Agent and each Lender and shall not limit or otherwise affect such Borrower’s liability hereunder or the enforceability of this Section 11, and that Agent, each Lender and their respective successors and assigns are intended third party beneficiaries of the waivers and agreements set forth in this Section 11.4.

11.5 Election of Remedies. If Agent or any Bank may, under applicable law, proceed to realize its benefits under this Agreement or any Ancillary Agreement giving Agent or such Lender a Lien upon any Collateral, whether owned by any Borrower or by any other Person, either by judicial foreclosure or by non-judicial sale or enforcement, Agent or any Lender may, at its sole option, determine which of its remedies or rights it may pursue without affecting any of its rights and remedies under this Section 11. If, in the exercise of any of its rights and remedies, Agent or any Lender shall forfeit any of its rights or remedies, including its right to enter a deficiency judgment against any Borrower or any other Person, whether because of any applicable laws pertaining to “election of remedies” or the like, each Borrower hereby consents to such action by Agent or such Lender and waives any claim based upon such action, even if such action by Agent or such Lender shall result in a full or partial loss of any rights of subrogation that each Borrower might otherwise have had but for such action by Agent or such Lender. Any election of remedies that results in the denial or impairment of the right of Agent or any Lender to seek a deficiency judgment against any Borrower shall not impair any other Borrower’s obligation to pay the full amount of the Liabilities. In the event Agent or any Lender shall bid at any foreclosure or trustee’s sale or at any private sale permitted by law or this Agreement or any Ancillary Agreements, Agent or such Lender may bid all or less than the amount of the Liabilities and the amount of such bid need not be paid by Agent or such Lender but shall be credited against the Liabilities. The amount of the successful bid at any such sale, whether Agent, such Lender or any other party is the successful bidder, shall be conclusively deemed to be the fair market value of the Collateral and the difference between such bid amount and the remaining balance of the Liabilities shall be conclusively deemed to be the amount of the Liabilities guaranteed under this Section 11, notwithstanding that any present or future law or court decision or ruling may have the effect of reducing the amount of any deficiency claim to which Agent or any Lender might otherwise be entitled but for such bidding at any such sale.

11.6 <u>Limitation</u>. Notwithstanding any provision herein contained to the contrary, each Borrower's liability under this Section 11 (which liability is in any event in addition to amounts for which such Borrower is primarily liable under Section 2) shall be limited to an amount not to exceed as of any date of determination the greater of: (i) the net amount of all Loans advanced to any other Borrower under this Agreement and then re-loaned or otherwise transferred to, or for the benefit of, such Borrower; and (ii) the amount that could be claimed by Agent and Lenders from such Borrower under this Section 11 without rendering such claim voidable or avoidable under Section 548 of Chapter 11 of the Bankruptcy Code or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act or similar statute or common law after taking into account, among other things, such Borrower's right of contribution and indemnification from each other Borrower under Section 11.7.

11.7 <u>Contribution with Respect to Guaranty Obligations</u>. To the extent that any Borrower shall make a payment under this Section 11 of all or any of the Liabilities (other than Loans made directly to that Borrower) (a **"Guarantor Payment"**) that exceeds the amount such Borrower would otherwise have paid if each Borrower had paid the aggregate Liabilities satisfied by such Guarantor Payment in the same proportion that such Borrower's "Allocable Amount" (as defined below) (as determined immediately prior to such Guarantor Payment) bore to the aggregate Allocable Amounts of each of the Borrowers as determined immediately prior to the making of such Guarantor Payment, then, following indefeasible payment in full in cash of the Liabilities and termination of the Commitments) such Borrower shall be entitled to receive contribution and indemnification payments from, and be reimbursed by, each other Borrower for the amount of such excess, pro rata based upon their respective Allocable Amounts in effect immediately prior to such Guarantor Payment. As of any date of determination, the **"Allocable Amount"** of any Borrower shall be equal to the maximum amount of the claim that could then be recovered from such Borrower under this Section 11 without rendering such claim voidable or avoidable under Section 548 of Chapter 11 of the Bankruptcy Code or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act or similar statute or common law. This Section 11.7 is intended only to define the relative rights of Borrowers and nothing set forth in this Section 11.7 is intended to or shall impair the obligations of Borrowers, jointly and severally, to pay any amounts as and when the same shall become due and payable in accordance with the terms of this Agreement, including this Section 11.7. Nothing contained in this Section 11.7 shall limit the liability of any Borrower to pay the Loans made directly or indirectly to that Borrower and accrued interest, fees and expenses with respect thereto for which such Borrower shall be primarily liable. The parties hereto acknowledge that the rights of contribution and indemnification hereunder shall constitute assets of the Borrower to which such contribution and indemnification is owing. The rights of the indemnifying Borrowers against other Borrower under this Section 11.7 shall be exercisable upon the full and indefeasible payment of the Liabilities and the termination of the Commitments.

11.8 Liability Cumulative. The liability of Borrowers under this Section 11 is in addition to and shall be cumulative with all liabilities of each Borrower to Agent and each Lender under this Agreement and the Ancillary Agreements to which such Borrower is a party or in respect of any Liabilities or obligation of the other Borrowers, without any limitation as to amount, unless the instrument or agreement evidencing or creating such other liability specifically provides to the contrary.

[signature page attached]

IN WITNESS WHEREOF, this Agreement has been duly executed as of the day and year first written above.

BORROWERS:

SALESLINK CORPORATION
Delaware corporation

By: /s/ Bryce C. Boothby, Jr.

Name: Bryce C. Boothby, Jr.
Title: President

PACIFIC DIRECT MARKETING CORP.
a California corporation

By: /s/ Bryce C. Boothby, Jr.

Name: Bryce C. Boothby, Jr.
Title: President

INSOLUTIONS INCORPORATED
a Delaware corporation

By: /s/ Bryce C. Boothby, Jr.

Name: Bryce C. Boothby, Jr.
Title: President

SALESLINK MEXICO HOLDING CORP.
a Delaware corporation

By: /s/ Bryce C. Boothby, Jr.

Name: Bryce C. Boothby, Jr.
Title: President

ON-DEMAND SOLUTIONS, INC.
a Massachusetts corporation

By: /s/ Bryce C. Boothby, Jr.

Name: Bryce C. Boothby, Jr.
Title: President

SL SUPPLY CHAIN SERVICES
INTERNATIONAL CORP.
a Delaware corporation

By: /s/ Bryce C. Boothby, Jr.

