SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

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FORM 10-K

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

(Mark One)
(x) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Fiscal Year Ended July 31, 1999

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

For the Transition Period From_____ to _____
Commission File 000-22846

CMGI, Inc.
(Exact name of registrant as specified in its charter)

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

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

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

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

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No
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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The approximate aggregate market value of Common Stock held by non-affiliates of the Registrant was $7,391,519,644 as of October 22, 1999.

On October 22, 1999, the Registrant had outstanding 116,835,477 shares of voting Common Stock, $.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 1999 Annual Meeting of Stockholders are incorporated by reference into Part III of this Report. Portions of Item 5 and Items 6, 7 and 8 are incorporated by reference to the Company's 1999 Annual Report to Stockholders.

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This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes," "anticipates," "plans," "expects" and similar expressions are intended to identify forward-looking statements. The important factors discussed under the caption "Factors That May Affect Future Results" in the Company's 1999 Annual Report to Stockholders and incorporated herein by reference, 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.

PART I

ITEM 1. - BUSINESS

General CMGI, Inc. and its consolidated subsidiaries, ("CMGI" or "the Company") develop and operate Internet and fulfillment services companies. CMGI is a Delaware corporation. The Company previously operated under the name CMG Information Services, Inc. and was incorporated in 1986.

CMGI's Internet strategy includes the internal development and operation of majority-owned subsidiaries as well as taking strategic positions in other Internet companies that have demonstrated synergies with CMGI's core businesses. The Company's strategy also envisions and promotes opportunities for synergistic business relationships among the Internet companies within its portfolio. At July 31, 1999, CMGI's majority owned Internet subsidiaries included Activerse Inc. (Activerse), Adsmart Corporation (Adsmart), Blaxxun Interactive, Inc. (Blaxxun), CMGI Solutions, Inc. (CMGI Solutions), Engage Technologies, Inc. (Engage), iCAST Corporation (iCAST), Magnitude Network, Inc. (Magnitude Network), MyWay.com (formerly Planet Direct Corporation), Nascent Technologies, Inc. (Nascent), NaviNet, Inc. (NaviNet), NaviSite, Inc. (NaviSite), Netwright, LLC (Netwright) and ZineZone Corporation (ZineZone). Activerse provides open standard Internet messaging technologies; Adsmart is an online advertising network, providing a comprehensive set of services to advertisers and Web publishers; Blaxxun develops and markets software for internet multimedia communication; CMGI Solutions and Netwright are technology consulting units; Engage, which completed its IPO during fiscal year 1999, is a provider of profile-based Internet marketing solutions; iCAST was formed to provide both original and syndicated video and audio content and provide an interactive entertainment environment; Magnitude Network provides radio stations with integration of radio and the Internet; MyWay.com provides a Web portal that can be personalized to an individual user's locality, interests, and preferences, and customized for distribution affiliates; Nascent is a developer of value-added, carrier-class software that enables service providers to rapidly launch new services on the World Wide Web; NaviNet, an Internet Access Provider, offers a high-availability national network service for ISPs that want to expand their coverage, capacity, and capabilities through outsourcing; NaviSite, which commenced its IPO during October 1999, specializes in e-business outsourcing solutions, including high-end Web hosting and Internet application hosting, monitoring, and management; ZineZone is a network for people who are avid embracers and early adopters of new forms of entertainment, leisure and technology.

The Company maintains investments in three venture funds: CMG@Ventures I, LLC (CMG@Ventures I), CMG@Ventures II, LLC (CMG@Ventures II) and CMG@Ventures III, LLC (CMG@Ventures III). The Company owns 100% of the capital and is entitled to 77.5% to 80% of the net capital gains of these three funds.

The Company provides fulfillment services through three wholly-owned subsidiaries, SalesLink Corporation (SalesLink), InSolutions Incorporated (InSolutions), and On-Demand Solutions, Inc. (On-Demand Solutions). SalesLink's services are also provided through its subsidiary, Pacific Direct Marketing Corporation (Pacific Link). The Company's fulfillment services offerings include product and literature fulfillment, supply chain management, telemarketing, and outsourced e-business program management. In May 1999, CMGI completed the sale of its subsidiary, CMG Direct Corporation (CMG Direct) to Marketing Services Group, Inc. (MSGI). At the time, CMG Direct comprised the Company's lists and database services segment.

Subsequent to July 31, 1999, CMGI completed the acquisitions of AltaVista Company (AltaVista) and Signatures Network, Inc. (Signatures Network) and announced definitive agreements to acquire AdForce, Inc. (AdForce), AdKnowledge Inc. (AdKnowledge), and Flycast Communications Corporation (Flycast). These acquisitions are subject to customary conditions, including regulatory approval and target company shareholder approval. AltaVista is an online media and commerce network that integrates Internet technology and services to deliver fast, relevant results for both individuals and Web-based businesses; Signatures Network is a music and celebrity licensing and event merchandising company; AdForce is a provider of centralized online advertising services; AdKnowledge, which will become a wholly-owned subsidiary of Engage, is a provider of complete Web marketing management services focused entirely on the needs of on line marketers and agencies; Flycast is a provider of Web-based direct response advertising solutions to advertisers.

The Company has adopted a strategy of seeking opportunities to realize gains through the selective sale of investments or having separate subsidiaries or affiliates sell minority interests to outside investors. The Company believes that this strategy provides the ability to increase shareholder value as well as provide capital to support the growth in the Company's subsidiaries and investments. The Company expects to continue to develop and refine the products and services of its businesses, with the goal of increasing revenue as new products are commercially introduced, and to continue to pursue the acquisition of or the investment in, additional Internet and fulfillment services companies.

Products and Services

Products and services of the Company's majority-owned subsidiaries as of July 31, 1999 include the following:

Internet Segment
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Activerse

Activerse is a provider of software solutions that facilitate real-time communication and collaboration for business professionals in intra- or inter-organizational teams. Activerse's products address the complex dynamics of Web communication by providing instant access to Internet-connected communities, workgroups, social groups and individuals.

The DING! suite of products from Activerse utilizes open Internet standards including Java and HTML, and allows independent Web sites and Intranets to manage their own DING! communities. Activerse's products enable both consumer and corporate audiences to enhance online communities through the convenience of instant messaging.

Adsmart Corporation

Adsmart, one of the largest online advertising networks, provides a comprehensive set of services to advertisers and Web publishers. Adsmart's buying services combined with the media properties in the Adsmart network simplify the process for advertisers to plan and buy Internet advertising and build unique sponsorship and co-branding relationships. With Adsmart's assistance, advertisers can associate their brands with quality content and build relationships with online audiences on branded sites and in key audience channels. For Web publishers, Adsmart provides technology and services for planning, promoting, managing, serving and tracking interactive marketing campaigns in exchange for a percentage of the overall media buy. To competitively provide these services, Adsmart leverages its expertise in traditional and new media sales, brand advertising, direct marketing, and Web site operations.

The Adsmart Network is now comprised of over 300 Web sites totaling over 2.0 billion monthly impressions. While Adsmart focuses on site specific representation by adding premium sites to its growing network, Adsmart also offers key divisions and targeted categories that match the way people buy media, making the process easier for advertisers.

Adsmart's top branded Web sites such as Fast Company, U.S. News Online, and World Wrestling Federation are represented in key divisions that include Women, Sports, Business/Finance, Technology, Travel, Automotive, Young Adults, and its Hispanic division, NetFuerza. These divisions represent many of the best brands across the Web, giving advertisers a broad, highly popular set of Web sites to choose from. Adsmart also offers more than twenty additional targeted audience groups (TAG) which allow advertisers to make even more specific, focused media buys. These categories include: 12-24 male, adventure sports enthusiasts, affluent consumer, children, college, early adapters, e-commerce, entertainment, health/fitness, home owners/home buyers, investor information, men, moms, music enthusiasts, pets, photo interest, prospective auto buyers, seasonal/events, seniors, SOHO, teen, and travel interest.

In addition, all of the sites in the Adsmart network are represented in Adsmart's Media Plus Division. This division gives advertisers the demographics of a broad, general Internet audience for their online media buy. While advertisers benefit from those categories that directly meet their buying demands, they will still be able to make site specific media purchases, taking advantage of the premium brand names in the Adsmart Network and sponsorship campaigns, such as interactive games, microsites, contests and key events, developed by the Adsmart sales team. By structuring the network in this fashion, Adsmart is leveraging the benefits of a site specific model while aggregating its brands into leading advertiser-specified targets.

Blaxxun Interactive, Inc.

Blaxxun develops and markets software for internet multimedia communication, including the Blaxxun Community Platform and professional and consumer products for expert collaboration, e-commerce and community operation. Blaxxun designs and delivers customer solutions on the Blaxxun Community Platform. In addition, Blaxxun owns and operates selected online communities, based on its technology.

Blaxxun uses open standards as a key element necessary for the rapid adoption of Internet technology. Virtual Reality Modeling Language, or VRML, a counterpart to HTML, enables the construction of virtual worlds. Like HTML, VRML is an open

standard architecture that specifies formats and protocols for all aspects of virtual worlds, including 3-D geometry, sound, video, interactive behavior and avatars. Blaxxun's products, which include the Blaxxun Community Server, Community Client software and Developer packages, are VRML-compliant.

The Blaxxun Community Server, a high-performance, multi-user server, allows companies to incorporate interaction into their Web sites, creating user communities for business, education and entertainment. Key features include member and place management, avatar and bot support, shared objects and various types of chat.

In addition, the Blaxxun Community Clients and several Community Developer software packages allow integration of community technology with existing servers and databases. As a Community Client, users are able to access servers and interact with other users in the virtual 3-D environment. Community Developer software allows users to create their own customized 3-D virtual worlds.

The Blaxxun Software Development Kits provide application developers with a set of development tools to customize the Community Platform to specific needs. Uses of Blaxxun's products range from online trade shows to shopping malls, customer support to entertainment, and product promotion to corporate meetings. Blaxxun generates revenue primarily by selling its software products, but also offers complete solutions to its customers.

Engage Technologies, Inc.

Engage offers a range of products and services that enable Web publishers, advertisers and merchants to target the delivery of advertisements, content and e-commerce offerings to their audiences and to measure their effectiveness. Engage has generated most of its revenue to date through sales of its advertising management software and outsourced services, as well as its services for measuring and analyzing Web site traffic. In July 1999, Engage introduced the availability of its Engage Knowledge data service with customers. Engage Knowledge provides real-time access to Engage's database of more than 35 million anonymous profiles of Web users for more effective targeting of online advertising, promotions and content.

In October 1999, Engage introduced Engage AudienceNet, a Web-wide profile driven advertising and marketing network that uses Engage's anonymous, behavior based profiles to deliver substantial benefits to media buyers, Web sites and ad networks.

An Engage profile is an anonymous collection of information about an individual Web user's consumer interests, demographic characteristics and geographic location. These profiles are developed through a combination of a user's browsing behavior on participating Engage-enabled sites on the Internet and information the user has voluntarily declared at those sites.

Based on its proprietary technology, Engage has built a database using data drawn from multiple, diverse Web sites. When a user visits a Web site of any customer subscribing to the Engage Knowledge data service, Engage matches that visitor with his or her profile in the profile database. The Web site can then use that profile to target offerings to the visitor based on his or her particular preferences, demographic characteristics and geographic location.

Engage's profiling technology can create local and global user profiles. Local profiles, which are created and maintained by Engage's customers, contain data derived from the customer's own Web site and typically map preferences based on particular interest categories designed by the customer and demographic characteristics. Global profiles, which are compiled from data contributed to the centralized Engage Knowledge database from the Web sites of all participating Engage customers, are provided to customers on a subscription basis and provide a broader and more detailed description of users' interests. These global profiles do not contain personally identifiable information of individual users, such as name, home or e-mail address, IP address or domain name.

Each Engage global profile contains a series of numerical scores reflecting each Web user's inferred preference level in hundreds of standard categories and subcategories as well as demographic and geographic information. Categories can be further customized to meet the needs of a specific customer or market. Engage software uses sophisticated proprietary algorithms and methodologies to continuously update and refine these global profiles based on a visitor's browsing behavior across multiple Web sites, including pages selected by the user, the duration of the user's visits and the responses of the user to specific advertisements and promotions.

Engage profiles are designed to work with other Engage applications, third-party software or customers' internally developed solutions, allowing customers flexibility as the uses of profiling and related applications develop and evolve.

The Company began to offer its ad management systems and services in April 1998 upon acquiring Accipter, Inc. Engage Accipiter products and services are designed to manage and deliver advertising and direct marketing promotions on individual Web sites. In April 1999, the Company also acquired Internet Profiles Corporation (I/PRO), and began to offer products and services that provide Web site traffic measurement and analysis and verification of site traffic and advertising results. I/PRO operates as a wholly owned subsidiary of Engage.

iCAST Corporation

iCAST's objective is to build and launch a next generation Internet entertainment company. Among other goals, iCAST will seek to offer users a highly interactive environment complete with a down-loadable desktop entertainment application, syndicated and original audio and video content, self-publishing tools, community features such as chat, instant messaging, news feeds and the ability to connect with entertainers. The iCAST Website is currently in production, with its launch targeted before the end of calendar 1999.

Magnitude Network, Inc.

Magnitude Network services clients looking for web distribution and development solutions and has built a network of over 220 radio stations that use their products and services. Magnitude Network provides radio stations with a turnkey solution that allows stations to focus on their core radio competency.

Magnitude Network's products and services include:

- Web strategy consultation
- Customizable e-commerce merchandising and store-fronts as well as management backend fulfillment.
- Web site design and development
- Streaming media servicing
- Advertising sales, serving and creation, nationally and locally.
- Content integration
- Rich Media ads
- Now Playing - links live streams to a dynamic information archive
- E-mail based direct marketing data base services
- Content distribution and advertising on over 220 US radio stations web sites

MyWay.com

MyWay.com provides a Web portal that can be highly personalized to an individual user's locality, interests and preferences, and deeply customized for distribution affiliates. Internet users reach MyWay.com at either the MyWay.com URL or through an Internet Service Provider (ISP), affinity group, or corporate affiliate in the MyWay.com syndication network. MyWay.com believes that the resulting network-wide viewership aggregated around channels of highly desirable, focused content appeals to commerce partners and advertising sponsors.

The advanced customization technology developed by MyWay.com allows rapid deployment of custom portal solutions. Each affiliate in the syndication network distributes and promotes its own branded version of the service customized for their audience's special interest. The custom branded portal and content objects from MyWay.com are designed to enhance affiliates' brand equity and extend their customer/member relationship online. The MyWay.com syndication network provides content, e-commerce and advertising partners with targeted audience reach.

MyWay.com's core product is a highly customizable Web service providing mainstream consumers and business users with the means to organize, communicate and find information in a logical and intuitive manner. Personalized content and community features include continually updated news headlines, real-time stock quotes, sports and entertainment information and localized content for more than 380 U.S. cities.

Through numerous partnerships with name-brand content providers, MyWay.com aggregates over 40,000 content pages. The service's highly flexible technology platform allows each page to display a distribution affiliate's brand, deliver individualized content according to the user's affinity or special interest, and respond to the user's selections, preferences and perspective.

MyWay.com also distributes customizable content objects that can be easily integrated into any Web site. The objects enhance a Web site with such features as news, weather, photos, financial planning, reminders, classifieds and travel planning. Each object links to corresponding content on the affiliate's branded version of MyWay.com.

Nascent Technologies, Inc.

Nascent Technologies is a provider of scalable software applications that enable Internet access to electronic mail messaging and directories through standard browser-enabled devices including desktop and laptop computers, wireless handsets and PDA devices. Nascent's Mailspinner products provide customers the ability to host custom branded Internet messaging services for their subscribers without having to load electronic mail messaging software on subscribers' computer devices.

Mailspinner provides access to email through ordinary Web Browsers. In addition to allowing users to read their mail, Mailspinner provides the ability to compose, save and transfer messages as well as check mail from a variety of sources. Other functionality includes personal preferences such as signature files and an address book.

Mailspinner PCS provides access to email through wireless communication devices. Mailspinner PCS uses a custom Web Browser to leverage Nascent Technologies server-engine technology to bring email to wireless handsets.

Nascent Technologies also provides custom engineering services to support and extend the Mailspinner products. These professional services range from changing the "look-and-feel" of the Mailspinner interface to custom software engineering to ensure that Mailspinner works with a customer's unique software implementation.

NaviNet, Inc.

NaviNet provides high-performance private label Internet access solutions that are designed to enable organizations to expand their customer reach without significant investment in infrastructure and technology.

NaviNet has built a proprietary network architecture, the NaviNet Technology Platform, that the Company believes provides cost, quality and performance advantages over existing dial-up access solutions. The NaviNet Technology Platform aggregates multiple local calling areas into MegaPOPs, deploys advanced switch bypass technology to eliminate busy signals due to voice switch congestion, and employs private transit Internet connectivity to bypass congested public peering points on the Internet. NaviNet's services include Internet connectivity, network management, user authentication and customer support based on full 24x7 service and support from its Network Management Center (NMC). The NMC provides second level support for service requests and emergencies using an automated trouble ticket tracking and escalation system.

GeoDial, NaviNet's flagship product, provides ISPs with Internet access at highly competitive price metrics, allowing customers to move into new markets while lowering their cost per subscriber. In addition, GeoDial includes Service Level Agreements (SLA's) and its online management tools supply network activity and subscriber usage information and are an important customer resource. As of July 31, 1999, network coverage reached over 40% of the U.S. online population and is targeted to reach more than 80% by year's end.

NaviSite, Inc.

NaviSite is an Internet application service provider offering Web site and application hosting and management services. NaviSite's Internet application service offerings allow businesses to outsource the deployment, configuration, hosting, management and support of their Web sites and Internet applications in a cost-effective and rapid manner.

NaviSite's focus on enhanced management services, beyond basic co-location services, allows NaviSite to meet the expanding needs of businesses as their Web sites and Internet applications become more complex. NaviSite also provides customers with access to NaviSite's state-of-the-art data centers and the benefit of their direct private transit Internet connections to major Internet backbone providers. NaviSite only uses direct private transit Internet connections, which differentiates their network infrastructure from that of most of their competitors. These connections increase reliability and download speeds. The scalability of NaviSite's infrastructure and cost-effectiveness of their solutions allow NaviSite to offer a comprehensive suite of services to meet the current and future hosting and management needs of their customers.

NaviSite's suite of service offerings includes:

- Web site and Internet application hosting, which includes access to NaviSite's state-of-the-art data centers, bandwidth and basic back-up, storage and monitoring services;

- Enhanced server management, which includes custom reporting, hardware options, load balancing and mirroring, system security, advanced back- up options, remote management and the services of NaviSite's business solution managers;

- Specialized application management, which includes management of e-commerce and other sophisticated applications and their underlying services, including ad-serving, streaming, databases and transaction processing; and

- Application rentals and related consulting and other professional services.

ZineZone Corporation

Launched in March 1999, ZineZone is a lifestyle Web site targeting adventurers and trendsetters who readily embrace new forms of leisure and entertainment. The site offers original multi-media content, powerful personalization capabilities, unique editorial content and personal publishing tools. ZineZone maintains its specialized content by searching the Web with a powerful search and retrieval filtering technology. The site delivers daily updated content based on user interests and features interviews with 'Trailblazers', which are defined as outstanding innovators whose risk taking and determination have enabled them to redefine their field and themselves. Users can interact with 'Trailblazers' and one another through email chats and discussion groups. ZineZone has an archive of over 1000 'Zines' or Web guides, which are organized digests of Web content, automatically filtered and updated on a 24-hour basis.

CMG@Ventures Funds

The Company's first Internet venture fund, CMG@Ventures I, LLC (CMG@Ventures I) was formed in February, 1996. CMGI completed its $35 million commitment to this fund during fiscal year 1997. The Company owns 100% of the capital and is entitled to approximately 77.5% of the net capital gains of CMG@Ventures I. The Company's second Internet venture fund, CMG@Ventures II, LLC (CMG@Ventures II), was formed during fiscal year 1997. The Company owns 100% of the capital and is entitled to 80% of the net capital gains of CMG@Ventures II.

In fiscal year 1999, CMGI announced the formation of the @Ventures III venture capital fund (The Fund). The Fund secured capital commitments from outside investors and CMGI, to be invested in emerging Internet service and technology companies. 78.1% of amounts committed to The Fund are provided through two newly formed 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 2% of the net capital gains realized by both entities. Management of these entities is the responsibility of @Ventures Partners III, LLC. The Company has committed to contribute up to $56 million to its newly formed limited liability company affiliate, CMG@Ventures III, LLC, equal to 19.9% of total amounts committed to The Fund, of which approximately $20 million has been funded as of July 31, 1999. CMG@Ventures III, LLC will take strategic positions side by side with @Ventures III L.P. CMGI owns 100% of the capital and is entitled to 80% of the net capital gains realized by CMG@Ventures III, LLC. @Ventures Partners III, LLC is entitled to the remaining 20% of the net capital gains realized by CMG@Ventures III, LLC. The remaining 2% committed to The Fund is provided by a fourth entity, @Ventures Investors, LLC, in which CMGI has no ownership. CMG@Ventures III, LLC is currently proposing an expansion fund to @Ventures III to provide follow-on financing to existing @Ventures III investee companies, pursuant to which CMGI's commitment could increase by up to $38 million. The Company anticipates synergies between these strategic positions and CMGI's core businesses, including speeding technological innovation and access to markets.