Name: Bryce C. Boothby, Jr.
Title: President

LENDERS:

LASALLE BANK NATIONAL ASSOCIATION, as a Lender and as Agent

By: /s/ David Bacon

Name: David Bacon
Title: Assistant Vice President

Address
LaSalle Bank National Association
135 South LaSalle
Chicago, Illinois 60603
Attention: David Bacon
Fax: (312) 904-0409

CITIZEN'S BANK OF MASSACHUSETTS, as a Lender

By: /s/ David P. O'Connell

Name: David P. O'Connell
Title: Commercial Lender

Address
Citizen's Bank of Massachusetts
53 State Street
8th Floor
Boston, Massachusetts 02109
Attention: David P. O'Connell
Fax: (617) 742-9548

LEASE TERMINATION AGREEMENT

LEASE TERMINATION AGREEMENT (this "**Agreement**") made and entered into as of this 31st day of July, 2003, by and between **ANDOVER MILLS LLC**, a Delaware limited liability company with an office c/o Lehman Brothers, 399 Park Avenue, 8th Floor, New York, New York 10022 (hereinafter referred to as "**Landlord**"), and **CMGI, INC.**, a Delaware corporation, having an office at 425 Medford Street, Charlestown, Massachusetts 02129 (hereinafter referred to as "**Tenant**").

R E C I T A L S :

A. Pursuant to that certain Lease dated as of April 12, 1999 (as such lease has been amended and modified through the date hereof, the "**Lease**") Andover Mills Realty Limited Partnership (Landlord's predecessor in interest) leased to Tenant certain premises (collectively, the "**demised premises**") located in the buildings (the "**Building**") known as 100 and 200 Brickstone Square, Andover, Massachusetts, which demised premises are more particularly described in the Lease. Capitalized terms not otherwise defined herein shall have the meaning as set forth in the Lease; and

B. Landlord and Tenant desire to terminate the Lease as it relates to (i) the entire demised premises other than the Remainder Space (as hereinafter defined) (the entire demised premises excluding the Remainder Space is hereinafter referred to as the "**Primary Space**") as of the First Surrender Date (as hereinafter defined), and (ii) the remainder of the demised premises consisting of (x) approximately 29,186 rentable square feet on the 2nd floor of the demised premises (in Building #100), and (y) the computer room, telephone switch room and security equipment room located on the first floor of the demised premises (in Building #100), all as identified on the floor plans annexed hereto as **Exhibit A** (collectively, the "**Remainder Space**") as of October 31, 2003 (the "**Final Termination Date**").

NOW, THEREFORE, in consideration of the mutual covenants and conditions herein set forth the parties hereto agree as follows:

1. This Agreement shall be deemed to be effective as of the date upon which (i) a fully executed copy of this Agreement is signed by and delivered to each of the parties hereto, and (ii) Landlord receives the Termination Payment (as hereinafter defined) from Tenant (which date shall be defined herein as the "**Effective Date**").

2. Contemporaneously with, or prior to, the execution and delivery of this Agreement by Landlord and Tenant, Tenant will pay to Landlord the sum of $678,227.82, representing the amount of rent and additional rent due and payable under the Lease for July, 2003 (the "**July Rent Payment**"). Landlord acknowledges that upon receipt of the July Rent Payment, which shall be in full payment and satisfaction of all amounts past due under the Lease, Tenant shall then be current with all payments owed under the Lease and no amounts as of such date shall be due or outstanding.

3. For and in consideration of Landlord's and Tenant's execution and delivery of this Agreement, (i) Tenant shall within one (1) business day after the date hereof pay to Landlord the sum of $13,853,170.34 (which each of the parties acknowledges equals $14,500,000 less the security deposit (the "**Security Deposit**") currently held by Landlord under the Lease) (the "**Termination Fee**") by wire transfer, of immediately available funds, to the account set forth in the wiring instructions provided in **Schedule 1** annexed hereto, (ii) Tenant shall forfeit to the Landlord the Security Deposit, (iii) within one (1) business day after the date hereof, Tenant shall provide written instructions to its transfer agent (and copy Landlord thereon), instructing the transfer agent to prepare and deliver to Landlord, as soon as reasonably practicable, a stock certificate representing 750,000 shares of common stock, $0.01 par value per share, of CMGI, Inc. (the "**CMGI Stock**"; the CMGI Stock together with the Termination Fee is herein referred to as the "**Termination Payment**"), such stock certificate to include a legend substantially in the form as follows:

> "THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED, OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER SUCH ACT, OR UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL OR OTHER EVIDENCE, REASONABLY SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION."

4. (a) Tenant shall surrender to Landlord all of Tenant's right and interest in and to, including rights to possession of, the Primary Space, as of 11:59 p.m. on the First Surrender Date, and thereafter for the remainder of the term of the Lease there shall be deleted and excluded from the demised premises and the Lease, the Primary Space, to the intent and purpose that the estate of Tenant in and to the Primary Space shall be wholly extinguished as of the First Surrender Date and that the term of the Lease with respect to the Primary Space shall terminate on the First Surrender Date. For purposes hereof, the "**First Surrender Date**" shall

mean the later to occur of (i) the date Landlord receives the Termination Payment, (ii) the date on which Tenant surrenders and vacates the Primary Space, and (iii) July 31, 2003. Subject and pursuant to that certain Agreement dated April 17, 2003 between Landlord, Tenant and MedDiversified, Inc. ("**MedDiversified**"), as of the First Surrender Date, Landlord shall recognize the tenancy of MedDiversified, which is the current occupant of approximately 7,493 rentable square feet located on the 5th floor of the demised premises in Building #100 pursuant to a certain Sublease dated April 17, 2003 between MedDiversified and Tenant (the "**Med Sublease**"). The parties hereto agree that the space subleased by Tenant to MedDiversified under the Med Sublease is Primary Space.

(b) Subject to the provisions hereof, on the First Surrender Date, Landlord shall accept the surrender by Tenant of the Primary Space only, and any right in Tenant to possession of the Primary Space.

(c) As of the First Surrender Date, Tenant shall deliver the Primary Space to Landlord in broom clean condition, vacant and free and clear of all tenancies and occupancies including the space on the 2nd floor of the Building (#100) that is currently being occupied by Overture Services, Inc. ("**Overture**") pursuant to that certain sublease by and between Tenant and Overture dated April 25, 2003 (the "**Overture Sublease**") but excluding the space being occupied by (i) Engage, Inc. ("**Engage**") pursuant to that certain sublease by and between Tenant and Engage (the "**Engage Sublease**"), and (ii) MedDiversified pursuant to the Med Sublease; it being understood and agreed that not requiring the Primary Space to be surrendered free of the Engage tenancy shall not be interpreted, or any way deemed, to confer any rights on Engage to occupy such space subsequent to the First Surrender Date. Notwithstanding any of the foregoing or anything in the Lease to the contrary, Tenant shall have no obligation to remove any office furniture, computer furniture, partitions, kitchen appliances, cubicles, white boards, file cabinets, book shelves, chairs, desks, equipment racks, garbage cans, supplies or fixtures from the Primary Space (collectively, the "**Permitted Property**"); it being understood and agreed that Tenant will be obligated to remove all papers, files, records, and trash ("**Tenant's Property**") from the Primary Space. For purposes of this paragraph, Tenant's Property shall not be deemed to include any property of Med Diversified or Engage. Any Permitted Property or Tenant's Property that is not removed from the Primary Space as of the First Surrender Date shall be deemed abandoned and become the property of the Landlord, and Tenant shall have no liability whatsoever with respect to such abandoned property; provided that any amounts paid or payable by Landlord to a third party for the purpose of removing and disposing any of Tenant's Property shall be reimbursed to Landlord by Tenant plus ten percent (10%). In the event Landlord seeks reimbursement of such costs from Tenant, Landlord shall first provide Tenant with an invoice from such third party reasonably detailing such charges. In no event shall abandoned property cause or create a hold-over tenancy by Tenant.

(d) If Tenant does not deliver the Primary Space in the condition required under Paragraph 4(c) above or the Remainder Space in the condition required under Paragraph 5(c) below, then Landlord shall have the right to clean and repair the Primary Space or the Remainder Space, as the case may be, to the extent necessary for the Primary Space or the Remainder Space to be in the condition required by Paragraph 4(c) or Paragraph 5(c), as applicable, or retain and pay a third party to clean and repair any such space. Any amounts paid or payable by Landlord to a third party pursuant to the foregoing sentence shall be reimbursed by Tenant, plus ten percent (10%); provided that Landlord shall not be entitled to any reimbursement relative to the portion of the Primary Space occupied by Engage. In the event Landlord seeks reimbursement of such costs from Tenant, Landlord shall first provide Tenant with an invoice from such third party reasonably detailing such charges.

(e) Tenant shall use commercially reasonable efforts after the date hereof to cause the termination of the Engage Sublease and the Overture Sublease, and the vacating of such space by Engage and Overture, as the case may be, prior to the First Surrender Date (including sending formal notices of termination to said subtenants); *provided, however*, that Tenant shall not be required to pay any money or incur any liability in connection with exercising such commercially reasonable efforts. In the event the Engage Sublease or the Overture Sublease is not terminated and Engage or Overture fails to vacate the space which is the subject of the Engage Sublease or the Overture Sublease, as the case may be, prior to the First Surrender Date, Tenant shall have no further liability to Landlord with respect to the space demised under such subleases (except as set forth in Paragraph 5 below) but shall reasonably cooperate with Landlord in recovering such space from Engage and/or Overture, as the case may be, including, but not limited to, giving notices, claims and demands to and on Engage and/or Overture. Landlord shall reimburse Tenant for its out of pocket costs and expenses in cooperating with Landlord pursuant to the foregoing sentence. If any suits or proceedings may be necessary to terminate the Engage Sublease or the Overture Sublease and compel Engage or Overture to vacate the subject space, Landlord shall have the right to take such action in its own name, and for such purpose, all of the rights of Tenant under the Engage Sublease or the Overture Sublease, as the case may be, are hereby conferred upon and assigned to Landlord. If any such action against Engage or Overture in Landlord's name shall be barred by reason of lack of privity, non-assignability or otherwise, Landlord may take such action in Tenant's name. In connection with the foregoing, Tenant will review and sign, to the extent Tenant's signature is legally required or is required under the provisions of the applicable sublease, such demands, pleadings, and other papers that may be reasonably required, and otherwise necessary to enable Landlord to enforce such action in Tenant's name.

5. Effective as of the date immediately following the First Surrender Date and for the remainder of the term of the Lease (subject however to Paragraph 6(d)), (i) the total rent and other amounts payable by Tenant to Landlord with respect to the Remainder Space shall be $40,000.00 per month until the Final Determination Date, (ii) Tenant shall have no obligation to pay Tenant's Percentage of Taxes with respect to such period, (iii) Tenant shall have no obligation to pay Tenant's Percentage of Operating Costs with respect to such period; and (iv) except as otherwise set forth in this Agreement, Tenant shall have no obligation to pay any other amounts to Landlord pursuant to the Lease.

6. (a) Provided the First Surrender Date has occurred, Tenant shall surrender to Landlord all of Tenant's right and interest in and to, including rights to possession of, the Remainder Space as of 11:59 p.m. on the Final Termination Date, whereupon the Lease shall be terminated in its entirety and shall be of no further force or effect.

(b) Subject to the provisions hereof, upon Tenant's surrender of its right and interest in and to the Remainder Space, Landlord shall accept the surrender by Tenant of the Remainder Space, and any right in Tenant to possession of the Remainder Space, and the Lease shall expire and be null and void and of no further force and effect as of the Final Termination Date.

(c) As of the Final Termination Date, Tenant shall deliver the Remainder Space to Landlord in broom clean condition, vacant and free and clear of all tenancies and occupancies (except as otherwise provided herein). Notwithstanding any of the foregoing or anything in the Lease to the contrary, Tenant shall have no obligation to remove any of the Permitted Property from the Remainder Space; it being understood and agreed that Tenant will be obligated to remove all other items constituting Tenant's Property from the Remainder Space.. Any Permitted Property or Tenant's Property that is not removed from the Remainder Space as of the Final Termination Date shall be deemed abandoned and become the property of the Landlord, and Tenant shall have no liability whatsoever with respect to such abandoned property; provided that any amounts paid or payable by Landlord to a third party for the purpose of removing and disposing any of Tenant's Property shall be reimbursed to Landlord by Tenant plus ten percent (10%). In the event Landlord seeks reimbursement of such costs from Tenant, Landlord shall first provide Tenant with an invoice from such third party reasonably detailing such charges. In no event shall abandoned property cause or create a hold-over tenancy by Tenant.