At July 31, 1999, the CMG@Ventures funds held investments in the following companies for which the funds have made no distributions:

Company Name	Description of Business	Ownership Percentage of Outstanding Shares	Initial Investment Date
Ancestry.com, Inc.	A provider of community, content and commerce resources for families via the Internet.	8%	Dec. 1998
Asimba, Inc.	A content rich, personalized, online community for the competitive and recreational sports market.	4%	Oct. 1998
AuctionWatch.com, Inc. (formerly Omnibot)	An online destination that aggregates auction-related information, posts daily editorial content, and provides value-added services to new and experienced buyers and sellers in the auction process.	1%	July 1999
Aureate Media Corporation	Provides software publishers with ad-supported distribution channels, services, and technology.	6%	July 1999
BizBuyer.com, Inc.	An online business-to-business marketplace where small to mid-size businesses can put their product and service needs out for bid and receive quotes from thousands of qualified vendors.	8%	June 1999
Blaxxun Interactive, Inc.	Provides products and solutions for multimedia communication on the Internet and intranet	54%	Aug. 1995
Carparts.com	Provides consumers with a search capability to locate and order online certain auto parts.	5%	Mar. 1999
Chemdex Corporation	A provider of electronic commerce solutions for the life science industry, uniting buyers and suppliers in a single Web marketplace.	9%	Sept. 1997
Critical Path, Inc.	Supplies email and messaging solutions to corporations, Internet Service Providers, Web hosting companies and Web portals.	4%	Apr. 1998
eCircles Corporation	Provides a free service that allows for friends and family to share information and coordinate events on the World Wide Web.	8%	Mar. 1999
Exp.com, Inc. (formerly Advoco.com)	Provides an electronic marketplace for interactive advice servicing a wide range of categories.	5%	Apr. 1999
Furniture.com, Inc.	An e-commerce provider of a broad selection of furniture and home furnishing accessories.	4%	Dec. 1998
HotLinks Network, Inc.	Operates a service that allows users to create personal Web directories.	9%	Dec. 1998
INPHO.com, Inc. / HomePriceCheck.com	Provides methods by which the public can access public information.	15%	July 1999
Intelligent/Digital, Inc.	Offers "market-making" technologies and services that facilitate real-time interaction and live trade between the buying and selling communities in business-to-business marketplaces.	6%	June 1999
KOZ, Inc.	Helps media companies, such as newspapers and broadcasters, strengthen their ties to their local communities by providing value-added programs and services that simplify community building on the World Wide Web.	8%	May 1997
MotherNature.com	An online retail store and information source for natural and healthy living products.	13%	May 1998
NameTree, Inc.	Builds enhanced DNS systems for the Internet.	6%	July 1999
NextMonet.com, Inc.	An e-commerce site for purchasers of art, in the form of an on-line art gallery.	11%	Jan. 1999

Company Name	Description of Business	Ownership Percentage of Outstanding Shares	Initial Investment Date
NextPlanetOver.com	Combines e-commerce with original editorial content in order to create a Web-based shopping experience for the entertainment hobbyist.	5%	May 1999
OneCore Financial Network, Inc.	Offers an integrated set of Web-based financial applications targeted at small businesses.	6%	Feb. 1999
ONEList.com, Inc.	Provides free e-mail communities via the Internet, allowing users to search for or subscribe to communities on different topics or create their own community.	6%	Dec. 1998
PlanetOutdoors.com, Inc.	An e-commerce distributor of outdoor recreation and adventure travel products.	6%	July 1999
Productopia, Inc.	Provides product advice for consumers looking for information and recommendations on what to buy and where they can find it.	7%	May 1999
Promedix.com, Inc.	A business-to-business Web site, called the Specialty Medical Product Exchange, that streamlines the buying and selling of specialty medical products.	7%	Dec. 1998
Raging Bull, Inc.	A free financial Web site that provides investors with financial discussion and commentary along with free real-time stock quotes.	12%	Sept. 1998
Silknet Software, Inc.	Provides customer driven centric eBusiness software that helps companies build their e-businesses.	18%	Oct. 1996
Speech Machines plc	An operator of Internet-based speech-to-text services.	19%	Sept. 1997
Thingworld.com, LLC (formerly Parable, LLC)	Enables entertainment, music, sports, and consumer brand companies to creatively manage and distribute their properties online.	36%	Aug. 1996
Vicinity Corporation	A provider of e-retail technologies and services that connect shoppers in the online world with sellers in the real world.	32%	Feb. 1996
Virtual Ink Corporation	A newly launched company focused on the development of Digital Meeting Assistant (TM) (DMA) technologies.	8%	Oct. 1998
Visto Corporation	Provides Web-based personal information services.	9%	June 1998
WebCT, Inc. (formerly Universal Learning Technology)	Provides a Web-based platform for teaching and learning in the higher education marketplace.	30%	July 1998
Vstore.com	Provides an on-line retail hub that allows users to create a custom on-line store for at no cost.	1%	July 1999

CMG@Ventures I also held 6.6 million shares of Lycos common stock at July 31, 1999, of which 2.9 million had been allocated to outside profit members, and 1.5 million shares may be required to be sold to Lycos pursuant to employee stock option exercises at prices ranging from $0.0025 to $2.40. CMG@Ventures II also held 2.4 million shares of Hollywood Entertainment Corporation (Hollywood Entertainment) common stock, of which approximately 2.0 million shares were attributable to CMGI. CMG@Ventures II received the Hollywood Entertainment shares during fiscal 1999 in exchange for its investment in Reel.com, Inc.

Chemdex, Critical Path, Hollywood Entertainment, Lycos and Silknet shares are publicly traded on the Nasdaq National Market under the symbols CMDX, CPTH, HLYW, LCOS and SILK, respectively.

Fulfillment Services

SalesLink Corporation

SalesLink, along with its subsidiary, Pacific Link, provides product and literature fulfillment, inventory and data warehouse management, supply chain management, closed-loop telemarketing, customized software solutions and value added services for its clients' marketing or manufacturing programs, primarily to high technology, biotechnology, financial services and health-care markets. SalesLink's largest customer is Cisco Systems, Inc. (Cisco), which accounted for 67% and 64% of SalesLink's fiscal year 1999 and 1998 revenues, respectively.

Product and Literature Fulfillment. On behalf of its fulfillment clients, SalesLink receives orders for promotional literature and products and "fulfills" them by assembling and shipping the items requested. Product and literature fulfillment services begin with the receipt of orders by SalesLink's inbound telemarketing staff via phone or electronic transmission directly into SalesLink's computers. Orders are then generated and presented to the production floor where fulfillment packages are assembled and shipped to either the end-user or to a broker or distributor.

Inventory and Data Warehouse Management. As adjunct services to fulfillment, SalesLink provides product and literature inventory control and warehousing, offering its customer support and management reports detailing orders, shipments, billings, back orders and returns.

Supply Chain Management. SalesLink also offers supply-based management programs. Also known as "turnkey," these programs are a form of outsourced manufacturing, in which clients retain SalesLink to purchase components and manufacture customer bills of materials into products that are either shipped to customers, channels of distribution, or to the customer's factory for final manufacturing. These outsourced manufacturing services primarily assist companies in the areas of accessory kits, software, literature and promotional products.

Telemarketing. SalesLink's telemarketing group offers comprehensive inbound business-to-business telemarketing services to support its sales inquiry management and order processing activities. Telemarketing services include lead qualification, order processing fulfillment and marketing analysis. SalesLink also offers outbound business telemarketing services that are tailored to an individual client's needs. Outbound telemarketing programs can be used to update a client's existing database, survey possible markets or pre-qualify sales leads.

Customized Software Solutions. SalesLink's proprietary information management system, SL FlagShip, allows customers to better understand their sales and product ordering information. The information is used by customers to evaluate inventory, market campaigns and distribution channel success. SL FlagShip can help solve geomarketing, budget, sales, and media problems through campaign analysis, market demographics, sales lead and territory management, source code analysis, market research and surveys.

InSolutions, Inc.

InSolutions provides comprehensive supply chain management solutions for clients in the high technology industry. InSolutions' services include:

- D-ROM, DVD and diskette replication
- Product packaging and assembly
- Fulfillment
- Print management
- Electronic order processing and software distribution
- Inventory management
- Online operations including remote access to inventory, work-in-progress, order status and package tracking.

On-Demand Solutions, Inc.

On-Demand Solutions provides online operations logistics solutions, offering outsourced program management that support all aspects of the "Web to Warehouse to Customer" process, and markets support programs for the high-tech, scholastic and sports industries. On-Demand Solutions' online operations provide service and support in the following e-business value chain areas:

- Remote access to bills of material, "see through" inventory, work-in-progress, order status and online package tracking.
- Online inventory supply and e-mail order confirmation
- Complete supply chain management and software manufacturing and/or assembly services
- Real-time order processing and product fulfillment
- Secure online shopping and payment functionality
- Web site design, hosting and maintenance

- Marketing capabilities including campaign support, online survey/registration data capture for customer profiling, marketing collateral manufacturing & fulfillment to prospective clients and customer contact strategies

List and Database Services

In May 1999, the Company completed the sale of its subsidiary, CMG Direct to MSGI. At the time, CMG Direct comprised the Company's entire lists and database services segment. These services consisted principally of providing mailing lists to those interested in marketing to students and others in the educational field, as well as providing general customer database management and list processing services. As a result of the sale, the net gain on the sale of CMG Direct and the historical operations of the Company's lists and database services segment have been reflected as income from discontinued operations in the accompanying consolidated financial statements. The list and database services segment ceased to exist upon the sale of CMG Direct.

AltaVisa Acquisition Subsequent to Year End

On August 18, 1999 CMGI completed the acquisition of an 81.5% equity stake in AltaVista Company and its two wholly-owned subsidiaries: Zip2 Corporation and Shopping.com (AltaVista) for consideration of approximately $2.4 billion. AltaVista integrates proprietary Internet technology and services to deliver relevant results for both individuals and Web-based businesses.

AltaVista Search is a free Internet service, offering advanced keyword and multimedia search functionality and assisting Web users in finding relevant information anywhere on the Internet. AltaVista Search is one of the fastest Internet search service, that its index is among the most comprehensive and current indices available, and that it produces highly relevant search results. AltaVista refreshes its growing index every 28 days or less - one of the fastest refresh rates for an index of its size. On June 28, 1999, AltaVista announced enhanced multimedia search capabilities designed to provide users with fast and easy access to multimedia content on the Web. AltaVista's Photo & Media Finder links to more than 17 million distinct photos, video and audio clips.

In addition, AltaVista Search has been consistently recognized for its superior search capabilities. AltaVista's commitment to delivering superior search technologies provides a strong foundation on which to build additional functionality to meet users' ever-growing needs. AltaVista continues to add features and partners to AltaVista Search in areas such as natural language question and answer (Ask AltaVista with Ask Jeeves), locating Web sites (RealNames), translating languages (Babelfish with Systran), and searching photographs and multimedia content (AltaVista Photo & Media Finder with Virage and Corbis).

In addition to search, AltaVista offers users a comprehensive destination for Internet navigation, directory services, personalized content and rich local community information. On June 28, 1999, AltaVista introduced the MyAltaVista personal homepage. This personal daily destination has many important features, including integrated search, web directory, business directory, finance, sports, weather, national news, local news, lottery results, maps and directions, movie and TV listings, horoscopes, a community section, e-mail and calendaring. As a result of its relationships with media partners and content providers, AltaVista has a comprehensive platform that offers users a destination that includes international and national content while providing a very rich and relevant local community feel. For instance, a user can enter a preference for a movie and the platform will identify local theaters and show times, offer movie reviews, and will provide maps and directions to the theater. AltaVista continues to improve its content channels. On June 28, 1999, AltaVista also introduced a new finance channel, AltaVista Finance. AltaVista also announced and later introduced the AltaVista microportal, a desktop application that provides up-to-the-minute news, weather, sports and financial information, as well as links to AltaVista Search technologies and other media and commerce services.

AltaVista seeks to provide highly satisfying, easy to use, e-commerce offerings to customers. AltaVista currently offers more than one million products across multiple categories representing leading brand names. AltaVista's subsidiary, Shopping.com, uses a robust, scalable e-commerce platform on which AltaVista will seek to expand its e-commerce business. AltaVista's goal is to make the shopping experience one that is quick, easy, fun, interactive, dynamic and personalized. On May 5, 1999, Shopping.com introduced the Internet's first 125% satisfaction guarantee. On June 28, 1999, AltaVista introduced the Ultrastore retail concept. The Ultrastore seeks to use AltaVista's e-commerce platform to provide superstore selection and value with neighborhood store service and convenience. Shopping.com is also leveraging AltaVista's search technology to enhance the shopping experience by increasing the accuracy of the shopping search. For example, a user searching for information by entering the key word "handheld computing devices" on AltaVista Search would see a commerce offer for a related product in a sidebar on the search results page. For merchants and advertisers, this allows for highly dynamic, personally targeted selling opportunities.

Through its subsidiary, Zip2 Corporation (Zip2), AltaVista is building a co-branded network with new media and commerce companies to meet Internet users' needs for an experience that integrates content and community. In order to enrich its local community offering, on June 28, 1999, AltaVista announced a new, distinctive AltaVista Partner Network to deliver new community portal services using the Zip2 community portal platform ("Homebase"). This Homebase platform allows media companies to quickly capitalize on new information services and content feeds in creating powerful local sites on the AltaVista platform. Each site using the Homebase platform is co-branded with the partner and AltaVista. All sites use a common AV Connections navigation bar that allows users to access other important destinations from anywhere in the AltaVista Network. This approach allows AltaVista to extend the scope and reach of its Internet offering quickly. Media companies and merchants benefit from the increased traffic and mutual sharing that the network offers. Users benefit from the common look-and-feel, mutually beneficial exchange of information and integration of features and functions. As of July 31, 1999, AltaVista was continuing to enlist media companies with a goal of extending its network to most major markets throughout the world.

On May 17, 1999, AltaVista announced the successful launch of AltaVista Germany, found at http://www.altavista.de. AltaVista Germany users can perform full-text searches across the millions of web documents existing in Germany. AltaVista is currently expanding in numerous international locations.

On August 12, 1999, AltaVista announced a nationwide dial-up free Internet connection service (FreeAccess) and registered more than 400,000 users within seven weeks. The FreeAccess service is combined with the AltaVista microportal. The FreeAccess service is supported through advertising that is displayed within the microportal window, which takes up less than five percent of a user's screen.

On October 25, 1999, AltaVista unveiled its next generation network, the first significant re-launch of its entire platforms and services. The new AltaVista Network comprises new media features, channels and content, new commerce from AltaVista's Shopping.com e-commerce platform, more powerful search capabilities and a contemporary and easy navigational interface for AltaVista Search. Changes implemented on October 25, 1999, include the following:

--AltaVista Search introduced new and enhanced features of its industry-leading search technologies. AltaVista has significantly increased the number of Web pages it crawls and currently has a 400 million page index. Search results are presented in a new format that is easier to read and to navigate. Several new content providers have been added as well to provide well-respected and popular directories, business search capabilities, and discussion and news groups.

--AltaVista introduced its new media platform with AltaVista Live! This site within the AltaVista domain is designed to provide day and night programming for news, entertainment, finance, sports and an array of human-interest areas, such as health, careers, real estate and many more. One of its distinguishing features in this area is its emphasis on live programming, providing information on an immediate basis.

--Shopping.com launched a new service to give the user a richer and more comprehensive shopping experience. The service is based on extensive content and product attributes, which will provide users with advanced features such as comparison-shopping and feature specific product searching. The service will also help educate the user on product categories, suggest related product categories, and provide up-to-date product news.

Signatures Network Acquisition Subsequent to Year End

On September 27, 1999, CMGI completed the acquisition of a majority position in Signatures Network for consideration of approximately $40 million and the commitment to provide $100 million in operating capital.

Signatures Network is a worldwide entertainment merchandising and licensing company representing some of today's most recognized artists, celebrities and properties. Signatures Network creates licensing, merchandising and marketing programs based on music, lifestyle/family, sports and fashion properties.

Signatures Network creates and sells high-quality merchandise and souvenirs at concerts and events worldwide. In addition to traditional music concerts, key merchandising events include arena attractions, sporting events and theatrical tours.

Signatures Network also develops and distributes entertainment and lifestyle-based products to a broad range of retailers worldwide. Signatures Network creates product lines and merchandising programs such as themed in-store boutiques and major promotions. Signatures Network core products are imprinted and embroidered activewear, upscale apparel, gifts and collectibles. A range of retail outlets, including department stores, mass merchandisers, record stores, video stores, gift shops, art and museum shops, book stores and home shopping channels offer the Signatures Network product lines. Their product lines are also distributed over the Internet and through catalogs, inserts in entertainment products and print advertising.

Business Strategy

With respect to the businesses of CMGI, the Company will seek to expand its participation in the Internet and fulfillment services industries and increase market share. Key elements of this strategy include:

Continue to enhance and expand the Company's products and services. The Company has devoted significant resources to new subsidiaries and material businesses which seek to capitalize in a coordinated manner on opportunities surrounding the growth of the Internet and the interactive marketing industry. The Company intends to continue to pursue the growth and development of its technologies and services and continue to introduce its products commercially. Additionally, the Company intends to continue to evaluate new opportunities to further its investment in its Internet strategy and also to seek out opportunities to increase shareholder value through the sale of selected investments or technologies or having separate subsidiaries sell a minority interest to outsiders.

Continue to pursue innovative advertising solutions. The Company is actively seeking to develop innovative ways for advertisers to reach their target audiences effectively through the Internet. The Company designs and offers customized packages which include the ability to change advertisements quickly and frequently, to conduct advertising test campaigns with rapid result delivery and to track daily usage statistics. The Company has developed and will continue developing software that provides the ability to target ads based on demographics and usage patterns.

Actively seek growth in the Company's fulfillment services segment. CMGI intends to continue to pursue the strategy of growing its fulfillment services segment through gaining market share in its existing markets, through acquisition and through developing new IT based products and services for its client base. InSolutions, a turnkey provider with diskette and CD ROM manufacturing capabilities; and On-Demand Solutions, a provider of fulfillment, turnkey and Web-based catalogue and sports e-commerce services, have been integrated with SalesLink's national supply chain management and fulfillment operations, while creating an e-commerce fulfillment component that will seek to broaden the Company's market potential in the fast-growing Internet fulfillment industry.

Cross-sell products and services. The Company is involved in many aspects of the Internet economy. The Company has experienced success in fostering the cross-selling of products and services among the businesses in its portfolio, and will continue to pursue such cross-selling.

Sales and Marketing

The Company markets its products and services through a marketing staff using both telemarketing and direct sales. The Company maintains separate sales and marketing staffs for each subsidiary, enabling the sales personnel to develop strong customer relationships and expertise in their respective areas. The Company has established direct sales forces experienced in each subsidiary's business to address the new and evolving requirements of the Internet business arena. The Company believes that an experienced sales staff is critical to initiating and maintaining customer relationships. The Company advertises its products and services through

space advertising, Internet banners, radio and television spots, trade shows and Company sponsored user groups. In addition, in certain instances, the Company, has complemented the activities of its direct sales force by retaining advertising sales agencies, to serve as a sales representatives on a commission basis.

The Company attends numerous trade shows in the Internet and high technology markets, while further supplementing its sales efforts with space advertising and product and services listings in appropriate directories. In addition, the Company sponsors user group meetings for its customers, where new products and services are highlighted.

Competition

CMGI's Internet investments compete in the electronic technology and Internet service arenas. The market for Internet products and services is rapidly evolving and highly competitive. Although the Company believes that the diverse segments of the Internet market will provide opportunities for more than one supplier of products and services similar to those of the Company, it is possible that a single supplier may dominate one or more market segments. The Company believes the principal competitive factors in this market are name recognition, performance, ease of use, variety of value-added services, functionality and features and quality of support. Competitors include a wide variety of companies and organizations, including Internet software, content, service and technology companies, telecommunication companies, cable companies and equipment/technology suppliers. Some of the Company's existing competitors, as well as a number of potential new competitors, have greater financial, technical and marketing resources than the Company.

The Company may also be affected by competition from licensees of its products and technology. There can be no assurance that the Company's competitors will not develop Internet products and services that are superior to those of the Company or that achieve greater market acceptance than the Company's offerings. Moreover, a number of the Company's current advertising customers, licensees and partners have also established relationships with certain of the Company's competitors, and future advertising customers, licensees and partners may establish similar relationships. The Company may also compete with online services and other Web site operators as well as traditional off-line media such as print and television for a share of advertisers' total advertising budgets. There can be no assurance that the Company will be able to compete successfully against its current or future competitors or that competition will not have a material adverse effect on the Company's business, results of operations and financial condition.

CMGI's fulfillment services segment companies have several prominent competitors for the fulfillment and supply chain management components of its businesses, and also compete with the internal fulfillment and manufacturing operations of customers themselves. The companies in this segment also compete on the basis of pricing, geographic proximity to their clients and the speed and accuracy with which orders are processed.