(d) If Tenant does not deliver the Remainder Space on the date set forth herein, then in addition to all of the rights and remedies afforded to Landlord in connection with a holding-over by Tenant pursuant to the Lease and at law or in equity, then with respect to the Remainder Space (i) as of November 1, 2003, Tenant shall be obligated to pay base rent equal to $65,000.00 per month, and (ii) if Tenant holds-over in the Remainder Space beyond December 31, 2003, Tenant shall be obligated to pay base rent equal to $158,698.00 per month (i.e., 150% of the base rent that Tenant would have otherwise been obligated to pay for the 2nd floor of the demised premises, other than the space subleased under the Engage Sublease) had this Amendment never been entered into).

7. Other than as specifically set forth in this Agreement, neither Landlord nor Tenant shall have any liabilities or obligations under the Lease with respect to (i) the Primary Space after the First Surrender Date and (ii) the Remainder Space after the Final Termination Date.

8. (a) As of the First Surrender Date, Landlord and Tenant release and relieve each other and their respective subsidiaries and affiliated corporations, partnerships and other entities, and their predecessors, successors and assigns, if any, and their respective partners, shareholders, principals, members, officers, directors, employees, financial advisors, agents and attorneys, past and present, and their respective heirs, successors and assigns, and each of them (collectively, the "**Releasees**") from and against all claims obligations and liabilities of every kind and nature whatsoever arising out of or in connection with the Lease with respect to the Primary Space (including but not limited to any late fees, penalties and payments and all other amounts payable under the Lease) except with respect to (i) any matter for which a party would have to indemnify the other under the Lease and which relates to the period prior to the First Surrender Date, and (ii) any other matter specifically set forth in this Agreement (the matters referred to (i) and (ii) but without regard to the period to which they relate are collectively referred to as "**Surviving Obligations**"). Notwithstanding the foregoing, neither Landlord nor Tenant nor any of their respective Releasees shall be released from any covenant, representation or warranty contained in this Agreement.

(b) Provided the First Surrender Date has occurred, as of the Final Termination Date, Landlord and Tenant release and relieve each other and their Releasees from and against all claims obligations and liabilities of every kind and nature whatsoever arising out of or in connection with the Lease, except Surviving Obligations which relate to the period prior to the Final Termination Date. Notwithstanding the foregoing, neither Landlord nor Tenant shall be released from any covenant, representation or warranty contained in this Agreement.

9. Notwithstanding anything to the contrary contained in this Agreement, Tenant agrees to remit to Landlord any and all amounts received from Engage under the Engage Sublease that relate to the period from and after the First Surrender Date;

it being understood and agreed that the foregoing is not intended to permit the occupancy of Engage pursuant to the Engage Sublease beyond the First Surrender Date. The provisions of this Paragraph 9 shall survive the First Surrender Date.

10. Notwithstanding anything to the contrary in the Lease or in this Agreement, if any provision of this Agreement shall be rendered or otherwise be deemed void, unenforceable, rejected or otherwise ineffective, for any reason, including, without limitation, in the context of (i) a proceeding filed by or against Tenant in any court pursuant to any statute either of the United States of America or of any state, (ii) an order entered in connection with any bankruptcy or Chapter 11 case, receivership or other reorganization or insolvency case or proceeding commenced by or against Tenant, or (iii) Tenant making an assignment for the benefit of creditors or petitions for or enters into an arrangement with creditors, and, in any event, only if all or any portion of the Termination Payment is disgorged by Landlord as a result of the ruling of the appropriate bankruptcy court or any other court having jurisdiction thereof (any such ruling or order by a bankruptcy court or such other court administering the applicable case or proceeding shall be defined herein as a "**Disgorgement Ruling**") then Tenant shall remain liable for all base rent and additional rent payable under the Lease for the period commencing on August 1, 2003 through and including the expiration date as originally set forth in the Lease, subject to Landlord's duty, if any, to exercise commercially reasonable efforts to mitigate damages, as if this Amendment had never been entered into and Landlord shall be entitled to bring an action or actions against Tenant and be entitled to recover from Tenant such base rent and additional rent in accordance with the Lease. Any amounts to which Landlord would be entitled to recover pursuant to this paragraph shall be reduced by any portion of the Termination Fee which Landlord may finally be permitted to retain notwithstanding any Disgorgement Ruling and the value of the CMGI Stock on the first anniversary of the First Surrender Date.

11. Contemporaneously herewith, Landlord and Tenant shall execute, acknowledge and exchange the Termination of Notice annexed hereto as **Exhibit B**, which instrument Landlord shall record in the appropriate recording office to for the purpose of canceling of record that certain Notice of Lease dated July 16, 1999 recorded in Book 5504, Page 171. In addition, at the request of Landlord, Tenant agrees to execute, acknowledge any instrument required to cancel, of record, any subordination non-disturbance and attornment relating to the Lease.

12. Landlord and Tenant represent and warrant to each other that Landlord and Tenant, as the case may be, has the authority to enter into this Agreement and to perform its obligations hereunder, including, in the case of Tenant, issuance of the CMGI Stock, and that the execution hereof does not violate the provisions of any other agreement or instrument to which it may be a party or by which Landlord or Tenant, as the case may be, may be bound.

13. Landlord and Tenant each represents and warrants to the other that it neither consulted nor negotiated with any broker or finder with regard to this Agreement. Landlord and Tenant each agree to indemnify, defend and save the other harmless from and against any claims for fees or commissions by anyone with whom Landlord or Tenant, as the case may be, has dealt in connection with this Agreement and which are the result of the acts of Landlord or Tenant, as the case may be. Notwithstanding any of the foregoing, Landlord will pay any amount due Rockwood Realty Advisors in connection herewith and Tenant represents that it consulted with Cornerstone Advisory Services, LLC in connection with the transactions contemplated by this Agreement and Tenant will pay any amount due Cornerstone Advisory Services, LLC.

14. (a) Tenant hereby represents, warrants and covenants that (1) it owns the tenant's interest under the Lease, and has and will have good right to surrender same, (2) it has not assigned, pledged, mortgaged, or encumbered the Lease or subleased any part of the demised premises (except for the Overture Sublease, which terminated on July 28, 2003, (ii) the Med Sublease and (iii) the Engage Sublease), (3) nothing will be done or suffered whereby the Lease or the term or estate thereby granted, or the demised premises or any part thereof, have will be encumbered in any way whatsoever, (4) there are no persons or entities claiming by, through or under Tenant, or who or which may claim by, through or under Tenant, any rights with respect to the Lease or demised premises (except for the subtenants under the Overture Sublease, the Med Sublease and the Engage Sublease), nor shall Tenant permit any such claim to arise prior to the Final Termination Date, (5) it owns good title to the Permitted Property and Tenant's Property free and clear of any liens, claims or security interests whatsoever, (6) the authorization, issuance, sale and delivery of the CMGI Stock have been duly authorized by all requisite action of the Tenant's board of directors and, if required by applicable law or the Tenant's stockholders, (7) the CMGI Stock being issued as of the date of delivery will be validly issued and outstanding, fully paid and nonassessable, with no personal liability attaching to the ownership thereof, free and clear of any liens whatsoever and with no restrictions on the voting rights thereof, if any, and other incidents of record and beneficial ownership pertaining thereto, and (8) the CMGI Stock shall have been approved for listing with NASDAQ, if required, at or prior to its delivery to Landlord.

(b) Landlord understands that the shares of CMGI Stock it will receive pursuant to the terms of this Agreement have not been registered under the Securities Act of 1933, as amended (the "**Act**"). Landlord also understands that the shares of CMGI Stock are being offered and sold pursuant to an exemption from registration under the Act based in part upon Landlord's representations contained in this Agreement. Landlord hereby represents and warrants as follows:

(1) Landlord is acquiring the CMGI Stock for Landlord's own account and for investment purposes only, and not with a view towards their distribution other than pursuant to an effective registration statement or a valid exemption from registration under the Act.

(2) Landlord is an "accredited investor" (as such term is defined in Rule 501(a) of Regulation D promulgated by the Securities and Exchange Commission under the Act). By reason of Landlord's, or of Landlord's management's, knowledge, business or financial experience, Landlord is capable of evaluating the risks of an investment in the CMGI Stock and has the capacity to protect its own interests in connection with the transactions contemplated by this Agreement. In addition, Landlord has adequate means of providing for current financial needs and contingencies, has no need for liquidity in the CMGI Stock, and is able to bear the substantial economic risks of the investment in the CMGI Stock for an indefinite period of time.

(3) Landlord has had an opportunity to discuss Tenant's business, management and financial affairs with directors, officers and management of Tenant. Landlord has also had the opportunity to ask questions of and receive answers from, Tenant and its management regarding the terms and conditions of the issuance and terms and conditions of the CMGI Stock.

(b) Landlord hereby represents and warrants that it is the successor-in-interest to Andover Mills Realty Limited Partnership.

(c) Each of Landlord and Tenant agrees to indemnify, defend and hold the other party and their respective agents, officers, principals, members, employees and owners harmless from any loss, liability and expense incurred by such party or any of the aforementioned parties as a result of any claim made against such party which is based upon a breach of any representation made by the Landlord or Tenant, as applicable, in this Agreement.

15. Landlord agrees and acknowledges that Tenant may issue a press release announcing the execution of this Agreement and the transactions contemplated hereby, such press release to be subject to prior written approval of Landlord, which approval shall not be unreasonably withheld. In addition, Tenant may file this Agreement with the Securities and Exchange Commission.

16. This Agreement shall not be binding upon Landlord and Tenant unless and until it is signed by and delivered to each of the parties hereto. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

17. As of the Effective Date, the term "this Lease" as used in the Lease shall mean the Lease as amended, modified and supplemented pursuant to this Agreement.

18. This Agreement contains the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior understandings or agreements of the parties relating to such subject matter.

19. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts.

20. The terms, covenants and provisions of this Agreement shall bind and inure to the benefit of Landlord and Tenant and their respective legal representatives, successors and assigns.

21. Except as modified, amended and supplemented by this Agreement, the Lease and all covenants, agreements, terms and conditions thereof shall continue in full force and effect and are hereby in all respects ratified and affirmed. In the event of any inconsistency between the terms of this Agreement and the terms of the Lease (where and if the Lease is relevant), the terms of this Agreement shall govern and control.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

LANDLORD:

ANDOVER MILLS LLC, a Delaware limited liability company

By: /s/ Carmine A. Visone

Name: Carmine A. Visone
Title:

TENANT:

CMGI, INC., a Delaware corporation

By: /s/ Thomas Oberdorf

Name: Thomas Oberdorf
Title: Chief Financial Officer

SEVERANCE AGREEMENT

THIS SEVERANCE AGREEMENT (“Agreement”) by and between SalesLink Corporation, a Delaware corporation with principal executive offices located at 425 Medford Street, Charlestown, MA 02129 (the “Company”), and Bryce Boothby (the “Executive”), is made as of April 27, 2001.

WHEREAS, the Board of Directors of the Company (the “Board”) has determined that the 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 benefits set forth in this Agreement in the circumstances described below.

1. Not A Guarantee of Employment. The Executive acknowledges that this Agreement does not constitute a guarantee 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. The 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 lawful reason.

2. Severance Pay and Option Acceleration under Certain Circumstances Following a Change of Control. In the event a Change in Control (as defined below) occurs and, within one year thereafter, the employment of the Executive is terminated (i) by the Company for a reason other than for Cause (as defined below) or (ii) by the Executive for Good Reason (as defined below), then the Executive shall be eligible for severance pay in accordance with such policies as the Board may establish from time to time, provided he executes a copy of the Company’s standard severance agreement and release following his last day of employment with the Company. Such severance pay shall amount to no less than the equivalent of six months’ base wages, less applicable taxes and withholding, and shall be paid in installments, on a semi-monthly basis, in accordance with the Company’s regular payroll practices.

Additionally, in the event a Change in Control occurs and, within one year thereafter, the employment of the Executive is terminated (i) by the Company for a reason other than for Cause or (ii) by the Executive for Good Reason, with respect to the option to purchase shares of common stock of the Company granted by the Company on April 27, 2001 to, and then held by, the Executive, on the Executive’s last day of employment with the Company, twenty-five (25) percent of the original number of shares subject to such option shall be accelerated such that the Executive shall be entitled to exercise the option (in accordance with the exercise terms and conditions set forth in the option agreement and/or plan pursuant to which such option was granted) to the same extent as he would have had the accelerated portion of the option vested in accordance with the schedule established in the applicable stock option grant.

3. Sole Remedy. The payment to the Executive of the amounts payable under Section 2 (and applicable acceleration of options) along with payment of any accrued but unused vacation pay shall constitute the sole remedy of the Executive in the event of a termination of the Executive's employment with the Company following a Change of Control.