Research and Development

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

During fiscal years 1999, 1998 and 1997, the Company expended $22,478,000, $19,223,000 and $17,767,000, respectively, or 12.8%, 23.5% and 29.6%, respectively, of net revenues, on research and development. In addition, during fiscal years 1999, 1998 and 1997, the Company recognized $6,061,000, $10,325,000 and $1,312,000, respectively, of in-process research and development expenses in connection with acquisitions of subsidiaries and investments in affiliates. See further discussion of in-process research and development expenses in Item 7 below.

Intellectual Property and Proprietary Rights

The Company regards its software technologies and databases as proprietary. The Company relies upon a combination of patent, trade secret, copyright and trademark laws to protect its intellectual property. It has entered into confidentiality agreements with its management and key employees with respect to this software, and limits access to, and distribution of this, and other proprietary information. However, the steps the Company takes to protect its intellectual property may not be adequate to deter misappropriation of the Company's proprietary information. In addition, the Company may be unable to detect unauthorized uses of and take appropriate steps to enforce its intellectual property rights.

Engage has filed for patents covering its profiling algorithm and its dual-blind methodology for protecting end-user privacy. The profiling algorithm patent application covers the process of identifying visitors uniquely at each Web site while maintaining a central database of cross-referenceable identifiers and allowing Web sites to access globally derived data only via their local identifier. There can be no assurance that Engage's patent applications will be granted. Even if they are granted, these patents may be successfully challenged by others or invalidated.

The Engage Knowledge database contains detailed information about millions of Web users. Engage believes it has rights to this database's entire content, all records and all derived information from the database as a whole, all updating routines and quality assurance processes and all underlying data warehouse technology. However, there can be no assurance that any patent, trade secret or other intellectual property protection will be available for such information.

Although senior management believes that the Company's services and products do not infringe on the intellectual property rights of others, the Company is subject to the risk that such a claim may be asserted in the future.

Employees

As of July 31, 1999, the Company employed a total of 1,594 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.

Segment Information

Segment information is set forth in Note 3 of the Notes to Consolidated Financial Statements referred to in Item 8(a) below and incorporated herein by reference.

Significant Customers

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

ITEM 2. - PROPERTIES

The location and general character of the Company's principal properties by industry segment as of October 29, 1999 are as follows:

Internet Segment

In its Internet segment, the Company leases approximately 580,000 square feet of office, administrative, engineering, sales and marketing, operations and data center space, principally in Massachusetts, California, New York, North Carolina and the United Kingdom, under leases expiring from 1999 to 2011.

In addition, the Company leases approximately 174,000 square feet in Andover, Massachusetts, under a lease which expires in 2009. This facility consists of executive office space for the Company's corporate headquarters, as well as administrative, engineering, sales and marketing, and operations space for certain Internet segment subsidiaries.

Fulfillment Services Segment

In its Fulfillment Services segment, the Company leases approximately 695,000 square feet of office, storage, production and assembly, sales and marketing, and operations space, principally in Massachusetts, California and Illinois, under leases expiring from 2000 to 2013. Approximately 26,000 square feet is sublet to a third party.

ITEM 3. - LEGAL PROCEEDINGS

The Company is not a party to any material litigation.

ITEM 4. - SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS

On May 13, 1999 the Company held a Special Meeting of Stockholders. At the meeting the following matters were approved:

1. An amendment to the Company's Restated Certificate of Incorporation to provide for an increase in the number of authorized shares of Common Stock, $0.01 par value per share, from 100,000,000 to 400,000,000 was approved. 64,468,974 shares of Common Stock were voted for such amendment, 1,120,376 shares of Common Stock were voted against such amendment and 72,858 shares of Common Stock abstained from the vote. 1,000 shares of common stock were subject to non-votes.

2. An amendment to the Company's 1986 Stock Option Plan and 1995 Employee Stock Option Purchase Plan to provide for an increase in the maximum number of shares of the Company's Common Stock available under its two plans combined from nine million shares to fourteen million shares was approved. 31,700,584 shares of Common Stock were voted for such amendment, 5,520,190 shares of Common Stock were voted against such amendment and 244,268shares of Common Stock abstained from the vote. 24,677,996 shares of common stock were subject to non-votes.

PART II

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

(a) Market information is set forth in Note 19 of the Notes to Consolidated Financial Statements referred to in Item 8(a) below and incorporated herein by reference.

(b) On October 22, 1999, there were 1,641 holders of record of common stock.

(c) 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.

(d) On April 7, 1999 the Company issued 360,532 shares of its common stock to shareholders of I/PRO in consideration for the acquisition of all of the issued and outstanding shares of capital stock of IPRO. The shares issued by the Company are not registered under the Securities Act of 1933, as amended, and carry restrictions on transfer or sale for a period of two years.

On May 19, 1999 the Company issued 45,906 shares of its common stock to shareholders of Nascent Technologies, Inc. in consideration for the acquisition of all of the issued and outstanding shares of capital stock of Nascent Technologies, Inc. The shares issued by the Company are not registered under the Securities Act of 1933, as amended, and carry restrictions on transfer or sale for a period of two years.

On June 24, 1999 the Company issued 8,684 shares of its common stock to shareholders of Digiband, Inc. in consideration for the acquisition of all of the issued and outstanding shares of capital stock of Digiband, Inc. The shares issued by the Company are not registered under the Securities Act of 1933, as amended, and carry restrictions on transfer or sale for a period of two years.

On June 29, 1999, the Company issued and sold 375,000 shares of its Series C Convertible Preferred Stock (the"Series C Preferred Stock") to funds managed by four institutional investment managers. The Certificate of Designation relating to the Series C Preferred Stock divides the 375,000 shares into three separate tranches of 125,000 shares each to be designated as "Tranche1," "Tranche 2," and "Tranche 3" (individually, a "Tranche" and collectively, the "Tranches"). The three Tranches are convertible into common stock at prices of $91.43, $75.15 and $75.32 per share, respectively. The Company will pay a semiannual dividend on the Series C Preferred Stock of 2% per annum, in arrears, on June 30 and December 30 of each year, at the Company's option, in cash or through an adjustment to the liquidation preference of the Series C Preferred Stock. Such adjustments, if any, will also increase the number of shares into which the Series C Preferred Stock is convertible. The conversion price calculated for each Tranche is also subject to adjustment for certain actions taken by the Company. The Series C Preferred Stock may be converted into Common Stock by the holders at any time and automatically converts into Common Stock on June 30, 2002.

The shares issued in the above mentioned transactions were issued in private placements in reliance upon the exemption provided by section 4 (2) of the Securities Act of 1933.

ITEM 6. - SELECTED CONSOLIDATED FINANCIAL DATA

The information required by this Item is set forth under the caption "Selected Consolidated Financial Data" appearing in the 1999 Annual Report to Shareholders and is incorporated herein by reference and is filed herewith as Exhibit 13.1.

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

The information required by this Item is set forth under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing in the 1999 Annual Report to Shareholders, and is incorporated herein by reference and is filed herewith as Exhibit 13.2.

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, 1999 include equity positions in companies in the Internet industry sector, including Yahoo! Inc., Lycos, Inc., Silknet Software, Inc., Chemdex Corporation and Critical Path, Inc., many of which have experienced significant historical volatility in their stock prices. The Company typically does not attempt to reduce or eliminate its market exposure on these securities. A 20% adverse change in equity prices, based on a sensitivity analysis of the Company's available-for-sale securities portfolio as of July 31, 1999, would result in an approximate $306.5 million decrease in the fair value of the Company's available-for-sale securities.

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

The Company uses derivative financial instruments primarily to reduce exposure to adverse fluctuations in interest rates on its borrowing arrangements. The Company does not enter into derivative financial instruments for trading purposes. As a matter of policy all derivative positions are used to reduce risk by hedging underlying economic exposure. The derivatives the Company uses are straightforward instruments with liquid markets. At July 31, 1999 the Company was primarily exposed to the London Interbank Offered Rate (LIBOR) interest rate on its bank borrowing arrangements. Information about the Company's borrowing arrangements including principal amounts and related interest rates appears in Note 12 to the Consolidated Financial Statements filed herewith as Exhibit 13.3.

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

ITEM 8. - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

(a) The following consolidated financial statements of the Company and independent auditors' report required by this Item are set forth in the 1999 Annual Report to Shareholders and are incorporated herein by reference and are filed herewith as Exhibit 13.3:

- Consolidated Balance Sheets as of July 31, 1999 and 1998
- Consolidated Statements of Operations for the three years ended July 31, 1999
- Consolidated Statements of Stockholders' Equity for the three years ended July 31, 1999
- Consolidated Statements of Cash Flows for the three years ended July 31, 1999
- Notes to Consolidated Financial Statements- Independent Auditors' Report

(b) Selected Quarterly Financial Data (unaudited) is set forth in Note 19 of the Notes to Consolidated Financial Statements referred to in Item 8 (a) above and is incorporated herein by reference.

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

None.

PART III

ITEM 10. - DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

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

ITEM 11. - EXECUTIVE COMPENSATION

Incorporated by reference to the portions of the Definitive Proxy Statement entitled "Executive Compensation,"and "Additional Information -- Compensation of Directors."

ITEM 12. - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Incorporated by reference to the portion of the Definitive Proxy Statement entitled "Security Ownership by Management and Principal Stockholders."

ITEM 13. - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

PART IV

ITEM 14. - EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

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

1. Financial Statements. The financial statements as set forth under Item 8 of this report on Form 10-K are incorporated herein by reference.

- Consolidated Balance Sheets as of July 31, 1999 and 1998
- Consolidated Statements of Operations for the three years ended July 31, 1999, 1998 and 1997
- Consolidated Statements of Stockholders' Equity for the three years ended July 31, 1999, 1998 and 1997
- Consolidated Statements of Cash Flows for the three years ended July 31, 1999, 1998 and 1997
- Notes to Consolidated Financial Statements
- Independent Auditors' Report

2. Financial Statement Schedule. Financial Statement Schedule II of the Company and the corresponding Report of Independent Auditors on Financial Statement Schedule are included in this Report.

All other financial statement schedules have been omitted since 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 as part of this Annual Report on Form 10-K.

(B) Reports on Form 8-K

On July 14, 1999, the Company filed a Current Report on Form 8-K dated June 29, 1999 to report under Item 5 (Other Events) the execution of the Purchase and Contribution Agreement between the Company and its wholly-owned subsidiary Zoom Newco, Inc. and Compaq Computer Corporation, Digital Equipment Corporation and Alta Vista Company. No financial statements were required to be filed with such report.

On July 7, 1999, the Company filed a Current Report on Form 8-K dated June 29, 1999 to report under Item 5 (Other Events) the issuance and sale of 375,000 shares of its newly designated Series C Convertible Preferred Stock. No financial statements were required to be filed with such report.

On May 7, 1999, the Company filed a Current Report on Form 8-K dated May 7, 1999 to report under Item 5 (Other Events) the issuance of a news release related to the restatement of its results for the third and fourth quarters of fiscal 1998 ended April 30, 1998 and July 31, 1998, respectively, and for its first and second quarters of fiscal 1999 ended October 31, 1998 and January 31, 1999, respectively. No financial statements were required to be filed with such report.

EXHIBIT INDEX

Exhibit No.	Title	Method of Filing
2.1	Purchase and Contribution Agreement, dated as of June 29, 1999, by and among CMGI, Inc., Compaq Computer Corporation, Digital Equipment Corporation, AltaVista Company and Zoom Newco Inc.	Incorporation by reference to Exhibit 2.1 to the Current Report on Form 8-K filed on September 2, 1999.
2.2	Amendment No. 1 to Purchase and Contribution Agreement, dated as of August 18, 1999, by and among CMGI, Inc., Compaq Computer Corporation, Digital Equipment Corporation, AltaVista Company and Zoom Newco Inc.	Incorporation by reference to Exhibit 2.2 to the Current Report on Form 8-K filed on September 2, 1999.
3.1	Restated Certificate of Incorporation of the Registrant.	Incorporation by reference to Exhibit 4.1 to the Registration Statement on Form S-3 (File No. 333-85047) filed on August 12, 1999.
3.2	Certificate of Designations, Preferences and Rights of Series D Preferred Stock of CMGI, Inc.	Incorporation by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on September 2, 1999.
3.3	Restated By-Laws of the Registrant.	Incorporation by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-1 (File No. 33-71518)(the "CMGI Registration Statement").
4.1	Specimen Stock Certificate representing Common Stock	Filed herewith.
4.2	Promissory Note, dated August 18, 1999, issued to Digital Equipment Corporation, in the principal amount of $138,000,000.	Incorporation by reference to Exhibit 4.2 to the Current Report on Form 8-K filed on September 2, 1999.
4.3	Promissory Note, dated August 18, 1999, issued to Compaq Computer Corporation, in the principal amount of $82,000,000.	Incorporation by reference to Exhibit 4.3 to the Current Report on Form 8-K filed on September 2, 1999.
10.1	Lease dated as of April 12, 1999 between Andover Mills Realty Limited Partnership and CMGI, Inc. for premises located at 100 Brickstone Square, Andover, Massachusetts.	Filed herewith.
10.2	Amendment No. 1 to Lease dated as of July 19, 1999 between Andover Mills Realty Limited Partnership and CMGI, Inc. for premises located at 100 Brickstone Square, Andover, Massachusetts.	Filed herewith.
10.3	Lease dated as of September 13, 1999 between Arastradero Property and AltaVista Company for premises located at 1070 Arastradero Road, Palo Alto, California.	Filed herewith.

Exhibit No.	Title	Method of Filing
10.4	Indenture of Lease dated as of August 16, 1999, between 622 Building Company LLC and ICast, Inc. for premises located at 622 Third Avenue, New York, New York.	Filed herewith.
10.5	Lease, dated January 6, 1998, between the Medford Nominee Trust and SalesLink Corporation for premises located at 425 Medford Street, Boston, Massachusetts.	Incorporation by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q filed on June 15, 1998.
10.6	Lease, dated September 1, 1998, between Cabot Industrial Properties, L.P. and SalesLink Corporation for premises at 6112 West 73/rd/ Street, Bedford Park, Illinois.	Filed herewith.
10.7	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.	Filed herewith.
10.8	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.	Filed herewith.
10.9	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.	Filed herewith.
10.10	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.	Filed herewith.
10.11	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.	Filed herewith.
10.12	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.	Filed herewith.
10.13	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.	Filed herewith.

Exhibit No.	Title	Method of Filing
10.14	Capital & Counties plc and Engage Technologies Limited underlease, dated April 27, 1999.	Incorporation by reference to Exhibit 10.14 to Registration Statement on Form S-1 of Engage Technologies, Inc. (File No. 333-78015) (the "Engage Form S-1").
10.15	Anthony & Co. Office Lease between Milkson Associates, LLC and Accipiter, Inc., dated April 9, 1997.	Incorporation by reference to Exhibit 10.15 to the Engage Form S-1.
10.16	Amendment to Lease Agreement between Milkson Associates, LLC and Accipiter, Inc. dated November 5, 1997.	Incorporation by reference to Exhibit 10.16 to the Engage Form S-1.
10.17	Lease dated as of March, 1997 by and between William J. Callahan and William J. Callahan, Jr., as trustees of Andover Park Realty Trust, and CMG Information Services, Inc.	Incorporation by reference to Exhibit 10.5 to Registration Statement on Form S-1 of NaviSite, Inc. (File No. 333-83501) (the "NaviSite Form S-1").
10.18	Lease dated as of May 14, 1999 by and between 400 River Limited Partnership and NaviSite, Inc.	Incorporation by reference to Exhibit 10.6 to the NaviSite Form S-1.
10.19	Lease made as of April 30, 1999 by and between CarrAmerica Realty Corporation and NaviSite, Inc.	Incorporation by reference to Exhibit 10.7 to the NaviSite Form S-1.
10.20*	Employment Agreement, dated August 1, 1993, between the Registrant and David S. Wetherell.	Incorporation by reference to Exhibit 10.10 to the CMGI Registration Statement
10.21*	Amendment No. 1 to the Employment Agreement, dated January 20, 1994, between the Registrant and David S. Wetherell.	Incorporation by reference to Exhibit 10.18 to the CMGI Registration Statement.
10.22*	1995 Employee Stock Purchase Plan, as amended.	Incorporation by reference to Appendix C to the Registrant's Definitive Proxy Statement on Schedule 14A filed on April 16, 1999.
10.23*	1986 Stock Option Plan, as amended.	Incorporation by reference to Appendix B to the Registrant's Definitive Proxy Statement on Schedule 14A filed on April 16, 1999.
10.24*	1995 Stock Option Plan for Non-Employee Directors, as amended.	Incorporation by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q filed on December 15, 1997.
10.25*	Amendment No. 2 to Employment Agreement, dated October 25, 1996, between the Registrant and David S. Wetherell.	Incorporation by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q filed on December 13 1996.
10.26	CMG Stock Purchase Agreement, dated as of December 10, 1996 by and between the Registrant and Microsoft Corporation.	Incorporation by reference to Exhibit 99.1 to the Current Report on Form 8-K filed on February 14, 1997.

Exhibit No.	Title	Method of Filing
10.27*	CMG @Ventures, Inc. Deferred Compensation Plan.	Incorporation by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q filed on June 16, 1997.
10.28	Common Stock Purchase Agreement dated as of December 19, 1997 by and between CMG Information Services, Inc. and Intel Corporation.	Incorporation by reference to Exhibit 99.1 to the Current Report on Form 8-K filed December 29, 1997.
10.29	Common Stock Purchase Agreement dated as of February 15, 1998 by and between CMG Information Services, Inc. and Sumitomo Corporation.	Incorporation by reference to Exhibit 99.1 to the Current Report on Form 8-K filed March 19, 1998.
10.30	Registration Rights Agreement dated April 8, 1998.	Incorporation by reference to Exhibit 2.6 to the Current Report on Form 8-K filed on April 23, 1998.
10.31	Amended and Restated Revolving Credit and Term Loan Agreement, dated as of June 11, 1998, among SalesLink Corporation, InSolutions Incorporated, Pacific Direct Marketing Corp., BankBoston, N.A. and the other lending institutions set forth in Schedule 1.	Incorporation by reference to Exhibit 10.57 to the Annual Report on Form 10-K filed on October 29, 1998.
10.32	Amended and Restated Term Note, dated June 11, 1998, between SalesLink Corporation and InSolutions Incorporated and Imperial Bank.	Incorporation by reference to Exhibit 10.58 to the Annual Report on Form 10-K filed on October 29, 1998.
10.33	Amended and Restated Term Note, dated June 11, 1998, between SalesLink Corporation and InSolutions Incorporated and BankBoston, N.A.	Incorporation by reference to Exhibit 10.59 to the Annual Report on Form 10-K filed on October 29, 1998.
10.34	Fourth Amended and Restated Revolving Credit Note, dated June 11, 1998, between SalesLink Corporation and InSolutions Incorporated and Imperial Bank.	Incorporation by reference to Exhibit 10.60 to the Annual Report on Form 10-K filed on October 29, 1998.
10.35	Fourth Amended and Restated Revolving Credit Note, dated June 11, 1998, between SalesLink Corporation and InSolutions Incorporated and BankBoston, N.A.	Incorporation by reference to Exhibit 10.61 to the Annual Report on Form 10-K filed on October 29, 1998.
10.36	Amended and Restated Stock Pledge Agreement, dated June 11, 1998, between SalesLink Corporation and BankBoston, N.A.	Incorporation by reference to Exhibit 10.62 to the Annual Report on Form 10-K filed on October 29, 1998.
10.37	Amended and Restated Guaranty, dated as of June 11, 1998, by Pacific Direct Marketing Corp. in favor of BankBoston, N.A.	Incorporation by reference to Exhibit 10.63 to the Annual Report on Form 10-K filed on October 29, 1998.
10.38	Amended and Restated Security Agreement, dated as of June 11, 1998, among SalesLink Corporation, InSolutions Incorporated and BankBoston, N.A.	Incorporation by reference to Exhibit 10.64 to the Annual Report on Form 10-K filed on October 29, 1998.

Exhibit No.	Title	Method of Filing
10.39	Amended and Restated Security Agreement, dated as of June 11, 1998, between Pacific Direct Marketing Corp. and BankBoston, N.A.	Incorporation by reference to Exhibit 10.65 to the Annual Report on Form 10-K filed on October 29, 1998.
10.40	Amended and Restated Trademark Collateral Security and Pledge Agreement, dated as of June 16, 1998, between SalesLink Corporation and BankBoston, N.A.	Incorporation by reference to Exhibit 10.66 to the Annual Report on Form 10-K filed on October 29, 1998.
10.41	Trademark Collateral Security and Pledge Agreement, dated as of June 11, 1998, between InSolutions Incorporated and BankBoston, N.A.	Incorporation by reference to Exhibit 10.67 to the Annual Report on Form 10-K filed on October 29, 1998.
10.42	Registration Rights Agreement, dated June 16, 1998, between the listed shareholders and CMG Information Services, Inc.	Incorporation by reference to Exhibit 10.68 to the Annual Report on Form 10-K filed on October 29, 1998.
10.43*	CMG @Ventures I, LLC Limited Liability Company Agreement, dated December 18, 1997.	Incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q filed on June 15, 1998.
10.44*	CMG @Ventures II, LLC Operating Agreement, dated as of February 26, 1998.	Incorporation by reference from Exhibit 10.69 to the Annual Report on Form 10-K filed on October 29, 1998.
10.45*	Summary of Management's Interests in the @Ventures III Venture Capital Funds.	Filed herewith.
10.46*	Limited Liability Company Agreement of CMG @Ventures III, LLC, dated August 7, 1998.	Filed herewith.
10.47*	Agreement of Limited Partnership of @Ventures III, L.P., dated August 7, 1998.	Filed herewith.
10.48*	Amendment No. 1 to the Agreement of Limited Partnership of @Ventures III, L.P., dated August 7, 1998.	Filed herewith.
10.49*	Agreement of Limited Partnership of @Ventures Foreign Fund III, L.P., dated December 22, 1998.	Filed herewith.
10.50*	Amendment No. 1 to the Agreement of Limited Partnership of @Ventures Foreign Fund III, L.P., dated December 22, 1998.	Filed herewith.
10.51	Securities Purchase Agreement, dated December 21, 1998, by and among CMGI, Inc. and RGC International Investors, LDC and RGC Investments II, L.P.	Incorporation by reference to Exhibit 99.1 to the Current Report on Form 8-K filed on January 7, 1999.