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 Company of: (i) gross negligence or willful misconduct by the Executive in connection with the Executive's employment duties, (ii) failure by the Executive to perform his duties or responsibilities required pursuant to the Executive's employment after written notice and a 30-day opportunity to cure, (iii) misappropriation by the Executive for the Executive's personal use of the assets or business opportunities of the Company, or its affiliates, (iv) embezzlement or other financial fraud committed by the 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) "Change in Control" shall mean the consummation of any of the following events: (i) a sale, lease or disposition of all or substantially all of the assets of the Company, or (ii) a merger or consolidation (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 a "Change in Control" shall not include a sale, lease, transfer or other disposition of all or substantially all of the capital stock, assets, properties or business of the Company (by way of merger, consolidation, reorganization, recapitalization, sale of assets, stock purchase, contribution or other similar transaction) that involves the Company, on the one hand, and CMGI, Inc. or any CMGI Subsidiary (as defined herein), on the other hand.

(c) "CMGI Subsidiary" shall mean any corporation or other entity that is controlled, directly or indirectly, by CMGI, Inc.

(d) "Good Reason" shall mean the occurrence of any of the following conditions without the Executive's consent, which condition continues after notice by the Executive to the Company and a reasonable opportunity to cure such condition: (i) a decrease in the Executive's base salary, (ii) relocation of the Executive's work place to a location more than 50 miles from the Executive's business location at the time of the Change of Control, or (iii) the Executive's assignment to a position where the duties of the position are outside his area of professional competence.

5. Miscellaneous.

(a) Notices. Any notice 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.

(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. 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.

(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.

SALESLINK CORPORATION

By: /s/ Susan B. Lincoln

Title: Vice President

EXECUTIVE

/s/ Bryce C. Boothby, Jr.

CMGI, INC.

CODE OF BUSINESS CONDUCT AND ETHICS

This Code of Business Conduct and Ethics (the "Code") sets forth legal and ethical standards of conduct for directors, officers and employees of CMGI, Inc. and its subsidiaries (the "Company"), including CMGI's principal executive officer and its senior financial officers (principal financial officer and controller or principal accounting officer, or persons performing similar functions). This Code is intended to deter wrongdoing and to promote the conduct of all Company business in accordance with high standards of integrity and in compliance with all applicable laws and regulations. This Code applies to the Company and all of its subsidiaries and other business entities controlled by it worldwide.

If you have any questions regarding this Code or its application to you in any situation, you should contact your supervisor or Peter L. Gray, Executive Vice President and General Counsel of CMGI.

Compliance with Laws, Rules and Regulations

The Company requires that all employees, officers and directors comply with all laws, rules and regulations applicable to the Company wherever it does business. You are expected to use good judgment and common sense in seeking to comply with all applicable laws, rules and regulations and to ask for advice when you are uncertain about them.

If you become aware of the violation of any law, rule or regulation by the Company, whether by its officers, employees or directors, it is your responsibility to promptly report the matter to your supervisor or Peter L. Gray, Executive Vice President and General Counsel of CMGI. While it is the Company's desire to address matters internally, nothing in this Code should discourage you from reporting any illegal activity, including any violation of the securities laws, antitrust laws, environmental laws or any other federal, state or foreign law, rule or regulation, to the appropriate regulatory authority. **Employees, officers and directors shall not discharge, demote, suspend, threaten, harass or in any other manner discriminate against an employee because he or she in good faith reports any such violation.** This Code should not be construed to prohibit you from testifying, participating or otherwise assisting in any state or federal administrative, judicial or legislative proceeding or investigation.

Conflicts of Interest

Employees, officers and directors must act in the best interests of the Company. You must refrain from engaging in any activity or having a personal interest that presents a "conflict of interest." A conflict of interest occurs when your personal interest interferes, or appears to interfere, with the interests of the Company. A conflict of interest can arise whenever you, as an officer, director or employee, take action or have an interest that prevents you from performing your Company duties and responsibilities honestly, objectively and effectively.

For example:

- No employee, officer or director shall perform services as a consultant, employee, officer, director, advisor or in any other capacity for, or have a financial interest in, a competitor of the Company, other than services performed at the request of the Company and other than a financial interest representing less than one percent (1%) of the outstanding shares of a publicly-held company; and
- No employee, officer or director shall use his or her position with the Company to influence a transaction with a supplier or customer in which such person has any personal interest, other than a financial interest representing less than one percent (1%) of the outstanding shares of a publicly-held company.

It is your responsibility to disclose any material transaction or relationship that reasonably could be expected to give rise to a conflict of interest to Peter L. Gray, Executive Vice President and General Counsel of CMGI, or, if you are an executive officer or director, to the Board of Directors, who shall be responsible for determining whether such transaction or relationship constitutes a conflict of interest.

Insider Trading

Employees, officers and directors who have material non-public information about the Company or other companies, including our suppliers and customers, as a result of their relationship with the Company are prohibited by law and Company policy from trading in securities of the Company or such other companies, as well as from communicating such information to others who might trade on the basis of that information. To help ensure that you do not engage in prohibited insider trading and avoid even the appearance of an improper transaction, the Company has adopted a Policy on Trading of Securities and Public Disclosures, which is available on CMGI’s Intranet.

If you are uncertain about the constraints on your purchase or sale of any Company securities or the securities of any other company that you are familiar with by virtue of your relationship with the Company, you should consult with Peter L. Gray, Executive Vice President and General Counsel of CMGI, before making any such purchase or sale.

Confidentiality

Employees, officers and directors must maintain the confidentiality of confidential information entrusted to them by the Company or other companies, including our suppliers and customers, except when disclosure is authorized by a supervisor or legally mandated. Unauthorized disclosure of any confidential information is prohibited. Additionally, employees should take appropriate precautions to ensure that confidential or sensitive business information, whether it is proprietary to the Company or another company, is not communicated within the

Company except to employees who have a need to know such information to perform their responsibilities for the Company. You should also review the relevant provisions of the Company's Policy on Trading of Securities and Public Disclosures. In the event you have executed a confidentiality agreement with the Company, such agreement imposes specific obligations and restrictions on you and such obligations shall govern to the extent they are, in any way, contrary to the terms of this Code of Business Conduct and Ethics.