Exhibit No.	Title	Method of Filing
10.52	Registration Rights Agreement, dated December 21, 1998, by and among CMGI, Inc. and RGC International Investors, LDC and RGC Investments II, L.P.	Incorporation by reference to Exhibit 99.2 to the Current Report on Form 8-K filed on January 7, 1999.
10.53	ISDA Master Swap Agreement (the "Swap Agreement") dated January 15, 1999, between BankBoston, N.A. and CMGI, Inc.	Incorporation by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q filed on March 17, 1999.
10.54	Schedule to the Swap Agreement, dated January 15, 1999.	Incorporation by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q filed on March 17, 1999.
10.55	Confirmation to the Swap Agreement, dated January 15, 1999.	Incorporation by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q filed on March 17, 1999.
10.56	ISDA Credit Support Annex, dated January 15, 1999, between BankBoston, N.A. and CMGI, Inc.	Incorporation by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q filed on March 17, 1999.
10.57	Agreement for the Assignment of Voting Rights, dated January 15, 1999, between CMGI, Inc. and Long Lane Master Trust.	Incorporation by reference to Exhibit 10.5 to the Quarterly Report on Form 10-Q filed on March 17, 1999.
10.58	Long Lane Floating Rate Trust Certificate Purchase Agreement, dated January 15, 1999, between CMGI, Inc. and Long Lane Master Trust.	Incorporation by reference to Exhibit 10.6 to the Quarterly Report on Form 10-Q filed on March 17, 1999.
10.59	Repurchase Agreement, dated January 15, 1999, between CMGI, Inc. and Long Lane Master Trust.	Incorporation by reference to Exhibit 10.7 to the Quarterly Report on Form 10-Q filed on March 17, 1999.
10.60	Unlimited Guaranty, dated as of October 30, 1998, by CMGI Information Services, Inc. in favor of BankBoston, N.A.	Incorporation by reference to Exhibit 10.8 to the Quarterly Report on Form 10-Q filed on March 17, 1999.
10.61	First Amendment to Amended and Restated Revolving Credit and Term Loan Agreement, dated as of June 11, 1998, among SalesLink Corporation, InSolutions Incorporated, Pacific Direct Marketing Corp., BankBoston, N.A. and the other lending institutions set forth in Schedule 1.	Incorporation by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q filed on June 14, 1999.
10.62	Second Amended and Restated Term Note, dated March 16, 1999 among Saleslink.com Corporation, Insolutions Incorporated, On-Demand Solutions, Inc. and BankBoston, N.A.	Incorporation by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q filed on June 14, 1999.
10.63	Second Amended and Restated Term Note, dated March 16, 1999 among Saleslink.com Corporation, Insolutions Incorporated, On-Demand Solutions, Inc. and Imperial Bank.	Incorporation by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q filed on June 14, 1999.

Exhibit No.	Title	Method of Filing
10.64	Security Agreement, dated March 16, 1999 between On-Demand Solutions and BankBoston, N.A.	Incorporation by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q filed on June 14, 1999.
10.65	CMGI and Participating Subsidiaries Deferred Compensation Plan, effective as of December 1, 1998.	Incorporation by reference to Exhibit 10.19 to the Quarterly Report on Form 10-Q filed on March 17, 1999.
10.66	Form of Indemnification Agreement executed between the Company and each of the members of its Board of Directors (David S. Wetherell, William H. Berkman, Craig D. Goldman, John A. McMullen and Robert J. Ranalli) in June 1998.	Incorporation by reference to Exhibit 10.01 to the Annual Report on Form 10-K filed on October 29, 1998.
10.67	Securities Purchase Agreement, dated as of June 29, 1999, by and among the Company and the Investors named therein.	Incorporation by reference to Exhibit 99.1 to the Current Report on Form 8-K filed on July 7, 1999.
10.68	Registration Rights Agreement, dated as of June 29, 1999 by and among the Company and the Investors named therein.	Incorporation by reference to Exhibit 99.2 to the Current Report on Form 8-K filed on July 7, 1999.
13.1	Selected Consolidated Financial Data	Filed herewith.
13.2	Management's Discussion and Analysis of Financial Condition and Results of Operations	Filed herewith.
13.3	CMGI, Inc. and Subsidiaries Consolidated Financial Statements, Supplementary Data and Independent Auditors' Report	Filed herewith.
21	Subsidiaries of the Registrant.	Filed herewith.
23.1	Consent of Independent Auditors.	Filed herewith.
27	Financial Data Schedule for fiscal year ended July 31, 1999.	Filed herewith.

* Management contracts and compensatory plans or arrangements.

REPORT OF INDEPENDENT AUDITORS ON FINANCIAL STATEMENT SCHEDULE

The Board of Directors and Stockholders
CMGI, Inc.:

Under the date of September 24, 1999, except for Note 20, which is as of October 29, 1999, we reported on the consolidated balance sheets of CMGI, Inc. and subsidiaries as of July 31, 1999 and 1998, 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, 1999, which are included in the Form 10-K for the year ended July 31, 1999. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule of Valuation and Qualifying Accounts in the Form 10-K. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP
KPMG LLP

Boston, Massachusetts
September 24, 1999

CMGI, INC.
SCHEDULE II
Valuation and Qualifying Accounts
For the years ended July 31, 1999, 1998, 1997

Accounts Receivable, Allowance for Doubtful Accounts	Balance at beginning of period	Additions: Acquisitions	Additions: Additions Charged to Costs and Expenses (Bad Debt Expense)	Deductions: Deductions (Charged against Accounts Receivable)	Deductions: (a) Deconsolidation/ Dispositions	Balance at end of period
1997	$323,000	$395,000	$ 424,000	$186,000	$ 10,000	$ 946,000
1998	$946,000	$264,000	$ 448,000	$ 99,000	$659,000	$ 900,000
1999	$900,000	$484,000	$2,528,000	$878,000	$ -	$3,034,000

(a) Amount of $659,000 in fiscal 1998 relates to the effect of deconsolidation of Lycos, Inc. on November 1, 1997. Amount of $10,000 in fiscal 1997 relates to the disposition of the Company's subsidiary, NetCarta Corporation in January 1997.

SIGNATURES

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

CMGI, INC.
(Registrant)

Date: October 29, 1999

By /s/ David S. Wetherell

David S. Wetherell, President

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, President, Chief Executive Officer and Director (Principal Executive Officer)
/s/ Andrew J. Hajducky III Andrew J. Hajducky III, CPA	Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)
/s/ William H. Berkman William H. Berkman	Director
/s/ Craig D. Goldman Craig D. Goldman	Director
/s/ Avram Miller Avram Miller	Director
/s/ Robert J. Ranalli Robert J. Ranalli	Director
/s/ William D. Strecker William D. Strecker	Director

EXHIBIT 4.1

[CMGI LOGO]

NUMBER	COMMON STOCK

CMGI, Inc.

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

COMMON STOCK TRANSFERABLE IN THE CITY OF BOSTON OR IN THE CITY OF NEW YORK	CUSIP: 125750 10 9

COMMON STOCK

THIS IS TO CERTIFY THAT:

IS THE OWNER OF:

FULLY PAID AND NON-ASSESSABLE SHARES OF COMMON STOCK,
PAR VALUE $.01, OF

CMGI, Inc. transferable on the books of the Corporation by the holder hereof in person or by duly authorized attorney, upon surrender of this certificate properly endorsed. This certificate and the shares represented hereby are subject to the laws of the State of Delaware and to the Certificate of Incorporation and By-Laws of the Corporation, as now or hereafter amended. This certificate is not valid unless countersigned by the Transfer Agent and registered by the Registrar.

WITNESS, the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

Dated,

/s/ Andrew J. Hajducky
- ----------
Chief Financial Officer

/s/ David S. Wetherell

President and Chief Executive Officer

COUNTERSIGNED AND REGISTERED:
State Street Bank and Trust Company

_____
TRANSFER AGENT AND REGISTRAR

[SEAL]

CMGI, INC.

The Corporation is authorized to issue more than one class of stock. A statement of the powers, designations, preferences, and the relative participating, optional or other rights of each class and series of stock and the qualifications, limitations or restrictions thereon will be provided without charge to each stockholder upon request to the Corporation.

The following abbreviations, when used in the inscription on the face of this Certificate, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM	- as tenants in common	UNIF GIFT MIN ACT - _____ Custodian _____
TEN ENT	- as tenants by the entireties	(Cust) (Minor)
JT TEN	- as joint tenants with right of survivorship and not as to Minors tenants in common	Under Uniform Gifts Act _____ (State)

Additional abbreviations may also be used though not in the above list.

ASSIGNMENT

For value received, _____ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE

_____

_____

_____

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS
INCLUDING POSTAL ZIP CODE OF ASSIGNEE

_____

_____

_____ Shares
of the capital stock represented by the within Certificate, and do hereby irrevocably constitute and appoint _____ Attorney to transfer the said stock on the books of the within-named Corporation with full power of substitution in the premises.

Dated, _____

_____

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the Certificate in every particular, without alteration or enlargement, or any change whatever.

Signature(s) Guaranteed: _____

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 174Ad 15.

EXHIBIT 10.1

BRICKSTONE SQUARE
ANDOVER, MASSACHUSETTS

LEASE

LANDLORD:	ANDOVER MILLS REALTY LIMITED PARTNERSHIP, a Massachusetts limited partnership
TENANT:	CMGI, INC., a Delaware corporation
DATE:	April 12 _____, 1999
BUILDING NO:	100
LEASE NO.:	505BB

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EXHIBIT LIST

"G-1" Building Signage

Rider #1 Tenant Inducement; Right of First Offer; Expansion Options
Rider #2 Extension Options
Rider #3 Termination Right

INDEX

LEASE

THIS INDENTURE OF LEASE, dated as of April 12, 1999, is between ANDOVER MILLS REALTY LIMITED PARTNERSHIP, a Massachusetts limited partnership ("Landlord"), and CMGI, INC. a Delaware corporation ("Tenant").

Landlord leases the Premises to Tenant and Tenant leases the Premises from Landlord on the following terms and conditions:

1. BASIC LEASE PROVISIONS.

1.1 Summary.

(a) Rent Commencement Date: The Rent Commencement Date for the Initial Space will be the date of this Lease. The Rent Commencement Date for the Additional Space, and each portion of any Offer Space leased pursuant to this Lease, will be the earlier of: the date that Tenant occupies that particular space to conduct business; or sixty (60) days after Landlord delivers vacant possession of the particular space to Tenant. The Rent Commencement Date for each portion of any Expansion Space leased pursuant to this Lease will be as set forth in Section 28.2(b) in Rider #1.

(b) Term: The term for the Initial Space will start on the date of this Lease and will expire on March 31, 2009, subject to extension as provided in Rider #2 or earlier termination in accordance with this Lease. The term for the Additional Space will start when Landlord delivers vacant possession of the Additional Space to Tenant and will expire on March 31, 2009, subject to extension as provided in Rider #2 or earlier termination in accordance with this Lease (subject to Section 28.2(a), Landlord expects to deliver vacant possession of the Additional Space to Tenant during September, 1999) . The term for any Expansion Space leased will start when Landlord delivers possession of that Expansion Space to Tenant and will expire on May 31, 2010, subject to extension as provided in Rider #2 or earlier termination in accordance with this Lease. The term for any Offer Space leased will start when Landlord delivers possession of that Offer Space to Tenant and will expire on May 31, 2011, unless terminated earlier in accordance with this Lease.

(c) Premises: At any time and from time to time, the Premises will consist of all space leased by Tenant pursuant to this Lease. The Premises initially will include only the "Initial Space," which is space on the Fifth (5/th/) and First (1/st/) Floors of the Building, as shown in Exhibit "B", with an agreed rentable area of 129,812 square feet (66,286 s.f. on the Fifth Floor and 63,526 s.f. on the First Floor). The Premises subsequently will include the "Additional Space", which is space on the Fourth (4/th/) Floor of the Building, as shown in Exhibit "B-1", with an agreed rentable area of 44,185 square feet. The Premises also subsequently will include any and all other space leased by Tenant pursuant to this Lease.

(d) Building: Building 100 as shown in Exhibit "A." If pursuant to this Lease Tenant leases space in other buildings in the Project, the definition of the Building will include those other buildings.

(e) Base Rent: (see Exhibit "D", which in turn is subject to Rider #2).

(f) Tenant's Percentage: 13.8% for the Initial Space, which will be increased to 18.5% on the Rent Commencement Date for the Additional Space. Tenant's Percentage will be subject to proportional increase if the size of the Premises increases pursuant to this Lease.

(g) Security Deposit: An amount equal to two (2) months of current base rent. Within thirty (30) days after the base rent increases (including increases resulting from additional space leased), Tenant will deposit additional cash with Landlord so that the Security Deposit always equals an amount equal to two (2) months of current base rent.

(h) Use of Premises: For general office purposes and for the packaging, creation and duplication of computer software, light assembly, testing, configuring computer hardware, and training (but no manufacturing).

(i) Notice to Tenant:

CMGI, Inc.
100 Brickstone Square
Andover, Massachusetts 01810
Attn: William Williams II, Esq., General Counsel

With a copy to:

Pamela Coravos, Esq.
Hale and Dorr LLP
60 State Street
Boston, Massachusetts 02109

(j) Notice to Landlord:

200 Brickstone Square
Andover, Massachusetts 01810
Attn: Martin Spagat

With a Copy to:

The Brickstone Companies
2101 Rosecrans Avenue, Suite 5252
El Segundo, California 90245-4742
Attn: John G. Baker, Esq.

(k) Guarantor: N/A.

(l) Tenant's Broker: CRF Partners, Inc.

(m) Certain Other Defined Terms: [See Section 24.18]

If there is a conflict between this summary and the rest of this Lease, the rest of this Lease will control.

1.2 Project. Exhibit "A" is the general site plan of the principal buildings, improvements and areas that are now part of the project commonly known as Brickstone Square, Andover, Massachusetts (the "Project"). Landlord reserves the right to change the Project from time to time.

1.3 Description of Premises. Landlord reserves the space above hung ceilings, below the floor and within the walls of the Premises, and the right to install, relocate, remove, use, maintain, repair and replace Systems and Equipment within or serving the Premises or other parts of the Building or the Project. To the extent that it does not interfere with or damage Landlord's Work and/or existing Systems and Equipment or the rest of the Building or the use and occupancy of any other tenant, Tenant, at its cost, may install wiring for its computers and equipment above hung ceilings and within the interior walls of the Premises, provided that Tenant otherwise complies with the rest of this Lease and that Landlord will have no obligations or Liabilities in connection therewith. Tenant will indemnify and hold Landlord harmless from Liabilities in connection with this wiring and installation, maintenance and removal. Tenant will maintain the wiring and, at Landlord's request, will remove the wiring and repair any damage on the expiration or earlier termination of this Lease.

2. CONSTRUCTION OF PREMISES.

Landlord will not be required to perform any work to or for the benefit of the Premises for Tenant's initial occupancy. Tenant will perform as "Tenant's Work" in accordance with Exhibit "C" all necessary work to or for the benefit of the Premises to prepare the Premises for Tenant's initial occupancy.

3. POSSESSION AND SURRENDER OF PREMISES.

When this Lease terminates, Tenant will remove all of its signs, movable trade fixtures and equipment, inventory and other personal property ("Tenant's Property"). Tenant's Property remaining after termination will be deemed abandoned and Landlord may keep, sell, destroy or dispose of it without any Liabilities to Tenant. Tenant will repair all damage and surrender the Premises broom clean and in good order, condition and repair, and otherwise in the same condition as on the Rent Commencement Date, normal wear and tear excepted.

4. TERM.

The Lease term is as set forth in Section 1.1(b). A "Lease Year" is a period of twelve (12) consecutive calendar months during the Lease term. However, the first Lease Year will end on March 31, 2000, and each Lease Year thereafter will end on the annual anniversary thereof, and the last Lease Year for any particular space leased may be less than twelve (12) months if the Lease is terminated early or if the expiration date for that space does not fall on the end of the 12-month period.

5. RENT.

Tenant will pay the annual base rent as shown in Exhibit "D" (which in turn is subject to Rider #2) in equal monthly installments in advance beginning on the applicable Rent Commencement Date and thereafter on the first day of each month during the term, prorated for any portion of a month. The term "rent" includes base rent, additional rent and all other amounts to be paid by Tenant under this Lease, whether or not specifically described as rent. All rent due under this Lease will be paid without demand, deduction, counterclaim or offset of any type in lawful U.S. legal tender at 2101 Rosecrans Avenue, Suite 5252, El Segundo, CA 90245-4742, Attn: Accounting Dept., or to such other person or place as Landlord may from time to time designate by written notice pursuant to this Lease. Tenant will pay the first month's base rent when it executes this Lease.

6. TAXES.

6.1 Definition of Taxes. "Taxes" means all taxes, assessments, and other governmental or quasi-governmental levies, charges and fees imposed against, for or in connection with all or any portion of: the Project; the use, ownership, leasing, occupancy, operation, management, repair, maintenance, demolition or improvement of the Project; Landlord's right to receive, or the receipt of, rent, profit or income from the Project; improvements, utilities and services, whether because of special assessment districts or otherwise; the value of Landlord's interest in the Project; a reassessment due to any change in ownership or other transfer of all or any portion of the Project; and fixtures, equipment and other real or personal property used by Landlord in connection with the Project. Taxes also include, without limitation, license fees, sales, use, capital and value-added taxes, penalties, interest and costs incurred in contesting taxes, and any governmental or quasi-governmental charges or taxes in addition to, in substitution or in lieu of, partially or totally, any taxes or

charges previously included within this definition, including taxes or governmental or quasi-governmental charges completely unforeseen by the parties and collected from whatever source. Taxes do not include: Landlord's federal, state or municipal net income, franchise, excise, inheritance, gift or estate taxes.

6.2 Payment of Taxes. Subject to Article 9, as of the Rent Commencement Date Tenant will pay its Tenant's Percentage of all Taxes directly to Landlord as additional rent within thirty (30) days after receipt of Landlord's bill.

6.3 Tenant's Taxes. Tenant will pay before delinquency all taxes assessments, license fees and charges levied, assessed or imposed on Tenant, Tenant's business operations and Tenant's Property.

7. OPERATING COSTS.

7.1 Definition of Operating Costs. "Operating Costs" are all costs and expenses incurred in connection with the Project and its ownership, operation, management, maintenance, repair, replacement and improvement, including, without limitation, costs for: services, costs and utilities not otherwise directly paid or reimbursed by tenants; materials, supplies and equipment; deductibles under Landlord's insurance policies; wages and payroll, including bonuses, (all of which, for existing employees, will not increase by more than ten percent (10%) per annum, cumulative, and, for employees subsequently hired, will not increase by more than ten percent (10%) per annum, cumulative, over their initial wages and payroll, including bonuses); fringe benefits, workers compensation and payroll taxes; professional and consulting fees; management fees at prevailing rates or, if no managing agent is retained, an amount in lieu thereof not in excess of prevailing rates; complying with any Laws and insurance requirements; "environmental audits" deemed necessary by Landlord (but no more than once per year); and the Common Area (including the parking area). Operating Costs do not include: Taxes; depreciation of the Project structures and improvements; Landlord's loan or ground lease payments; brokerage commissions; marketing costs; legal fees and costs to enforce any leases; and costs to construct new leasable area in the Project. If Landlord in the future leases space to other tenants on a gross rather than net basis, Operating Costs will not thereby be increased over what they would have been if Landlord had leased on a net basis.

7.2 Payment of Operating Costs. Subject to Article 9, as of the Rent Commencement Date Tenant will pay its Tenant's Percentage of Operating Costs described in Section 7.1, both as additional rent within thirty (30) days after receipt of Landlord's bill.

7.3 Building Operating Costs. From time to time, Landlord may determine that certain costs otherwise included within the definition of Operating Costs more properly relate only or primarily to the Building (as a hypothetical example, elevator maintenance). If Landlord so elects, these costs will be deducted from Operating Costs and allocated only to tenants of the Building, Tenant's share of these costs will be calculated by dividing Tenant's rentable square footage by the rentable square footage in the Building, and Tenant will pay its share of these costs in the manner described in Section 7.2.

8. INSURANCE.

8.1 Tenant's Insurance.

(a) Tenant will maintain during the term:

(i) Commercial general liability insurance (Broad Form CGL), with contractual liability, cross-liability and fire legal liability endorsements, protecting against all claims and liabilities for personal, bodily and other injuries, death and property damage including, without limitation, broad form property damage insurance, automobile and personal injury coverage. This insurance also will insure Tenant's indemnities pursuant to this Lease. The amount of this insurance will not be less than $10,000,000.00 combined single limit for each occurrence.

(ii) "All risk" casualty insurance, covering all of Tenant's Work, Tenant's Property and all Alterations made by or for the benefit of Tenant. This insurance will be for full replacement value.

(iii) [INTENTIONALLY OMITTED]

(iv) Worker's compensation insurance in statutory limits, and employer's liability insurance of not less than $1,000,000.00.

(v) Builder's risk insurance (completed value form) for work required of or permitted to be made by Tenant. The amount of this insurance will be reasonably satisfactory to Landlord and must be obtained before any work is begun.

(b) All policies of insurance carried by Tenant must: name Landlord and its designees as additional insureds; contain a waiver by the insurer of any right to subrogation against Landlord and its Affiliates; be from insurers acceptable to Landlord; and state that the insurers will not cancel, fail to renew or modify the coverage without first giving Landlord and any other additional insureds at least thirty (30) days prior written notice.

(c) Tenant will supply copies of each paid-up policy or a certificate from the insurer certifying that the policy has been issued and complies with all of the terms of this Article. The policies or certificates will be delivered to Landlord when this Lease is signed and renewals provided not less than thirty (30) days before the expiration of the coverage. Landlord always may inspect and copy any of the policies. Tenant waives any right to recover against Landlord for Liabilities in connection with any type of cause or peril which is supposed to be insured against under the insurance policies required to be maintained by Tenant.

8.2 Landlord's Insurance; Payment; and Waiver of Subrogation.

(a) Landlord will maintain casualty insurance of at least ninety percent (90%) of the full replacement cost of the Buildings and other improvements in the Project (excluding foundations, footings, below-grade space and any historic items or structures), commercial general liability insurance (Broad Form CGL or the functional equivalent) of at least Five Million Dollars ($5,000,000), and other insurance policies in such amounts, with such deductibles and providing protection against such perils as Landlord determines to be necessary in its sole discretion (which may include, without limitation, rental loss insurance policies). All losses on all policies maintained pursuant to this Article will be settled in Landlord's name (or as otherwise designated by Landlord) and proceeds will belong and be paid to Landlord. Landlord makes no representations or warranties as to the adequacy of any insurance to protect Landlord's or Tenant's interests. Landlord's insurance policies will contain waivers of subrogation.

(b) Subject to Article 9, Tenant will pay directly to Landlord as additional rent Tenant's Percentage of the cost of all premiums for Landlord's insurance for the Project within thirty (30) days after receipt of Landlord's bill.

(c) Tenant and its Affiliates will not undertake, fail to undertake or permit any acts or omissions which will in any way increase the cost of, violate, void or make voidable all or any portion of any insurance policies maintained by Landlord, unless Landlord gives its specific written consent and Tenant pays all increased costs directly to Landlord on demand.

9. MONTHLY PAYMENT OF TAXES, OPERATING COSTS AND INSURANCE PREMIUMS.

At any time and from time to time, and subject to later change, Landlord may elect to have Tenant pay Tenant's share of Taxes, Operating Costs and Landlord's insurance premiums (or any of them) in monthly installments, in advance on the first of each month, based on amounts estimated by Landlord (as revised from time to time). If these estimated monthly payments are required, after the end of each tax fiscal year, Lease Year or other relevant periods selected by Landlord, Landlord will deliver to Tenant a statement of the actual amounts due for the period. Any additional amounts due from Tenant will be payable as additional rent within thirty (30) days after receipt of Landlord's statement, and any overpayment by Tenant will be refunded by Landlord or deducted from the next monthly installments due for that particular payment category. Quarterly, or less frequently, Landlord may deliver a bill to Tenant for Tenant's share of Taxes, Operating Costs or insurance premiums, and Tenant will pay the amount due to Landlord as additional rent within thirty (30) days after receipt of Landlord's bill. Tenant will receive a credit for any estimated monthly payments already paid by Tenant for the period covered by that bill.

10. UTILITIES.

Landlord will be solely responsible for bringing utility services to the Premises to the extent now existing. Tenant will pay when due to the furnishing parties all fees and costs for utility services, and meters and equipment (to the extent not supplied as existing), furnished to the Premises, including, without limitation, telephone, electricity, HVAC, sewer, water and gas (if furnished). If utilities and services for the Premises are not separately metered or charged, Tenant will pay its share (as reasonably determined by Landlord) of such costs directly to Landlord as additional rent, either monthly when base rent is due, or within fifteen (15) days after receipt of Landlord's bill, at Landlord's option. Landlord is not responsible for any Liabilities incurred by Tenant or Tenant's Affiliates nor may Tenant abate rent, terminate this Lease or pursue any other right or remedy against Landlord or Landlord's Affiliates, as a result of any termination or malfunction of any utilities or utility systems.

11. USE OF PREMISES.

Tenant will use the Premises for the purposes described in Section 1.1(h), but for no other purpose. Tenant will:

(a) Operate its business in an attractive and first class manner. Tenant will not permit any objectionable or unreasonable noises, vibrations, odors or fumes in or to emanate from the Premises, nor commit or permit any waste, improper, immoral or offensive use of the Premises, any public or private nuisance or anything that disturbs the quiet enjoyment of the other tenants, licensees, occupants or customers of the Project. All deliveries and pickups must be conducted at times and in the manner reasonably prescribed by Landlord. All trash and waste products must be stored, discharged, processed and removed in the manner prescribed by Landlord, and so as not to be visible to other tenants or create any health or fire hazard.

(b) Install only window coverings and treatments approved by Landlord and, once installed, keep them sufficiently closed to shield from outside view any machinery or other equipment that Landlord determines is unsightly or inconsistent with that portion of the Project. Tenant will vent only through louvers in the windows of the Premises, but Tenant may not detach those louvers.

(c) Not permit any coin or token operated vending, video, pinball, gaming or other mechanical devices on the Premises, except solely for use by Tenant's employees; conduct retail sales to walk-in customers (other than occasional sales); permit governmental or quasi-governmental agencies to occupy the Premises; use the Premises as doctors' offices, a school or educational institution (but training for customers and/or Tenant's personnel), living or sleeping quarters; store, sell or distribute obscene, lewd or pornographic materials or engage in related businesses in or from the Premises; or conduct any auction, distress, fire, bankruptcy or going-out-of-business sale.

(d) Comply with: Laws and insurance requirements affecting the Premises, the Project or any use and occupancy thereof by Tenant or its Affiliates (including, without limitation, making required improvements to the Premises, except for improvements, if any, that are required solely due to the particular business activity of another tenant in the Project); and Landlord's rules and regulations from time to time. Tenant will, at its expense, obtain and maintain all licenses, approvals and variances necessary to conduct its business and occupy the Premises, but none of those licenses, permits or variances will be binding on or in any way affect or restrict Landlord, any other tenants in the Project or the Project itself.

(e) If it wishes, install signs or lettering on the entry doors to the Premises and on a monument sign to be specified by Landlord, which will include other tenant names, identifying its tenancy in the manner customary to first-class office buildings. Subject to complying in all instances with applicable Laws, Tenant also will have the right to install the following additional signs (the "Additional Signs"): (i) another monument sign in a location specified by Landlord, identifying its tenancy in the manner customary

to first-class office buildings, and in conformity with the sketch attached hereto as Exhibit "G"; and (ii) if Tenant validly exercises all of its Expansion Options and leases all of the Expansion Space (i.e., while Tenant is leasing the Initial Space, the Additional Space and all of the Expansion Space), a sign on the exterior of Building 100 visible from Haverhill Street in a location specified by Landlord, identifying its tenancy in the manner customary to first-class office buildings, and in conformity with the sketch attached hereto as Exhibit "G-1". Tenant's rights with respect to the Additional Signs are personal to the Tenant originally named in the Lease and may not be exercised or maintained by or for anyone else (except by an "Acquiring Entity" as defined in Section 24.18). If Tenant defaults, or Transfers any part of this Lease or the Premises (except for valid "Outside Subleases" that together with all other Outside Subleases aggregate less than 25% of the rentable area of the Premises when made, and except for valid "Family Subleases" that together with all other Family Subleases aggregate less than 75% of the rentable area of the Premises when made, each as defined in Section 24.18, and provided further that all subleases of any type together aggregate less than 75% of the rentable area of the Premises), and at the expiration of the Lease, Tenant at its cost will remove the Additional Signs and repair. any damage to the Building and the rest of the Project, all in a manner satisfactory to Landlord (and in addition to any other rights and remedies of Landlord if

Tenant defaults). The design, materials and construction of the Additional Signs will be subject in all respects to Landlord's prior approval. Tenant will conform to standards established by Landlord from time to time for the above signs and lettering and submit for Landlord's prior approval a plan or sketch of the Tenant's proposed sign or lettering, and provided that Tenant's signs and lettering so conform, Landlord's consent will not be unreasonably withheld. All other signs, lettering, awnings, canopies or other decorations require Landlord's prior approval.

(f) Not use any advertising or other media or other device which can be heard or experienced outside the Premises (except as permitted in subparagraph (e) above), including without limitation, lights or audio or visual devices. Tenant will not distribute handbills or advertising, promotional or other materials anywhere in the Project or solicit business in the Project other than within its own Premises.

12. MAINTENANCE AND REPAIRS.

12.1 Landlord's Obligations. Landlord will repair and maintain the roof and the structural portions of the floor and load-bearing walls of the Premises (but not the interior surfaces), the plumbing Systems and Equipment up to and including the main vertical risers, the sanitary sewer and chilled water lines outside of the footprint of the Premises, and the electrical Systems and Equipment up to the buss duct tap. Landlord also will manage the cleaning, landscaping and snowplowing of the Common Areas. However, Tenant will be responsible for all repairs and maintenance resulting from Tenant's Alterations or the negligent or intentional acts or omissions of Tenant or its Affiliates. Landlord will make its repairs within a reasonable time following Tenant's notification that the repairs are required. Landlord's obligations are subject to the provisions of Articles 16 and 17 and the rest of this Lease.

12.2 Tenant's Obligations. Except for Landlord's obligations in Section 12.1 and as set forth immediately below, Tenant will maintain and repair the Premises and the Systems and Equipment serving the Premises in a first-class manner (including replacement thereof if and when necessary), and keep the Premises in good order and condition, including, without limitation, Tenant's Property, all doors, windows, window treatments, wall coverings, floor coverings, non-structural portions of the ceiling, floor and walls, and Tenant's Alterations (unless otherwise requested by Landlord). Subject to Landlord's prior consent, which will not be unreasonably withheld, Tenant may select a cleaning company of its choice to clean the Premises at Tenant's sole cost.

13. ALTERATIONS.

13.1 Landlord's Consent. "Alterations" means Tenant's alterations, additions, improvements, remodeling, repainting, or other changes. Tenant may make nonstructural Alterations to the interior of the Premises without Landlord's consent as long as the Alterations do not: affect the windows, the exterior of the Building, or any portion of the Building or the rest of the Project outside of the Premises; affect the strength, structural integrity or load-bearing capacity of any portion of the Building; affect the Systems and Equipment in the Premises or the rest of the Building or increase Tenant's usage; or, in Landlord's reasonable judgment, cost more than a total of One Hundred Eighty Thousand Dollars ($180,000) in any Lease Year when combined with the cost of other Alterations made in that Lease Year. All other Alterations require Landlord's prior written consent. Whether or not Landlord's consent is required, Alterations are subject to the rest of this Article.

13.2 Notice. Tenant will notify Landlord not less than fifteen (15) days before beginning any Alterations (but no notice will be required for moveable, unattached partitions and work stations). Together with Tenant's notice, Tenant will give Landlord copies of the necessary permits and approvals and, if Landlord deems it necessary, plans and specifications for the Alterations (but not for minor, non-structural Alterations such as wall coverings, built-in cabinetry, and painting). Landlord's review or approval of Tenant's plans and specifications is solely for Landlord's benefit and will not be considered a representation or warranty to Tenant as to safety, adequacy, efficiency, compliance with Laws or any other matter, or a waiver of any of Tenant's obligations. Except for items of Tenant's Property, all Alterations will be deemed Landlord's property and part of the realty, and will be surrendered with the Premises at the end of this Lease, unless otherwise requested by Landlord.

13.3 Compliance with Laws. Alterations will comply in all respects with this Lease and applicable Laws and insurance requirements. Alterations will be done in a first-class manner, using first quality materials, and so as not to interfere in any way with Landlord or any other tenant in the Project, cause labor disputes, disharmony or delay, or impose any Liabilities on Landlord. Alterations will be performed only by experienced, licensed and bonded contractors and subcontractors approved in writing by Landlord, which approval will not be unreasonably withheld. At Landlord's request, Tenant will cause its contractors and subcontractors to carry workmen's compensation insurance.

13.4 Liens. Tenant will pay when due all claims for labor, materials and services claimed to be furnished for Tenant or Tenant's Affiliates or for their benefit and keep the Premises and the Project free from all liens, security interests and encumbrances ("Liens"). Tenant will indemnify Landlord for, and hold Landlord harmless from, all Liens, the removal of all Liens and any related

actions or proceedings, and all Liabilities incurred by Landlord in connection therewith. NOTICE IS HEREBY GIVEN TO ALL PERSONS FURNISHING LABOR OR MATERIALS TO TENANT THAT NO MECHANICS', MATERIALMENS' OR OTHER LIENS SOUGHT ON THE PREMISES WILL IN ANY MANNER AFFECT LANDLORD'S RIGHT, TITLE OR INTEREST.

13.5 Satellite Dish. Subject to the following and the rest of this Article and this Lease, Tenant may install a satellite dish no larger than three feet (3') in diameter in a location specified by Landlord. Tenant will be responsible for all Liabilities in connection with this satellite dish and associated equipment, including, without limitation, installation, removal, operation, maintenance, insurance, taxes and other costs and fees. Tenant also will be solely responsible for securing all federal, state and local permits in connection with the installation and operation of this satellite dish prior to its installation. If this satellite dish is on a roof, Tenant will secure from the membrane roofing manufacturer certification that the installation of this satellite dish is compatible with all design requirements and that this installation will not void the existing roof warranty. This certification must be delivered to Landlord before installation begins. Tenant also will use only a manufacturer-authorized roofing contractor for any work that requires the penetration of the existing membrane roofing system. Upon the expiration or earlier termination of this Lease, Tenant, at its expense, will remove the satellite dish and all associated equipment and repair all damage. Notwithstanding anything to the contrary, Landlord will have no Liabilities in connection with this satellite dish and associated equipment, and Tenant will indemnify Landlord for and hold it free and harmless from all Liabilities arising out of or in connection with this satellite dish.

14. INDEMNITY; SATISFACTION OF REMEDIES.

14.1 Indemnification. In addition to any other indemnities in this Lease, Tenant will indemnify Landlord for and hold Landlord harmless from Liabilities arising from or in connection with: acts or omissions of Tenant or its Affiliates or the conduct of Tenant's business; Tenant's breach of or default under this Lease; and claims by Tenant's Affiliates or other persons if Landlord declines to consent to any act, event or document requiring Landlord's consent under this Lease.

14.2 Damage to Persons or Property. Subject to the rest of this Section and the rest of this Lease, Landlord will be liable for damages solely to the extent caused by its own negligence or willful misconduct in breach of this Lease, but Landlord will not be liable for any special, indirect, consequential, punitive or similar damages (including, without limitation, any loss of use or revenue by Tenant or any other person) under any circumstances, or for any Liabilities arising from or in connection with: acts or omissions of Tenant, any other tenants of the Project, any third parties, or their Affiliates, including, without limitation, burglary, vandalism, theft, or criminal or illegal activity; explosion, fire, steam, electricity, water, gas, rain, pollution, contamination, hazardous substances, motor vehicles or any casualties; breakage, leakage, malfunction, obstruction or other defects in Systems and Equipment, or of any services or utilities; any work, demolition, maintenance or repairs permitted under this Lease; any exercise of Landlord's rights under any Laws or under this Lease, including any entry by Landlord or its Affiliates on the Premises in accordance with this Lease; or any of the matters described in Section 24.5. Tenant and Tenant's Affiliates assume the risk of all of these Liabilities and waive all claims against Landlord in connection therewith. Tenant also waives any Laws or rights that would permit Tenant to terminate this Lease, perform repairs or maintenance in lieu of Landlord (or on Landlord's behalf), or offset or withhold any amounts due because of damage to or destruction of the Premises, any repairs or maintenance, or for any other reason. Tenant immediately will notify Landlord of any damage or injury to persons or property and any events which could be anticipated to give rise to any of the foregoing Liabilities. This exculpation of Landlord and all of Tenant's waivers in this Lease will apply to all of Tenant's Affiliates to the greatest extent possible. This Section 14.2 is not meant to reduce the extent of Landlord's obligations to repair or rebuild in any particular circumstance as may be required in Section 12.1 and Articles 16 and 17 or to prevent Tenant from exercising termination rights (if any) specifically granted to Tenant elsewhere in this Lease.

14.3 Satisfaction of Remedies. Notwithstanding anything in this Lease or elsewhere to the contrary: Tenant and its Affiliates will look solely to Landlord's interest in the Project to satisfy any claims, rights or remedies, and Landlord and its Affiliates, at every level of ownership and interest, have no personal or individual liability of any type, whether for breach of this Lease or otherwise, their assets will not be subject to lien or levy of any type, nor will they be named individually in any suits, actions or proceedings of any type.

15. COMMON AREA AND PARKING.

15.1 Common Area. "Common Area" means all areas and improvements within the Project, as it now exists or as it exists in the future, not held or designated for the exclusive use or occupancy of Landlord, Tenant, or other tenants or prospective tenants. Tenant may use the Common Area on a nonexclusive basis during this Lease. Landlord reserves all rights in connection with the Common Area, including, without limitation, the right to change, relocate, improve or demolish portions, promulgate rules and regulations for its use, limit the use of any portion of the Common Area by Tenant or its Affiliates, and place certain portions of the Common Area off limits to Tenant and its Affiliates, including, without limitation, janitorial, maintenance, equipment and storage areas, and entrances, loading docks, corridors, elevators and parking areas. Except during emergencies or necessary maintenance, repair or construction, Landlord's exercise of these rights will not ever prevent Tenant from having access to the Premises and a loading dock in each Building in which a portion of the Premises may be located, either now or in the future, but will not require Landlord to compensate Tenant in any way, result in any Liabilities to Landlord, entitle Tenant to abate rent, or reduce Tenant's Lease obligations.

15.2 Parking. At no additional cost to Tenant (other than Tenant's share of Taxes and Operating Costs from time to time), Tenant may park three (3) passenger cars per 1,000 square feet of agreed rentable area in the Premises from time to time in the areas designated by Landlord from time to time for Tenant's parking (Tenant's current areas are shown in Exhibit "A"). Of the parking granted above, at least one of those cars per 1,000 square feet leased will be permitted to park in an assigned space in the assigned areas (i.e., the parking areas south of the northern boundary of the Service Road as shown on Exhibit "A"). If Tenant does not use all of its parking spaces, Landlord may allow others to use those spaces at no charge, subject to Tenant's right to reclaim those spaces when needed. As permitted by Section 15.1, Landlord may: limit access to portions of the parking areas; change signs, lanes and the direction of traffic within the parking areas; change, eliminate or add parking spaces or areas devoted to parking; allow free parking or parking with a validation, valet, sticker or other system; promulgate rules and regulations; and take any other actions deemed necessary by Landlord.

16. DAMAGE OR DESTRUCTION.

16.1 Repairs. Subject to the rest of this Article and the rest of this Lease, Landlord will repair damage to the Premises caused by casualties insured against under standard "all risk" casualty policies. However, Landlord is not obligated to repair damage for which Tenant or its Affiliates are responsible or for which Landlord has no liability under other provisions of this Lease. Except as may otherwise be required by then applicable Laws, Landlord will attempt to restore the damaged portions to their prior condition, but Landlord is not required to undertake repairs unless insurance proceeds are available, spend more than the net insurance proceeds it actually receives and is permitted to retain for any repair or replacement, or repair or replace any damage to Tenant's Work, Tenant's Property or any Alterations. Landlord will begin repairs within a reasonable time after receiving notice of the damage, required building permits or licenses and the insurance proceeds payable on account of the damage.

16.2 Election to Terminate. Landlord has the option either to repair the casualty damage, or terminate this Lease by delivering written notice within sixty (60) days after the damage occurs, if: the damage occurs during the last year of the term; or Tenant is in default; or the repairs would take more than one hundred twenty (120) days to complete; or the damage was caused primarily by the intentional act or omission of Tenant or its Affiliates; or more than twenty-five percent (25%) of the leasable space in the rest of the Building is damaged.