Third parties may ask you for information concerning the Company. Employees, officers and directors (other than the Company's authorized spokespersons) must not discuss internal Company matters with, or disseminate internal Company information to, anyone outside the Company, except as required in the performance of their Company duties and after an appropriate confidentiality agreement is in place. This prohibition applies particularly to inquiries concerning the Company from the media, market professionals (such as securities analysts, institutional investors, investment advisers, brokers and dealers) and security holders. All responses to inquiries on behalf of the Company must be made only by the Company's authorized spokespersons. If you receive any inquiries of this nature, you must decline to comment and refer the inquirer to your supervisor or one of the Company's authorized spokespersons. The Company's policies with respect to public disclosure of internal matters are described more fully in the Company's Policy on Trading of Securities and Public Disclosures, which is available on CMGI's Intranet.

You also must abide by any lawful obligations that you have to your former employer. These obligations may include restrictions on the use and disclosure of confidential information, restrictions on the solicitation of former colleagues to work at the Company and non-competition obligations.

Honest and Ethical Conduct and Fair Dealing

Employees, officers and directors should endeavor to deal honestly, ethically and fairly with the Company's suppliers, customers, competitors and employees. Statements regarding the Company's products and services must not be untrue, misleading, deceptive or fraudulent. You must not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair-dealing practice.

Protection and Proper Use of Corporate Assets

Employees, officers and directors should seek to protect the Company's assets. Theft, carelessness and waste have a direct impact on the Company's financial performance. Employees, officers and directors must use the Company's assets and services solely for legitimate business purposes of the Company and not for any personal benefit or the personal benefit of anyone else.

Employees, officers and directors must advance the Company's legitimate interests when the opportunity to do so arises. You must not take for yourself personal opportunities that are discovered through your position with the Company or the use of property or information of the Company.

Gifts and Gratuities

The use of Company funds or assets for gifts, gratuities or other favors to employees or government officials is prohibited, except to the extent such gifts are in compliance with applicable law, nominal in amount and not given in consideration or expectation of any action by the recipient.

Employees, officers and directors must not accept, or permit any member of his or her immediate family to accept, any gifts, gratuities or other favors from any customer, supplier or other person doing or seeking to do business with the Company, other than items of nominal value. Any gifts that are not of nominal value should be returned immediately and reported to your supervisor. If immediate return is not practical, they should be given to the Company for charitable disposition or such other disposition as the Company believes appropriate in its sole discretion.

Common sense and moderation should prevail in business entertainment engaged in on behalf of the Company. Employees, officers and directors should provide, or accept, business entertainment to or from anyone doing business with the Company only if the entertainment is infrequent, modest and intended to serve legitimate business goals.

Bribes and kickbacks are criminal acts, strictly prohibited by law. You must not offer, give, solicit or receive any form of bribe or kickback anywhere in the world.

Accuracy of Books and Records and Public Reports

Employees, officers and directors must honestly and accurately report all business transactions. You are responsible for the accuracy of your records and reports. Accurate information is essential to the Company’s ability to meet legal and regulatory obligations.

All Company books, records and accounts shall be maintained in accordance with all applicable regulations and standards and accurately reflect the true nature of the transactions they record. The financial statements of the Company shall conform to generally accepted accounting rules and the Company’s accounting policies. No undisclosed or unrecorded account or fund shall be established for any purpose. No false or misleading entries shall be made in the Company’s books or records for any reason, and no disbursement of corporate funds or other corporate property shall be made without adequate supporting documentation.

It is the policy of the Company to provide full, fair, accurate, timely and understandable disclosure in reports and documents filed with, or submitted to, the Securities and Exchange Commission and in other public communications.

Concerns Regarding Accounting or Auditing Matters

Employees with concerns regarding questionable accounting or auditing matters or complaints regarding accounting, internal accounting controls or auditing matters may confidentially, and anonymously if they wish, submit such concerns or complaints in writing to Peter L. Gray, Executive Vice President and General Counsel of CMGI, at the address listed below.

See “Reporting and Compliance Procedures.” All such concerns and complaints will be forwarded to the Audit Committee of the Board of Directors, unless they are determined to be without merit by the Executive Vice President and General Counsel of CMGI and Chief Financial Officer of CMGI. In any event, a complete record of all complaints will be provided to the Audit Committee each fiscal quarter. Any such concerns or complaints may also be communicated, confidentially and, if you desire, anonymously, directly to any member of the Audit Committee of the Board of Directors.

The Audit Committee will evaluate the merits of any concerns or complaints received by it and authorize such follow-up actions, if any, as it deems necessary or appropriate to address the substance of the concern or complaint.

The Company will not discipline, discriminate against or retaliate against any employee who reports a complaint or concern (unless the employee is found to have knowingly and willfully made a false report).

Waivers of this Code of Business Conduct and Ethics

While some of the policies contained in this Code must be strictly adhered to and no exceptions can be allowed, in other cases exceptions may be possible. Any employee or officer who believes that an exception to any of these policies is appropriate in his or her case should first contact his or her immediate supervisor. If the supervisor agrees that an exception is appropriate, the approval of Peter L. Gray, Executive Vice President and General Counsel of CMGI must be obtained. Mr. Gray shall be responsible for maintaining a complete record of all requests for exceptions to any of these policies and the disposition of such requests.

Any executive officer, senior financial officer or director who seeks an exception to any of these policies should contact Peter L. Gray, Executive Vice President and General Counsel of CMGI. Any waiver of this Code for executive officers or directors or any change to this Code that applies to executive officers or directors may be made only by the Board of Directors of the Company and will be disclosed as required by law or stock market regulation.

Reporting and Compliance Procedures

Every employee, officer and director has the responsibility to ask questions, seek guidance, report suspected violations and express concerns regarding compliance with this Code. Any employee, officer or director who knows or believes that any other employee or representative of the Company has engaged or is engaging in Company-related conduct that violates applicable law or this Code should report such information to his or her supervisor or to Peter L. Gray, Executive Vice President and General Counsel of CMGI, as described below. You may report such conduct openly or anonymously without fear of retaliation. The Company will not discipline, discriminate against or retaliate against any employee who reports such conduct in good faith, whether or not such information is ultimately proven to be correct, or who cooperates in any investigation or inquiry regarding such conduct. Any supervisor who receives a report of a violation of this Code must immediately inform Peter L. Gray, Executive Vice President and General Counsel of CMGI.