16.3 Abatement of Rent. If the Premises are damaged so as to be untenantable for more than five (5) consecutive business days and Landlord is required or elects to repair the damage, base rent and Tenant's share of Taxes and Landlord's insurance premiums will abate until Landlord has substantially completed the repairs and given Tenant access to the Premises, or Tenant reoccupies part of the Premises, whichever is earlier. If Tenant continues

to occupy or reoccupies the Premises before substantial completion of these repairs but cannot occupy substantially all of the Premises because of these ongoing repairs, base rent and Tenant's share of Taxes and Landlord's insurance premiums will abate in proportion to the degree to which Tenant's use of the Premises is impaired, as reasonably determined by Landlord. Base rent and Tenant's share of Taxes and Landlord's insurance premiums will not be abated if the acts or omissions of Tenant or its Affiliates render Landlord unable to collect the rental loss insurance proceeds that otherwise would have been payable to Landlord. The abatement of base rent and Tenant's share of Taxes and Landlord's insurance premiums described above is Tenant's sole remedy against and compensation from Landlord in connection with any damage, destruction or repairs.

17. CONDEMNATION.

If all or substantially all of the Premises are condemned, taken or appropriated by any public or quasi-public authority under the power of eminent domain, police power or otherwise, or if there is a sale in lieu thereof ("Condemned"), this Lease will terminate when title or possession is taken by the condemning authority or its designee. If:

(a) More than twenty-five percent (25%) of the usable area of the Premises is Condemned, either Landlord or Tenant may terminate this Lease when title or possession is taken by the condemning authority or its designee by delivering written notice to the other within fifteen (15) days thereafter. Landlord also may terminate this Lease as provided above if more than twenty-five percent (25%) of any of the leasable area of the rest of the Building is condemned.

(b) Part of the Premises is Condemned and this Lease is not terminated, Landlord will make the necessary repairs so that, to the extent reasonably possible, the remaining part of the Premises will be a complete architectural unit. Otherwise, Landlord's restoration will be conducted as described in Section 16.1, except that Landlord will not be required to begin repairs until a reasonable time after it receives any necessary building permits and substantially all of the proceeds of any awards granted for the Condemnation. After the date title or possession is taken by the condemning authority or its designees, base rent and Tenant's share of Taxes and Landlord's insurance premiums will abate in proportion to the area of the Premises Condemned.

All proceeds, income, rent, awards and interest in connection with any Condemnation will belong to Landlord, whether awarded as compensation for diminution of value to the leasehold improvements, or the unexpired portion of this Lease, or otherwise. Tenant waives all claims against Landlord and the condemning authority with respect thereto, but nothing in this Section prevents Tenant from bringing a separate action against the condemning authority for moving costs or for lost goodwill (as long as this separate action does not diminish Landlord's recovery).

18. ASSIGNMENT AND SUBLETTING.

18.1 Landlord's Consent Required. Tenant will not voluntarily, involuntarily or by operation of any Laws sell, convey, mortgage, subject to a security interest, license, assign, sublet or otherwise transfer or encumber all or any part of Tenant's interest in this Lease or the Premises, or allow anyone other than Tenant's employees to occupy the Premises (singularly or collectively, "Transfer"), without Landlord's prior written consent in each instance. Any attempt to do so without this consent will be null and void and a default.

18.2 Notice. Tenant will notify Landlord in writing at least thirty (30) days before any proposed or pending Transfer and will deliver to Landlord such information as Landlord may reasonably request in connection with the proposed or pending Transfer and the proposed Transferee, including, without limitation, a copy of the proposed Transfer documents, financial statements and other financial information about and banking references for the proposed Transferee, and information as to the type of business and business experience of the proposed Transferee. All of this information must be suitably authenticated.

18.3 Landlord's Right to Terminate. If Tenant notifies Landlord of a Transfer, or if Landlord becomes aware of a Transfer, Landlord may: consent; withhold consent (subject to Sections 18.4 and 18.5 below); or terminate this Lease on written notice to Tenant if the Transfer is an assignment of the Lease other than to an Acquiring Entity, or a sublease of all or substantially all of the Premises. If Tenant proposes a sublease for a term longer than one year that together with all other Outside Subleases would total more than 25% of the rentable area of the Premises if made (if the proposed sublease would be an Outside Sublease), or together with all other Family Subleases would total more than 75% of the rentable area of the Premises when made (if the proposed sublease would be a Family Sublease), or together with all other subleases would total more than one 75% of the rentable area of the Premises if made, Landlord may terminate the Lease as to the portion of the Premises proposed to be sublet. If Landlord elects to terminate, this Lease (or this Lease as applicable to the portion to be sublet as described above) will terminate on the date set forth in Landlord's termination notice. Nothing in this Section limits Landlord's rights or remedies if Tenant is in default or if the Transfer does not comply with this Article.

18.4 Reasonable Consent. Subject to Section 18.5, if Landlord does not

elect (assuming it is permitted) to terminate this Lease, and if the request for Transfer is given after the end of the first (1st) Lease Year, Landlord will not unreasonably withhold its consent to an assignment or subletting (for purposes of this Article, Landlord may arbitrarily withhold consent to other Transfers). Tenant agrees that the withholding of Landlord's consent will be deemed reasonable if Tenant is in default or has failed to comply with the rest of this Article, or if any of the following conditions are not satisfied:

(a) The proposed assignee or subtenant will use the Premises strictly in accordance with the terms of this Lease.

(aa) The business of the proposed assignee or subtenant is consistent with the other uses and the standards of the Project, in Landlord's reasonable judgment.

(b) The proposed assignee or subtenant is reputable, has a credit rating reasonably acceptable to Landlord, and otherwise has sufficient independent financial capabilities to perform all of its obligations under this Lease or the proposed sublease, in Landlord's reasonable judgment, and within the two-year period prior to the Transfer has not been subject to a bankruptcy or reorganization or any proceedings or court-ordered compliance in connection therewith, or had a receiver managing any of its affairs or assets or been subject to criminal judgments.

(c) Neither the proposed assignee or subtenant nor its Affiliates is or has been a tenant or occupant or has negotiated for space in the Project or in other projects in Massachusetts owned by Landlord or a partnership or corporation affiliated with Landlord or Brickstone Square Realty, Inc. or its current shareholders or officers (current projects are located in Andover, Wakefield and Billerica) within the six (6) month period before the delivery of Tenant's written notice. This Subsection (c) will apply only while Andover Mills Realty Limited Partnership or an affiliated entity or an entity affiliated with Brickstone Square Realty, Inc. or its current shareholders or officers owns the Project or an interest therein.

(d) A proposed sublease will not result in more than three (3) entities or businesses (other than Family Entities) occupying the Premises in any one Building, or more than fifteen (15) Family Entities occupying the Project.

These conditions are not exclusive and Landlord may consider other factors in determining if it should grant or reasonably withhold its consent.

18.5 (a) Family Transfers. The Transfer of more than forty nine percent (49%) Tenant's capital stock or ownership interests to any person or entity or affiliated persons or entities, whether directly or indirectly or by one or more transactions (other than by unrelated transactions on a public exchange, such as the NYSE or NASDAQ), or any dissolution, merger, consolidation or other reorganization of Tenant, or the Transfer of all or substantially all of Tenant's assets, will be deemed to be an attempted assignment of this Lease and subject to all of the terms of this Article 18 (except as specifically noted below) and the rest of this Lease, and the Transferee or other party will be deemed to be a prospective assignee. However, an assignment by Tenant to an Acquiring Entity, or a sublease by Tenant to a Family Entity, will be deemed to be a permitted assignment or sublease, as applicable, provided that the rest of this Article 18 is complied with (although Sections 18.4(aa) and (b) will not apply and Section 18.4(c) will apply only with respect to the Project and other projects located in Andover, Massachusetts, in each case as long as the purpose of the transaction was not to avoid those or any other provisions of this Lease). Tenant agrees that, despite any contrary agreements between Tenant and a Transferee or other acquiring party, anything else to the contrary, even if this Lease is not assigned a Transferee or other acquiring party of all or substantially all of Tenant's other assets will be deemed to have assumed all of Tenant's Liabilities under this Lease, and Tenant will make such Transferee or other acquiring party aware of this provision. Sublessees do not have the right, power, authority to further sub-sublease or otherwise Transfer all or any portion of or interest in the space they sublease.

(b) A Transferee (which for these purposes shall exclude any sublessee but shall include any assignee by contract, foreclosure, operation of law or otherwise) will be deemed to have assumed all of Tenant's obligations and Liabilities under this Lease (all of which shall be deemed to run with the land) and will be deemed to be bound by this Lease, and Tenant and the assignee will indemnify Landlord and hold it harmless from all Liabilities in connection with the assignment. To confirm the foregoing, a prospective Transferee (other than a sublessee) will be required to execute and deliver to Landlord an unconditional written assumption of Tenant's Liabilities under this Lease and the indemnity described above, and Tenant and the Transferee will be deemed to be jointly and severally liable for all Liabilities of the tenant under this Lease and any existing and future amendments thereto (although such a written assumption shall not be required to establish the full liability of the Transferee for all of Tenant's Liabilities under this Lease). A sublease will be deemed to be subject and subordinate to this Lease in all respects. Tenant and the subtenant will indemnify Landlord and hold it harmless from all Liabilities in connection with the sublease. The subtenant will acquire no rights or claims against Landlord or its Affiliates and will not have the right to enforce any of Tenant's rights and remedies under this Lease against Landlord. If this Lease is terminated or Landlord rightfully reenters or repossesses the Premises, Landlord may terminate the sublease, or at its option, become the sublessor under the sublease and the subtenant will attorn to Landlord, but Landlord will not be liable for Tenant's acts or omissions, subject to any existing defenses or offsets against Tenant or bound by any amendment to the sublease made without Landlord's prior written consent. By entering into a sublease, Tenant and the sublessee agree that if the sublessee breaches an obligation under its sublease which would also constitute a default by Tenant under this Lease if not cured within applicable grace periods, then Landlord will have all of the rights and remedies against the subtenant that is also has against Tenant for such a default. Without limiting the generality of the foregoing, Landlord will be permitted (by assignment of the cause of action or otherwise) to join the Tenant in any action or proceeding against subtenant or to proceed against the subtenant directly in the name of Tenant to enforce these rights and remedies. Tenant will cooperate with Landlord and execute such documents as may be reasonably necessary to implement these rights granted to Landlord. The exercise of these rights and remedies will not constitute an election of remedies and will not in any way impair Landlord's right to pursue other or similar rights and remedies directly against Tenant, nor will the grant or exercise of these rights or remedies result in the subtenant acquiring any rights or claims against Landlord or its Affiliates.

18.6 No Release of Tenant. Whether or not Landlord consents, no Transfer will release or alter the primary liability of Tenant to pay rent and perform all of Tenant's other obligations under this Lease. The acceptance of rent by Landlord from any person other than Tenant is not a waiver by Landlord. Consent to one Transfer will not be deemed to be consent to any subsequent Transfer. If any Transferee defaults under this Lease, Landlord may proceed directly against the Transferee and/or against Tenant without proceeding or exhausting its remedies against the other. After any Transfer, Landlord may consent to subsequent Transfers of or amendments to this Lease without notifying Tenant or

any other person, without obtaining consent thereto, and without relieving Tenant of liability under this Lease (as it may be modified), except that Tenant's aggregate monetary liability under this Lease, as it may be modified, will not be greater than it would have been under this Lease without the modification.

18.7 Additional Terms. Tenant will pay Landlord's reasonable attorneys' fees and other costs in connection with any request for Landlord's consent to a Transfer. To be effective all assignments and subleases must always prohibit any further assignment, subleasing or other Transfer and state that they are subject and subordinate to the terms of this Lease. Subject to Section 18.5(a), while Andover Mills Realty Limited Partnership or an affiliated entity or an entity affiliated with Brickstone Square Realty, Inc. or its current shareholders or officers owns the Project or an interest therein, Tenant and its Affiliates will not, directly or indirectly, take an assignment or sublease from, or otherwise occupy premises leased to, any existing or future tenants (or their assignees, sublessees or successors) of space in the Project or in other projects in Massachusetts owned by Landlord or a partnership or corporation affiliated with Landlord or with Brickstone Square Realty, Inc. or its current shareholders or officers (current projects are located in Wakefield, Andover, and Billerica). The surrender of this Lease or its termination will not be a merger, but Landlord will have the right to terminate all subleases and the occupancy rights of all Transferees. Tenant will pay to Landlord as additional rent: fifty percent (50%) of all consideration paid or payable for or by reason of any assignment of this

Lease; and, in the case of a sublease, fifty percent (50%) of the amount by which the sublease rent and other consideration paid or payable (less the sublessee's pro-rata payment of real estate taxes and insurance, to the extent paid or payable) exceeds the base rent for the sublease term (pro rated for the square footage subleased). At Landlord's option, Landlord may collect all or any part of this additional rent directly from the payor, and consideration paid or payable will be defined in its broadest sense.

19. MORTGAGEE PROTECTION.

19.1 Subordination and Attornment. This Lease is subordinate to all Superior Leases and Mortgages (defined in Section 24.4), and Tenant will attorn to each person or entity that succeeds to Landlord's interest under this Lease. This Section is self-operative, but if requested to confirm a subordination and/or attornment, Tenant will execute the standard form subordination and attornment agreements furnished by the then-current lessor or mortgagee under any of the Superior Leases and Mortgages (a "Landlord's Mortgagee") within ten (10) days after request. The subordination and attornment provisions will apply for the benefit of subsequent Landlord's Mortgagees, provided that they agree not to disturb Tenant's rights under this Lease if Tenant is not in default, and at the request of those Landlord's Mortgagees, Tenant will execute their standard form subordination, non-disturbance and attornment agreements to provide for the foregoing within ten (10) days after request. However, if Landlord or Landlord's Mortgagee elects in writing, this Lease will be superior to the Superior Leases and Mortgages specified, regardless of the date of recording, and Tenant will execute an agreement confirming this election on request. Landlord diligently and in good faith will request that The Bank of Nova Scotia, the current Landlord's Mortgagee, agree to execute with Tenant the current non-disturbance, subordination and attornment agreement now in use by The Bank of Nova Scotia, but notwithstanding anything to the contrary, neither this Lease nor any of Tenant's obligations or other Liabilities hereunder will be terminated, waived, excused or otherwise reduced in any way if for any reason The Bank of Nova Scotia refuses to execute such an agreement or any similar or other agreement.

19.2 Mortgagee's Liability. The obligations and Liabilities of Landlord, Landlord's Mortgagees or their successors under this Lease will exist only if and for so long as each of these respective parties owns fee title to the Project or is the lessee under a ground lease of the Project. Tenant will be liable to Landlord's Mortgagees or their successors if any of those parties become the owner of the Project for any base rent paid more than thirty (30) days in advance. Landlord's Mortgagees and their successors will not be liable for: (a) acts or omissions of prior owners; (b) the return of any security deposit not delivered or credited to them (and Landlord agrees to deliver or credit Tenant's unapplied security deposit to Landlord's Mortgagees if they succeed to Landlord's interest under this Lease); or (c) amendments to this Lease made without their consent (if their consent is required under a Superior Lease or Mortgage).

19.3 Mortgagee's Right to Cure. No act or omission (if any) which otherwise entitles Tenant under the terms of this Lease to be released from any Lease obligations or to terminate this Lease will result in such a release or termination unless Tenant first gives written notice of the act or omission to Landlord and Landlord's Mortgagees and those parties then fail to correct or cure the act or omission within ninety (90) days thereafter. Nothing in this Section or the rest of this Lease obligates Landlord's Mortgagees to correct or cure any act or omission or is meant to imply that Tenant has the right to terminate this Lease or be released from its obligations unless that right is explicitly granted elsewhere in this Lease.

20. ESTOPPEL CERTIFICATES.

Tenant will from time to time, within fifteen (15) days after request by Landlord, execute and deliver an estoppel certificate in form satisfactory to Landlord or its designees which will certify (except as may be noted) such information concerning this Lease or Tenant or it's Affiliates as Landlord or its designees may request. If Tenant fails to execute and deliver estoppel certificates as required, Landlord's representations concerning the matters covered by the estoppel certificate will conclusively be presumed to be correct and binding on Tenant and its Affiliates.

21. DEFAULT.

The occurrence of one or more of the following events will be a default by Tenant under this Lease: (a) the abandoning of the Premises; (b) the failure to pay rent or any other required amount within seven (7) days after written notice that the payment is due; (c) as provided in Article 23; (cc) the failure to comply with the terms of Article 25 within five (5) days after written notice; (d) a Transfer in violation of Article 18; (e) the failure to maintain its required insurance policies within seven (7) days after written notice; or (f) the failure to comply with or perform any other obligation, term or condition for which there is a specified time for compliance or performance set forth in this Lease within five (5) days after written notice of such failure; if no time period is specified, it will be a default if this failure continues for fifteen (15) days after written notice from Landlord to Tenant, but if more than fifteen (15) days are reasonably required to cure, Tenant will not be in default if Tenant begins to cure within the fifteen (15)-day period and then diligently completes the cure as soon as possible but within ninety (90) days after the notice of default is given. Whenever the term "default" is used in this Lease, it shall mean and refer to a default as described in this Article 21. If Tenant

defaults, until and unless Landlord delivers a notice of termination of this Lease, that default will not cause Tenant to lose its rights under Rider #1, Rider #2, Rider #3 or with respect to the Additional Signs under Section 11(e) unless Landlord subsequently gives another written notice of default to Tenant (provided that the original default initially required Landlord to send a written notice as set forth above) and Tenant fails to cure that default within five (5) business days after that subsequent default. At its option, Landlord will have the right to withhold in whole or in part payment and/or performance of any its obligations that are premised on the absence of a default until and unless such a cure is tendered within that subsequent 5-day period. If Landlord does deliver a termination notice or Tenant fails to cure within that subsequent 5-day period, Tenant will lose those rights. Nothing in this Article 21 will be deemed to limit in any way Landlord's rights and remedies hereunder, at law or in equity in connection with a default.

22. REMEDIES FOR DEFAULT.

22.1 General. If Tenant defaults, Landlord may at any time thereafter, with or without notice or demand, do any or all of the following: (a) give Tenant written notice stating that the Lease is terminated, effective on the giving of notice or on a date stated in the notice, as Landlord may elect, in which event this Lease will terminate without further action; (b) with or without process of law or notice, and with or without terminating this Lease, terminate Tenant's right of possession and enter and repossess the Premises either by force or otherwise, and expel Tenant and Tenant's

Affiliates, and remove their property and effects, without being guilty of trespass; and (c) pursue any other right or remedy now or hereafter available to Landlord under this Lease or at law or in equity.

22.2 Tenant's Obligations. If any default, termination, reentry or dispossess occurs:

(a) All rent provided for in this Lease will become due and will be paid to the time of the default, termination, reentry or dispossess, together with such costs as Landlord may incur for attorneys' fees and costs, inspection, brokerage fees, putting the Premises in good order, condition and repair and/or for preparing and improving the Premises for re-letting.

(b) Landlord may, at its sole option, re-let all or any portion of the Premises on terms satisfactory to Landlord in its sole discretion, either in its own name or otherwise, for a term or terms which may, at Landlord's option, be more or less than the balance of the term of this Lease and pursuant to one or more leases, and Landlord may grant concessions, tenant allowances and/or free rent, among other things.

(c) Subject to Section 22.2(e), whether or not the Premises are re-let, Tenant will pay punctually to Landlord all of the rent and other sums and perform all of Tenant's obligations for the entire Lease term (assuming the original expiration date and any exercised options) in the same manner and at the same time as if this Lease had not been terminated.

(d) If Landlord re-lets the Premises, Tenant will be entitled to a credit in the net amount of the rent actually received by Landlord from the re-letting, after deducting all expenses described in Sections 22.2(a) and 22.2(f) and the costs of collecting the rent. Rent received by Landlord after re-letting first will be applied against Landlord's expenses as described above until those expenses are recovered. Until recovery of those expenses, Tenant will pay as and when due all amounts it is required to pay under this Lease. Tenant's obligations prior to any re-letting and recovery of expenses will not be diminished even if the re-letting is for a rent higher than the rent hereunder. When and if these expenses have been completely recovered, and subject to the rest of this Section, amounts collected by Landlord from the re-letting that have not previously been applied will be credited against Tenant's obligations to the extent arising on or before the date of collection by Landlord, and otherwise when each payment would fall due under this Lease, and only the net amount thereof will be payable by Tenant. Amounts received by Landlord from re-letting for any period will be credited only against obligations of Tenant allocable to that period or periods prior thereto, and not against Tenant's obligations accruing after that period, nor will any credit be given to Tenant for amounts received by Landlord for any period after the original expiration date of this Lease.

(e) At Landlord's option, in lieu of other damages, Landlord may, by written notice to Tenant at any time after Tenant's default, elect to recover, and Tenant will thereupon pay, as liquidated damages, an amount equal to the excess, if any, of: (i) the total rent and other benefits which would have accrued to Landlord under this Lease for the remainder of the Lease term (assuming the original expiration date and any exercised Extension Options) if the default had not occurred plus all of the expenses described in Sections 22.2(a) and 22.2(f); less (ii) the value of the cash rental to be paid to Landlord for any lease or leases of the Premises actually executed by Landlord at the time Landlord exercises its option, subject to Subsection (d) above.

(f) No action of Landlord in connection with any re-letting, or failure to re-let or collect rent under such re-letting, will operate or be construed to release or reduce Tenant's Liabilities hereunder. Without limiting any of the foregoing provisions, and in addition to any other amounts that Tenant is otherwise obligated to pay, Tenant agrees that Landlord may recover from Tenant all costs and expenses, including attorneys' fees and costs, incurred by Landlord in enforcing this Lease from and after Tenant's default.