You may report violations of this Code, on a confidential or anonymous basis, by contacting Peter L. Gray, Executive Vice President and General Counsel of CMGI by fax (617-866-4582), mail (CMGI, Inc., 425 Medford Street, Charlestown, MA 02129) or e-mail (pgray@cmgi.com). While we prefer that you identify yourself when reporting violations so that we may follow up with you, as necessary, for additional information, you may leave messages anonymously if you wish.

If Mr. Gray receives information regarding an alleged violation of this Code, he shall, as appropriate, (a) evaluate such information, (b) if the alleged violation involves an executive officer or a director, inform the Chief Executive Officer and Board of Directors of the alleged violation, (c) determine whether it is necessary to conduct an informal inquiry or a formal investigation and, if so, initiate such inquiry or investigation and (d) report the results of any such inquiry or investigation, together with a recommendation as to disposition of the matter, to the Chief Executive Officer of CMGI for action, or if the alleged violation involves an executive officer or a director, report the results of any such inquiry or investigation to the Board of Directors or a committee thereof. Employees, officers and directors are expected to cooperate fully with any inquiry or investigation by the Company regarding an alleged violation of this Code. Failure to cooperate with any such inquiry or investigation may result in disciplinary action, up to and including discharge for cause.

The Company shall determine whether violations of this Code have occurred and, if so, shall determine the disciplinary measures to be taken against any employee who has violated this Code. In the event that the alleged violation involves an executive officer or a director, the Chief Executive Officer and the Board of Directors, respectively, shall determine whether a violation of this Code has occurred and, if so, shall determine the disciplinary measures to be taken against such executive officer or director.

Failure to comply with the standards outlined in this Code will result in disciplinary action including, but not limited to, reprimands, warnings, probation or suspension without pay, demotions, reductions in salary, discharge for cause and restitution. Certain violations of this Code may require the Company to refer the matter to the appropriate governmental or regulating authorities for investigation or prosecution. Moreover, any supervisor who directs or approves of any conduct in violation of this Code, or who has knowledge of such conduct and does not immediately report it, also will be subject to disciplinary action, up to and including discharge for cause.

Dissemination and Amendment

This Code shall be distributed annually to each employee, officer and director of the Company, and each employee, officer and director shall certify that he or she has received, read and understood the Code and has complied with its terms.

The Company reserves the right to amend, alter or terminate this Code at any time for any reason. The most current version of this Code can be found in on CMGI's Intranet.

This document is not an employment contract between the Company and any of its employees, officers or directors and does not alter the Company's at-will employment policy.

Approved by CMGI, Inc. Board of Directors March 12, 2003

Certification

I, __________________________ do hereby certify that:

(Print Name Above)

1. I have received and carefully read the Code of Business Conduct and Ethics of CMGI, Inc.

2. I have had ample opportunity to ask questions and seek clarification with respect to the Code of Business Conduct and Ethics.

3. I understand the Code of Business Conduct and Ethics.

4. I have complied and will continue to comply with the terms of the Code of Business Conduct and Ethics.

Date:

______________________________ ______________________________

(Signature)

EACH EMPLOYEE, OFFICER AND DIRECTOR IS REQUIRED TO SIGN, DATE AND RETURN THIS CERTIFICATION TO THE CMGI LEGAL DEPARTMENT WITHIN 10 DAYS OF ISSUANCE. FAILURE TO DO SO MAY RESULT IN DISCIPLINARY ACTION.

EXHIBIT 21

SUBSIDIARIES OF CMGI, INC.
As of October 15, 2003

Name	Jurisdiction of Organization
Maktar Limited	Ireland
CMGI Asia Limited	Hong Kong
Lippri Limited	Ireland
CMGI France S.A.S	France
CMGI EuroHolding Limited	England and Wales
CMGI (UK) Limited	England and Wales
CMGI Europe Limited	England and Wales
AltaVista Company	Delaware
CMG Securities Corporation	Massachusetts
CMG@Ventures Capital Corp.	Delaware
CMG@Ventures Securities Corp.	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
SalesLink Corporation	Delaware
Pacific Direct Marketing Corp.	California
SalesLink Mexico Holding Corp.	Delaware
SalesLink de Mexico S De RL De CV	Mexico
SalesLink Servicios S De RL De CV	Mexico
InSolutions Incorporated	Delaware
On-Demand Solutions, Inc.	Massachusetts
SL Supply Chain Services International Corp.	Delaware
SalesLink International B.V.	Netherlands
Logistix Holdings Europe Ltd.	Ireland
SalesLink Solutions International Ireland Ltd.	Ireland
SalesLink International (Singapore) Pte. Ltd.	Singapore
SalesLink International (Malaysia) Sdn. Bhd.	Malaysia

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

The Board of Directors and Stockholders
CMGI, Inc.:

We consent to the incorporation by reference in the registration statements No. 333-71863, No. 333-90587 and No. 333-93005 on Form S-3 and No. 33-86742, No. 333-91117, No. 333-93189, No. 333-94479, No. 333-94645, No. 333-95977, No. 333-33864, No. 333-52636, No. 333-75598, No. 333-84648 and No. 333-90608 on Form S-8 of CMGI, Inc. of our report dated September 24, 2003, with respect to the consolidated balance sheets of CMGI, Inc. as of July 31, 2003 and 2002, 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, 2003, which report appears in the July 31, 2003 annual report on Form 10-K of CMGI, Inc.

/s/ KPMG LLP

Boston, Massachusetts
October 17, 2003

EXHIBIT 31.1

**CERTIFICATION PURSUANT TO
EXCHANGE ACT RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, George A. McMillan, President and Chief Executive Officer of CMGI, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of CMGI, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 17, 2003

By: /s/ George A. McMillan

George A. McMillan
President and Chief Executive Officer

**CERTIFICATION PURSUANT TO
EXCHANGE ACT RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Thomas Oberdorf, Chief Financial Officer and Treasurer of CMGI, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of CMGI, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 17, 2003

By: /s/ Thomas Oberdorf

Thomas Oberdorf
Chief Financial Officer and Treasurer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of CMGI, Inc. (the “Company”) for the fiscal year ended July 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, George A. McMillan, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 17, 2003

By: /s/ George A. McMillan

George A. McMillan
President and Chief Executive Officer

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of CMGI, Inc. (the "Company") for the fiscal year ended July 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Thomas Oberdorf, Chief Financial Officer and Treasurer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 17, 2003

By: /s/ Thomas Oberdorf

Thomas Oberdorf
Chief Financial Officer and Treasurer

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.