22.3 Redemption. Tenant waives any and all rights of redemption granted by or under any Laws if Tenant is evicted or dispossessed for any cause, or if Landlord obtains possession of the Premises by reason of the violation by Tenant of any of the terms, covenants or conditions of this Lease, or otherwise.

22.4 Performance by Landlord. If Tenant defaults or fails to perform any of its obligations under this Lease, Landlord, without waiving or curing the default or failure, may, but will not be obligated to, perform Tenant's obligations for the account and at the expense of Tenant. Notwithstanding Section 21(i), in the case of an emergency or to prevent damage or injury or protect health, safety or property, Landlord need not give any notice before performing Tenant's obligations. Tenant will pay on demand all costs and expenses incurred by Landlord in connection with Landlord's performance of Tenant's obligations, and Tenant will indemnify Landlord for and hold Landlord harmless from all Liabilities incurred by Landlord in connection therewith.

22.5 Post-Judgment Interest. The amount of any judgment obtained by Landlord against Tenant in any legal proceeding arising out of Tenant's default under this Lease will bear interest until paid at the Bank of America announced prime rate plus two percent (2%), or the maximum rate permitted by law, whichever is less. Notwithstanding anything to the contrary contained in any Laws, with respect to any damages that are certain or ascertainable by calculation, interest will accrue from the day that the right to the damages vests in Landlord, and in the case of any unliquidated claim, interest will accrue from the day the claim arose.

23. [SEE EXHIBIT "F"]

24. GENERAL PROVISIONS.

24.1 Holding Over. Tenant will not hold over in the Premises after the end of the Lease term without the express prior written consent of Landlord. Tenant will indemnify Landlord for, and hold Landlord harmless from, any and all Liabilities arising out of or in connection with any holding over, including, without limitation, any claims made by any succeeding tenant and any loss of rent suffered by Landlord. If, despite this express agreement, any tenancy is created by Tenant's holding over, except as specifically set forth in the next sentence the tenancy will be a tenancy at will terminable immediately at Landlord's sole option on written notice to Tenant, but otherwise subject to the terms of this Lease, except that the most recent annual base rent will be doubled. Nothing in this Article or elsewhere in this Lease permits Tenant to hold over or in any way limits Landlord's other rights and remedies if Tenant holds over.

24.2 Entry By Landlord. Landlord and its Affiliates at all times have the right to enter the Premises, and Landlord will retain (or be given by Tenant) keys to unlock all the doors to or within the Premises, excluding doors to Tenant's vaults and files. In addition to the foregoing rights, for approximately thirty (30) days from the date of the mutual execution and delivery of this Lease, Landlord and NetManage, Inc. (successor to FTP Software, Inc.) and their

respective representatives will have the right to access the Initial Space to remove therefrom movable equipment, furniture and other personal property belonging to NetManage, Inc. Landlord and its Affiliates will have the right to use any means necessary to enter the Premises if Landlord believes there is an emergency or that entry is necessary to prevent damage or injury or protect health, safety or property. Such entry to the Premises and the exercise of Landlord's rights will not, under any circumstances, be deemed to be a default, a forcible or unlawful entry into or a detainer of the Premises or an eviction of Tenant from the Premises or any portion thereof, nor will it subject Landlord to any Liabilities or entitle Tenant to any compensation, abatement of rent or other rights and remedies.

24.3 Brokers. Tenant represents and warrants that it has had no dealings with any agent, broker, finder or other person who is or might be entitled to a commission or other fee from Landlord in connection with this or any related transaction except for Tenant's Broker.

24.4 Quiet Enjoyment. So long as Tenant pays all rent and performs its other obligations as required, Tenant may quietly enjoy the Premises without hindrance or molestation by Landlord or any person lawfully claiming through or under Landlord, subject to the terms of this Lease and the terms of any Superior Leases and Mortgages, and all other agreements or matters of record or to which this Lease is subordinate. As used in this Lease, the term "Superior Leases and Mortgages" means all present and future ground leases, underlying leases, mortgages, deeds of trust or other encumbrances, and all renewals, modifications, consolidations, replacements or extensions thereof and advances made thereunder, affecting all or any portion of the Premises or the Project.

24.5 Security. Tenant is solely responsible for providing security for the Premises and Tenant's personnel. Without limiting the generality of this Article, Tenant agrees that: (a) Landlord may, but will not be required to, supply security personnel and systems for the Premises, the Common Area or the rest of the Project and remove or restrain unauthorized persons and prevent unauthorized acts; (b) Landlord will incur no Liabilities for failing to provide security personnel or systems or, if provided, for acts, omissions or malfunctions of the security personnel or systems; and (c) Landlord and its Affiliates make no representations or warranties of any kind in connection with the security or safety of the Premises, the Common Area or the rest of the Project.

24.6 Obligations; Successors; Recordation. If Tenant consists of more than one person or entity, the obligations and liabilities of those persons or entities are joint and several. Time is of the essence of this Lease. Subject to the restrictions in Article 18, this Lease inures to the benefit of and binds Landlord, Tenant and their respective Affiliates. Tenant will not record this Lease but Tenant may record a memorandum of this Lease, in form satisfactory to Landlord, to comply with the Massachusetts statutory notice provisions. If this Lease expires or is terminated, this memorandum will be deemed null and void and removed from title, and Tenant will execute and record such documents as may be necessary to accomplish this at Landlord's request, and if Tenant refuses to do so, Landlord may execute and record such documents in Tenant's name or in its own name.

24.7 Late Charges. If any rent or other amounts payable by Tenant are not received within five (5) days after the due date, Tenant will pay to Landlord on demand a late charge equal to five percent (5%) of the overdue amount, and if not received within ten (10) days after the due date, the amounts also will bear interest from the due date until paid at the interest rate in Section 22.5. Collection of these late charges and interest will not: be a waiver or cure of Tenant's default or failure to perform; be deemed to be liquidated damages, an invalid penalty or an election of remedies; or prevent Landlord from exercising any other rights and remedies.

24.8 Accord and Satisfaction. Payment by Tenant or acceptance by Landlord of less than the full amount of rent due is not a waiver, but will be deemed to be on account of amounts next due, and no endorsements or statements on any check or any letter accompanying any check or payment will be deemed an accord and satisfaction or binding on Landlord. Landlord may accept the check or payment without prejudice to any of Landlord's rights and remedies, including, without limitation, the right to recover the full amount due.

24.9 Prior Agreements; Amendments; Waiver. This Lease is an integrated document and contains all of the agreements of the parties with respect to any matter covered or mentioned in this Lease, and supersedes all prior agreements or understandings relating to the subject matter herein. This Lease may not be amended except by an agreement in writing signed by the parties. All waivers must be in writing, specify the act or omission waived and be signed by Landlord. No other alleged waivers will be effective, including, without limitation, Landlord's acceptance of rent, collection of a late charge or application of a security deposit. Landlord's waiver of any specific act, omission, term or condition will not be a waiver of any other or subsequent act, omission, term or condition.

24.10 Representations; Inability to Perform. Landlord and its Affiliates have not made, and Tenant is not relying on, any representations or warranties of any kind, express or implied, with respect to the Premises, the Project or this transaction. Landlord will not be in default nor incur any Liabilities if it can't fulfill any of its obligations, or is delayed in doing so, because of

accidents, breakage, strike, labor troubles, war, sabotage, governmental regulations or controls, inability to obtain materials or services, acts of God, or any other cause, whether similar or dissimilar, beyond Landlord's reasonable control.

24.11 Legal Proceedings. In any action or proceeding involving or relating in any way to this Lease, the court or other person or entity having jurisdiction in such action or proceeding will award to the party in whose favor judgment is entered the actual attorneys' fees and costs incurred. Tenant also will indemnify Landlord for, and hold Landlord harmless from and against, all Liabilities incurred by Landlord if Landlord becomes or is made a party to any proceeding or action: (a) involving Tenant and any third party, or by or against any person holding any interest under or using the Premises by license of or agreement with Tenant (except and strictly to the extent that Landlord is finally determined to be a joint tortfeasor with Tenant against such third party); or (b) necessary to protect Landlord's interest under this Lease in a proceeding under the Bankruptcy Code. Unless prohibited by law, Tenant waives the right to trial by jury in all actions involving or related to this Lease, the Project or any collateral or subsequent agreements between the parties, and any right to impose a counterclaim in any proceeding brought for possession of the Premises as a result of Tenant's default. Tenant also submits to and agrees not to contest the sole and exclusive jurisdiction of the state and federal courts located in Massachusetts to adjudicate all matters in connection with this Lease or involving Landlord or Landlord's Affiliates in any way, and Tenant agrees that it will bring all suits and actions only in such Massachusetts courts and not to seek a change of venue. Service on any one or more of the individuals comprising Tenant will conclusively be deemed service on all of those individuals. In any circumstance where Tenant is obligated to indemnify or hold harmless Landlord under this Lease, that obligation also will run in favor of Landlord's Affiliates, and will include the obligation to protect Landlord and its Affiliates, and defend them with counsel acceptable to Landlord, and Tenant

will pay when due all attorneys' fees and costs. These obligations to indemnify, hold harmless, protect and defend will survive the expiration or termination of this Lease.

24.12 Ownership; Invalidity; Remedies; Choice of Law. As used in this Lease, the term "Landlord" means only the current owner or owners of the fee title to the Premises. Upon each conveyance (whether voluntary or involuntary) of fee title, the conveying party will be relieved of all Liabilities and obligations contained in or derived from this Lease or arising out of any act, occurrence or omission occurring after the date of such conveyance. Landlord may Transfer all or any portion of its interests in this Lease, the Premises, or the Project without affecting Tenant's obligations and Liabilities under this Lease. Tenant has no right, title or interest in the name of the Building or the Project, and may use these names only to identify its location. Any provision of this Lease which is invalid, void or illegal will not affect, impair or invalidate any of the other provisions and the other provisions will remain in full force and effect. Landlord's rights and remedies are cumulative and not exclusive. This Lease is governed by the laws of Massachusetts applicable to transactions to be performed wholly therein.

24.13 Expense; Consent. Unless otherwise provided in this Lease, a party's obligation will be performed at that party's sole cost and expense, except when Landlord is performing Tenant's obligations because of Tenant's default or failure to perform or as otherwise permitted in this Lease. Except where it is expressly provided that Landlord will not unreasonably withhold its consent or approval or exercise its judgment reasonably, Landlord may grant or withhold its consent or approval and exercise its judgment arbitrarily and in its sole and absolute discretion and without dispute by Tenant. In any dispute involving Landlord's withholding of consent or exercise of judgement, the sole right and remedy of Tenant and its Affiliates is declaratory relief (i.e., that such consent should be granted where Landlord has agreed not to unreasonably withhold its consent) pursuant to arbitration in Massachusetts conducted by the American Arbitration Association utilizing its expedited arbitration procedures, and Tenant and its Affiliates waive all other rights and remedies, including, without limitation, claims for damages.

24.14 Presumptions; Exhibits; Submission; Net Lease. This Lease will be construed without regard to any presumption or other rule requiring construction or interpretation against the party drafting the document. The titles to the Articles and Sections of this Lease are not a part of this Lease and will have no effect on its construction or interpretation. Whenever required by the context of this Lease, the singular includes the plural and the plural includes the singular, and the masculine, feminine and neuter genders each include the others, and the word "person" includes individuals, corporations, partnerships or other entities. All exhibits and riders attached to this Lease are incorporated in this Lease by this reference, and if there is any conflict with the rest of this Lease, the riders will control. The submission of this Lease to Tenant or its broker, agent or attorney for review or signature is not an offer to Tenant to lease the Premises or the grant of an option to lease to Premises. This Lease will not be binding unless and until it is executed and delivered by both Landlord and Tenant. This Lease is intended to be a completely "triple net" lease, unless specifically otherwise provided in this Lease.

24.15 Cooperation. Tenant will, at its expense, cooperate with Landlord in all respects in connection with this Lease, Landlord's ownership, operation, management, improvement, maintenance and repair of the Premises and the rest of the Project, and Landlord's exercise of its rights and obligations under this Lease. If necessary, this cooperation will include, without limitation, moving machinery and equipment within the Premises and allowing Landlord sufficient space within the Premises to enable Landlord to perform any work that Landlord has the right or is required to perform under this Lease.

24.16 Notices. All notices, demands or communications required or permitted under this Lease (the "Notices") will be in writing and personally (by hand or recognized overnight courier) or electronically delivered, or sent by certified mail, return receipt requested, postage prepaid. Notices to Tenant will be delivered to the address for Tenant in Section 1.1. Notices to Landlord will be delivered to the addresses for Landlord in Section 1.1. Notices will be effective on the earlier of: delivery; or, if mailed, three (3) days after they are mailed in accordance with this Section.

24.17 Security Deposit. On the execution of this Lease, Tenant will deposit the Security Deposit with Landlord as security for the performance of Tenant's obligations, and will increase the amount of the Security Deposit as described in Section 1.1(g). If Tenant fails to perform its Lease obligations as required, Landlord may, but will not be obligated to, apply all or any part of the Security Deposit for the payment of any amounts due or any other Liabilities which Landlord may incur. If any part of the Security Deposit is so applied, Tenant will, within five (5) days after written demand, deposit cash with Landlord in an amount sufficient to restore the Security Deposit to its previous amount. Landlord need not keep the Security Deposit separate from its general funds, and Tenant will receive interest on the unapplied Security Deposit at a rate per annum equal to the rate payable from time to time by the Bank of America at its main San Francisco branch on passbook savings accounts, payable at the end of each Lease Year. If Tenant complies with all of the provisions of this Lease, the unused portion of the Security Deposit will be returned to Tenant after the end of this Lease and the surrender of possession of the Premises to Landlord in the condition required.

24.18 Other Defined Terms.

(aa) "Acquiring Entity" means: an entity that acquires all or substantially all of Tenant's assets, has a net worth, credit rating and financial capability at least equal to Tenant's when Tenant executed this Lease, executes and delivers to Landlord an unconditional assumption of all of Tenant's obligations and Liabilities under this Lease, and within the two-year period prior to the proposed acquisition has not been subject to a bankruptcy or reorganization or any proceedings or court-ordered compliance in connection therewith, or had a receiver managing any or its affairs or assets, or been subject to criminal judgments.

(a) "Affiliates" means: partners, directors, officers, shareholders, agents, employees, parents, subsidiaries, affiliated parties, invitees, licensees, concessionaires, contractors, subcontractors, successors, assigns, subtenants, and representatives. However, where Tenant under this Lease releases Landlord's Affiliates from Liabilities, Tenant will not be deemed to have released Landlord's contractors and subcontractors if such parties are completely independent from Landlord and otherwise are not Affiliates of Landlord.

(bb) "Family Entity" means: an entity in which CMGI, Inc. owned at least fifty one percent (51%) of the outstanding shares or interests (or in which CMGI, Inc. owned at least 5% of the outstanding shares or interests and CMGI, Inc. or a person affiliated with CMGI, Inc. maintained a seat on its board of directors) and which was an occupant of the Project, that subsequently becomes an entity whose shares or interests are publicly traded on a public exchange (such as the NYSE or NASDAQ) and in which CMGI, Inc. continues to own at least one percent (1%) of the outstanding shares or interests, and that within the

two-year period prior to the Transfer has not been subject to a bankruptcy or reorganization or any proceedings or court-ordered compliance in connection therewith, or had a receiver managing any or its affairs or assets, or been subject to criminal judgments.

(bbb) "Family Sublease" means a sublease by CMGI, Inc. of at least 10,000 square feet of the Premises to a Family Entity pursuant to a sublease that complies with the terms of this Lease.

(b) "Laws" means: laws, codes, decisions, ordinances, rules, regulations, licenses, permits, and directives of governmental and quasi-governmental officers, including, without limitation, those relating to building and safety, fire prevention, health, energy conservation, Hazardous Substances and environmental protection.

(c) "Liabilities" means: all costs, damages, claims, injuries, liabilities and judgments, including, without limitation, attorneys' fees and costs (whether or not suit is commenced or judgment entered).

(dd) "Outside Sublease" means: a sublease to an entity that is not a Family Entity pursuant to a sublease that complies with the terms of this Lease.

(d) "Systems and Equipment" means: all HVAC, plumbing, mechanical, electrical, lighting, water, gas, sewer, safety, sanitary and any other utility or service facilities, systems and equipment, and all pipes, ducts, poles, stacks, chases, conduits and wires.

(e) "vacant possession" means: delivery to Tenant of possession of a particular space (other than the Initial Space) with all or substantially all of any previous tenant's movable personal property removed therefrom. Although the following will not be deemed to affect the date that vacant possession of any space is delivered to Tenant, Landlord will have the obligation to diligently perform (or at its option pay Tenant the reasonable costs to perform), if and to the extent necessary, the following work for space other than the Initial Space: to put in good working order any equipment dedicated to that particular space that is not in good working order when that space is delivered to Tenant; and to remove any hazardous substances that exist in such space in more than de minimis amounts when that space is delivered to Tenant if and to the extent that removal then is required under applicable Laws in force at that time. Unless Tenant occupies that particular space to conduct business earlier, Tenant will not be obligated to pay rent for that space until such work is substantially completed or paid for by Landlord. Tenant will notify Landlord promptly if it becomes aware that any of such work is required.

25. HAZARDOUS SUBSTANCES.

Without limiting the generality of any portion of this Lease, Tenant and its Affiliates will:

(a) Not store, handle, transport, use, process, generate, discharge or dispose of any hazardous, toxic, corrosive, dangerous, explosive, flammable or noxious substances, gasses or waste, whether now or hereafter defined under any Laws or otherwise (collectively, "hazardous substances"), from, in or about the Premises or the rest of the Project or create any release or threat of release of any hazardous substances (except for small quantities of cleaning and office supplies for normal office use and then only in accordance with applicable Laws), nor permit any of the foregoing to occur. If any of the foregoing occur, or if Landlord in good faith believes that any of the foregoing have occurred or are likely to occur or that Tenant and its Affiliates are not complying fully with the requirements of this Article, in addition to any other rights and remedies of Landlord, Tenant and its Affiliates immediately will cease the acts or omissions and in addition to any other rights and remedies (all of which are cumulative), at Landlord's request Tenant will take such actions as may be required by Laws and as Landlord may direct to cure or prevent the problem. Tenant and its Affiliates will comply fully with all Laws and insurance requirements in connection with or related to hazardous substances, whether now or hereafter existing, including, without limitation, CERCLA, SARA, RCRA, TSCA, CWA, Chapter 21E of Massachusetts General Laws and any other Laws promulgated by the EPA, OSHA or Commonwealth of Massachusetts.

(b) Immediately pay, and indemnify Landlord for and hold Landlord harmless from, all Liabilities in connection with or arising directly or indirectly from any breach by Tenant or its Affiliates of their obligations in this Article, including, without limitation, the costs of any of the following, whether required by Landlord, applicable Laws or insurance requirements or otherwise: any "response actions" or "responses"; any surveys, "audits", inspections, tests, reports or procedures deemed necessary or desirable by Landlord or governmental or quasi-governmental authorities to determine the existence or scope of any hazardous substances or Tenant's compliance with this Article, and any actions recommended to be taken in connection therewith; compliance with any applicable Laws and insurance requirements; any requirements, directives or plans for the prevention, containment, processing, storage, clean-up or disposal of hazardous substances; the release and discharge of any resulting liens; and any other injury or damage. On the expiration or earlier termination of this Lease, Tenant will leave the Premises free of hazardous substances that were stored, handled, transported, used, processed, generated, discharged or disposed of by Tenant or its Affiliates.

(c) Immediately deliver to Landlord copies of any notices, information, reports, and communications of any type received or given in connection with hazardous substances, including, without limitation, notices of violation and settlement actions from or with governmental or quasi-governmental authorities, reports from Tenant's engineers or consultants, and the results of any analyses conducted by or for Tenant. Tenant specifically grants Landlord the right to participate in all discussions and meetings regarding actual or

potential violations, settlements or abatements.

Tenant's failure to comply with the requirements of this Article will be a material default under this Lease. All of Tenant's obligations under this Article will survive the expiration or earlier termination of this Lease.

IN WITNESS WHEREOF, intending to be legally bound, each party has executed this Lease as a sealed instrument as of the date first set forth above on the date specified below next to its signature.

"LANDLORD"

Executed: 4-12, 1999

ANDOVER MILLS REALTY LIMITED PARTNERSHIP, a Massachusetts limited partnership

By: Brickstone Square Realty, Inc., a Massachusetts corporation, general partner

WITNESS:

/s/ Carolyn Grover

- ----------

Name Printed: Carolyn Grover

By: /s/ Martin Spagat

Name: Martin Spagat
Title: Vice President
Authorized Signature

"TENANT"

Executed: 4-12-99, 1999

CMGI, INC., a Delaware corporation

WITNESS: /s/ William Garrity

William Garrity

- ----------

Name Printed:

By: /s/ Andrew Hajducky

Name: Andrew Hajducky
Title:CEO
Authorized Signature

EXHIBIT "A"

SITE PLAN APPEARS HERE

EXHIBIT "A"

EXHIBIT "A" CONTINUED

PROJECT SITE PLAN

EXHIBIT "A" CONTINUE

EXHIBIT "B"

PREMISES
INITIAL SPACE
BUILDING 100
FIRST FLOOR

EXHIBIT "B"

EXHIBIT "B" - CONTINUED

PREMISES
INITIAL SPACE
BUILDING 100
FIFTH FLOOR

EXHIBIT "B" - CONTINUED

EXHIBIT "B-1"

PREMISES
ADDITIONAL SPACE
BUILDING 100
FOURTH FLOOR

EXHIBIT "B"-1"

EXHIBIT "C"

WORKLETTER

All construction, materials, services, licenses, approvals, costs, installations and equipment to or for the Premises for Tenant's initial occupancy (other than those that exist when possession of the space is delivered to Tenant) are called "Tenant's Work," and will be performed by Tenant at Tenant's sole cost, in accordance with applicable Laws and in a good and workmanlike manner and subject to the rest of the terms of this Lease. Tenant accepts the Initial Space "as is," and will accept the rest of the Premises "as is" subject only to Section 24.18(e). Tenant will use licensed and bonded contractors reasonably approved by Landlord. Landlord will have no responsibility for Tenant's Work, and Tenant will indemnify, defend and hold Landlord and its Affiliates harmless from all Liabilities in connection with Tenant's Work. Tenant will cause its contractors and subcontractors to carry commercial general liability insurance with the same attributes as those set forth in Section 8.1(a)(i), each in the amount of at least One Million Dollars ($1,000,000) combined single limit for each occurrence (subject to reasonable increase during the term at Landlord's request), naming Landlord and its designees as additional insureds, workmen's compensation insurance in statutory limits, and employer's liability insurance of not less than One Million Dollars ($1,000,000).

EXHIBIT "D"

BASE RENT

1. INITIAL SPACE.

Date	Annual Base Rent Per Rentable Square Food
Until 08/31/2002	$ 11.45
09/01/2002 - 03/31/2005	14.00
04/01/2005 - 03/31/2008	15.00
04/01/2008 - 03/31/2011*	16.00

Starting 04/01/2011 and every 3 years thereafter during the term (i.e., on 04/01/2014, 04/01/2017, etc.), annual base rent for this space increases by $1.00 per square foot

* Note: Although the above schedule covers a longer period, the initial term for Initial Space and Additional space expires 03/31/2009, unless extended or terminated earlier per this Lease.

II. ADDITIONAL SPACE; EXPANSION SPACE; OFFER SPACE.

Date	Annual Base Rent Per Rentable Square Foot
Until 03/31/2002	$ 12.50
04/01/2002 - 03/31/2005	14.00
04/01/2005 - 03/31/2008	15.00
04/01/2008 - 03/31/2011*	16.00

Starting 04/01/2011 and every 3 years thereafter during the term (i.e., on 04/01/2014, 04/01/2017, etc.), annual base rent for this space increases by $1.00 per square foot

* Note: Although the above schedule covers a longer period, the initial term for Expansion Space expires 05/31/2010, unless extended or terminated earlier per this Lease. The initial term for Offer Space expires 5/31/2011, unless extended or terminated earlier per this Lease.

[SEE RIDER #2 FOR RENT DURING EXTENSION OPTION TERMS]

EXHIBIT "E"

RULES AND REGULATIONS

1. Fire exits and stairways are for emergency use only, and they shall not be used for any other purposes. Tenant shall not encumber or obstruct, or permit the encumbrance or obstruction of or store or place any materials on any of the sidewalks, plazas, entrance, corridors, elevators, fire exits or stairways of the Project. The Landlord reserves the right to control and operate the public portions of the Project and the public facilities, as well as facilities furnished for the common use of the tenants, and access thereto, in such manner as it deems best.

2. The cost of repairing any damage to the public portions of the Project or the public facilities or to any facilities used in common with other tenants caused by Tenant or its Affiliates shall be paid by Tenant.

3. Any person whose presence in the Project at any time shall, in the judgment of the Landlord, be prejudicial to the safety, character, reputation and interests of the Project or its tenants may be denied access to the Project or may be ejected therefrom. In case of invasion, riot, public excitement or other commotion the Landlord may prevent all access to the Project or the Building during the continuance of the same, by closing the doors or otherwise, for the safety of the tenants and protection of property. The Landlord shall in no way be liable to any tenant for damages or loss arising from the admission, exclusion or ejection of any person to or from Tenant's premises or the Project under the provisions of this rule.

4. No awnings or other projections over or around the windows shall be installed by Tenant and only such window blinds as are permitted by the Landlord shall be used in Tenant's premises.

5. Hand trucks shall not be used in any space, or in the public halls of the Building in the delivery or receipt of merchandise, except those equipped with rubber tires and side guards. Tenant shall repair all damage to floors both in the Premises and the Common Area caused by its use of material-handling equipment and, if requested by Landlord, Tenant shall install at its expense suitable floor covering to protect the floors and shall remove such floor covering (and repair any damage caused by the removal) at its expense at the expiration or earlier termination of this Lease. All air compressors, electric motors and other machinery and equipment shall be shock-mounted so as not to transmit vibrations.

6. All entrance doors in Tenant's premises shall be kept locked when Tenant's premises are not in use. Entrance doors shall not be left open at any time. All windows in Tenant's premises shall be kept closed at all times and all blinds therein above the ground floor shall be lowered when and as reasonably required because of the position of the sun, during the operation of the air conditioning system to cool or ventilate the tenant's premises.

7. Nothing shall be done or permitted in Tenant's premises which would impair or interfere with any of the Systems or Equipment or the proper and economic servicing of the Building or the Premises, or the use or enjoyment by any other tenant of any other premises, nor shall there be installed by Tenant any Systems or Equipment or other equipment of any kind which, in Landlord's judgment, could result in such impairment or interference. If necessary in Landlord's judgment, Landlord may install, relocate, remove, use, maintain, repair and replace Systems and Equipment within or serving the Tenant's premises or other parts of the Project, and perform other work and alterations within the Tenant's premises. No dangerous, inflammable, combustible or explosive object or material shall be brought into the Building by Tenant or with the permission of Tenant.

8. Whenever Tenant shall submit to Landlord any plan, agreement or other document for Landlord's consent or approval, such tenant agrees to pay Landlord as additional rent, on demand, a processing fee in a sum equal to the fees of any architect, contractor, engineer and attorney employed by Landlord to review said plan, agreement or document. If Tenant at any time is not a publicly traded entity whose financial statements are publicly available, within fifteen (15) days after Landlord's request from time to time, Tenant shall deliver to Landlord Tenant's financial statements, including a balance sheet, income statements and bank references, and until and unless those financial statements are publicly available or disclosure is required under applicable Laws, Landlord will make a good faith effort to keep them confidential and not disclose them except to its current or prospective lenders, investors, partners, or purchasers, or its or their respective partners, employees, officers, representatives, accountants, or attorneys, and it will instruct such parties to keep such financial statements confidential to the same extent.

9. No acids, vapors hazardous or other materials shall be discharged or permitted to be discharged into the waste lines, ducts, vents or flues which may damage them or any other portions of the Building or the Project. The water and wash closets and other plumbing fixtures in or serving any tenant's premises shall not be used for any purpose other than the purpose for which they were designed or constructed, and no sweepings, rubbish, rags, acids or other foreign substances shall be deposited therein. All damage resulting from any misuse of the fixtures shall be borne by the tenant who, or whose servants, employees, agents, visitors or licensees, shall have caused the same.

10. No signs, advertisements, notice or other lettering shall be exhibited, inscribed, painted or affixed by Tenant on any part of the outside or inside the premises or the Building without the prior written consent of Landlord. The Tenant shall cause the exterior of any permitted sign to be kept clean, properly maintained and in good order and repair throughout the term of its lease. In the event of the violation of the foregoing by Tenant, Landlord

may remove the same without any liability, and may charge the expense incurred by such removal to Tenant. Landlord shall have the right to prohibit any advertising by Tenant which impairs the reputation of the Building or the Project, and upon written notice from Landlord, Tenant shall refrain from or discontinue such advertising.

11. Tenant's employees shall not loiter around the hallways, stairways, elevators, front, roof or any other part of the Building used in common by the occupants thereof.

12. If the premises become infested with vermin, Tenant, at its sole cost and expense, shall cause its premises to be exterminated, from time to time, to the satisfaction of Landlord, and shall employ such exterminators therefor as shall be approved by Landlord.

13. All movers used by Tenant shall be appropriately licensed and shall maintain adequate insurance coverage (proof of such coverage shall be delivered to Landlord prior to movers providing service in and throughout the Building). Tenant shall protect the premises and the rest of the Building from damage or soiling by Tenant's movers and contractors and shall pay for extra cleaning or replacement or repairs by reason of Tenant's failure to do so.

14. The premises shall not be used for lodging or sleeping or for any immoral or illegal purposes.

EXHIBIT "E"

EXHIBIT "F"

BANKRUPTCY PROVISIONS

This Article is incorporated into the Lease as Article 23:

23. BANKRUPTCY OR INSOLVENCY.

23.1 Tenant's Interest Not Transferable. Neither Tenant's interest in this Lease nor any estate hereby created in Tenant nor any interest herein or therein will pass to any trustee or receiver or assignee for the benefit of creditors or otherwise by operation of law except as may specifically be provided pursuant to the Bankruptcy Code, 11 U.S.C. Section 101 et seq. (the "Bankruptcy Code").
-- ---

23.2 Default and Termination. If:

(a) Tenant or Tenant's Guarantor, if any, or its executors, administrators, or assigns, will generally not pay its debts as they become due or will admit in writing its inability to pay its debts, or will make a general assignment for the benefit of creditors; or

(b) Tenant or Tenant's Guarantor, if any, will commence any case, proceeding or other action seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its property; or

(c) Tenant or Tenant's Guarantor, if any, will take any corporate, partnership or other action to authorize or in furtherance of any of the actions set forth above in subsection (a) or (b); or

(d) Any case, proceeding or other action against Tenant or Tenant's Guarantor, if any, will be commenced seeking to have an order for relief entered against it as debtor, or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its property, and such case, proceeding or other action: results in the entry of an order for relief against it which is not fully stayed within seven (7) business days after the entry thereof; or remains undismissed for a period of forty-five (45) days, then it will be a default hereunder and this Lease and all rights of Tenant hereunder will automatically cease and terminate as if the date of such event were the original expiration date of this Lease and Tenant will vacate and surrender the Premises but will remain liable as herein provided.

23.3 Rights and Obligations Under the Bankruptcy Code.

(a) Upon the filing of a petition by or against Tenant under the Bankruptcy Code, Tenant, as debtor and as debtor in possession, and any trustee who may be appointed agree as follows: (i) to perform all obligations of Tenant under this Lease, including, but not limited to, the covenants regarding the operations and uses of the Premises until such time as this Lease is either rejected or assumed by order of the United States Bankruptcy Court; (ii) to pay monthly in advance on the first day of each month as reasonable compensation for use and occupancy of the Premises an amount equal to all Monthly Minimum Rental and other rent otherwise due pursuant to this Lease; (iii) to reject or assume this Lease within sixty (60) days of the filing of a petition under any Chapter of the Bankruptcy Code or under any Law relating to bankruptcy, insolvency, reorganization or relief of debtors (any such rejection being deemed an automatic termination of this Lease); (iv) to give Landlord at least thirty (30) days prior written notice of any proceeding relating to any assumption of this Lease; (v) to give at least thirty (30) days prior written notice of any abandonment of the Premises (any such abandonment being deemed a rejection and automatic termination of this Lease); (vi) to do all other things of benefit to Landlord otherwise required under the Bankruptcy Code or under any Law relating to bankruptcy, insolvency, reorganization or relief of debtors; (vii) to be deemed to have rejected this Lease in the event of the failure to comply with any of the above; and (viii) to have consented to the entry of an order by an appropriate United States Bankruptcy Court providing all of the above, waiving notice and hearing of the entry of same.

(b) No default under this Lease by Tenant, either prior to or subsequent to the filing of such petition, will be deemed to have been waived unless expressly done so in writing by Landlord.

(c) Included within and in addition to any other conditions or obligations imposed upon Tenant or its successor in the event of assumption and/or assignment are the following: (i) the cure of any monetary defaults and the reimbursement of pecuniary loss by the time of the entry of the order approving such assumption and/or assignment (pecuniary loss will include, without limitation, any attorneys' fees and costs and expert witness fees incurred by Landlord in protecting its rights under this Lease, including representation of Landlord in any proceeding commenced under the Bankruptcy Code or under any Law relating to bankruptcy, insolvency, reorganization or relief of debtor); (ii) the deposit of an additional sum equal to three (3) months' base rent; (iii) the use of the Premises only as set forth in this Lease; (iv) the reorganized debtor or assignee of such debtor in possession or of Tenant's trustee demonstrates in writing that it has sufficient background including, but

not limited to, substantial experience in operating businesses in the manner contemplated in this Lease and meet all other reasonable criteria of Landlord as did Tenant upon execution of this Lease; (v) meet all other criteria of 11 U.S.C. Section 365(b)(3); and (v) the prior written consent of any mortgagee to which this Lease has been assigned as collateral security; and (vi) the Premises at all times remains a single unit and no Alterations or physical changes of any kind may be made unless in compliance with the applicable provisions of this Lease.

(d) Any person or entity to whom this Lease is assigned pursuant to the provisions of the Bankruptcy Code will be deemed without further act or deed to have assumed all of the obligations arising under this Lease on or after the date of such assignment. Any such assignee will upon demand execute and deliver to Landlord an instrument confirming such assumption.

23.4 Construction. The terms of this Article will be in addition to, but not exclusive of, any rights or remedies of Landlord in Article 22 and elsewhere in this Lease or otherwise available at law or in equity, and will not be deemed to limit Landlord, except as may be required by law.

EXHIBIT "G"

PYLON SIGNAGE

[MONUMENT PLAN APPEARS HERE]

EXHIBIT "G-1"

EXTERIOR BUILDING SIGNAGE

PARTIAL ELEVATION OF BUILDING 10O SOUTH FACADE - WEST END

SCALE 1/4" - 1'- 10"

[BUILDING PLAN APPEARS HERE]

EXHIBIT "G-1"

EXTERIOR BUILDING SIGNAGE

RIDER #1

TENANT INDUCEMENT; RIGHT OF FIRST OFFER

26. TENANT INDUCEMENT.

Provided that Tenant is not in default (and has not committed acts or omissions which would constitute a default with the passage of time or the giving of notice or both), Landlord shall pay to Tenant (or at Landlord's option, credit against rent owed by Tenant) the following amounts as inducements to Tenant: (a) Seven Dollars and Fifty Cents ($7.50) per square foot of agreed rentable area, plus Two Hundred Fifty Thousand Dollars ($250,000.00), for the Initial Space; (b) Twenty Five Dollars ($25.00) per square foot of agreed rentable area for the Additional Space; (c) Twenty Dollars ($20.00) per square foot of agreed rentable area for any Expansion Space leased pursuant to this Lease (except for any space described in Subsections (e) and (f) below); (d) an amount equal to Two Dollars ($2.00) per square foot of agreed rentable area multiplied by the number of years in the initial Lease term of that Offer Space (up to a maximum of $20.00 per square foot of agreed rentable area) for any Offer Space leased pursuant to this Lease (except for any space described in Subsections (e) and (f) below); (e) for the space currently leased by Andover Controls Corporation on the 2/nd/, 3/rd/ and 4/th/ Floors of Building 300, Thirty One Dollars ($31.00) per square foot of agreed rentable area to the extent that any portion of such space is leased by Tenant as Expansion Space, and Three Dollars and Ten Cents ($3.10) per square foot of agreed rentable area multiplied by the number of years in the initial Lease term of that Offer Space (up to a maximum of Thirty One Dollars ($31.00) per square foot of agreed rentable area) to the extent that any portion of such space is leased by Tenant as Offer Space; and (f) for the space currently leased by Germanium Power Devices Corporation on the 7/th/ Floor of Building 300, Thirty Five Dollars ($35.00) per square foot of agreed rentable area to the extent that any portion of such space is leased by Tenant as Expansion Space, and Three Dollars and Fifty Cents ($3.50) per square foot of agreed rentable area multiplied by the number of years in the initial Lease term of that Offer Space (up to a maximum of Thirty Five Dollars ($35.00) per square foot of agreed rentable area) to the extent that any portion of such space is leased by Tenant as Offer Space. These inducement payments will be payable within thirty (30) days after Tenant pays its first month's rent for that particular space and confirms in writing to Landlord that it unconditionally accepts that space and that the Rent Commencement Date has occurred for that space.

27. RIGHT OF FIRST OFFER.

"Offer Space" means the unleased space in the Project held for lease by Landlord. For the period starting June 1, 2001 and ending on March 31, 2004 (the "Offer Period"), Tenant will have the right to lease the Offer Space on the following terms and conditions:

(a) Subject to the foregoing and the rest of this Article, before leasing any part of the Offer Space that exceeds 10,000 square feet of rentable area in each particular instance during the Offer Period, Landlord will notify Tenant in writing of the rentable area and location of that part of the Offer Space being offered for Lease. If Tenant wishes to exercise its right to lease that space, it must deliver an unconditional written notice of exercise to Landlord within twenty (20) days after receipt of Landlord's notice. Tenant may not lease less than the entire space offered. Unless otherwise agreed by Landlord and Tenant, the rentable area of each portion of the Offer Space (and any Expansion Space) will be determined by Landlord's architect's measurement of the area, determined by measuring from interior face of glass to interior of face of glass without deductions, plus a pro rata share of the Common Areas within the Building (and if the Offer Space or Expansion Space is within Buildings 100 or 200, the Common Area will include a pro rata share of any shared space between Buildings 100 and 200). Time is of the essence, and if Tenant does not exercise its rights as described above, its rights to lease that portion of the Offer Space (as increased or decreased by up to 20% of the useable area of that space) will lapse and become null and void.

(b) Subject to the rest of this Article, if Tenant exercises its rights as described above, when Landlord tenders vacant possession of that portion of the Offer Space to Tenant it will become part of the Premises and the rentable area of the Premises will be increased by the rentable area of that portion. The Rent Commencement Date for that Offer Space will occur sixty (60) days thereafter.

(c) These rights are personal to the Tenant originally named in this Lease and may not be exercised by or for any other Transferee or other person or entity (except for an Acquiring Entity). Whether or not these rights have been exercised, these rights will lapse and Tenant will have no rights in connection with any Offer Space if, before vacant possession of any Offer Space is tendered to Tenant, Tenant defaults, or Transfers all or part of this Lease or the Premises (except for Outside Subleases that all together aggregate less than 25% of the rentable area of the Premises when made, or Family Subleases that all together aggregate less than 75% of the rentable area of the Premises when made, or subleases of any type that all together aggregate less than 75% of the rentable area of the Premises when made). Tenant's rights in this Article are subject and subordinate to rights of first offer, option, expansion, extension, or similar rights that have been granted to the existing tenants in the Project (and their successors and assigns) as of the date of this Lease, and even if extension rights have not been granted to existing or future tenants (or their successors and assigns), Landlord always will have the right to extend the lease terms of existing or future tenants (and their successors and assigns) without being required to first offer that space as Offer Space to Tenant, and Tenant's rights in this Article will be subject and subordinate to those extensions .

(d) The base rent per annum per square foot of rentable area for each part of the Offer Space will be the scheduled base rent in Exhibit "D (which in turn is subject to Rider #2).

(e) Notwithstanding anything to the contrary, Landlord will have no obligations to Tenant hereunder or otherwise nor will Tenant have any rights hereunder or otherwise with respect to any particular Offer Space not already leased to Tenant if and to the extent that: (i) with the inclusion of such Offer Space, Tenant would be leasing aggregate Offer Space of more than 180,000 square feet of rentable area, or aggregate space in the Premises (including Offer Space and all other space) of more than 500,000 square feet of rentable area; or (ii) at the time that Tenant exercises its rights to lease such Offer Space Tenant has a net worth of less than $350 Million, or a combination of cash and readily marketable securities of less than $50 Million, or a ratio of debt to assets of more than .3 to 1.0 (and as a condition to leasing any Offer Space Tenant must deliver to Landlord together with Tenant's exercise notice Tenant's unconditional written certification, representation and warranty that it meets or exceeds all of these financial standards, accompanied by written evidence thereof reasonably satisfactory to Landlord).

28. EXPANSION OPTIONS.

28.1 Expansion Options. Landlord grants to Tenant five (5) options (the "Expansion Options") to lease the Expansion Space on the terms and conditions of this Lease, except as set forth below. "Expansion Space" means the unleased space in the Project held for lease by Landlord, portions of which may be leased by Tenant pursuant to the exercise of an Expansion Option as described below. For each Expansion Option that is validly exercised by Tenant, subject to the terms of this Article Landlord will deliver to Tenant vacant possession of not more than 35,000 nor less than 25,000 square feet of rentable area in the Project. The dates by which Tenant must exercise each Expansion Option are set forth below. If Tenant validly exercises an Expansion Option, Landlord will diligently attempt to deliver vacant possession of the applicable Expansion Space to Tenant on or before the dates set forth below:

Expansion Option	Exercise Date	Delivery Date
1/st/ Expansion Option	10/15/1999	12/15/1999
2/nd/ Expansion Option	03/01/2000	06/01/1999
3/rd/ Expansion Option	09/01/2000	12/01/2000
4/th/ Expansion Option	12/01/2000	06/01/2001
5/th/ Expansion Option	06/01/2001	12/01/2001

The Expansion Options can be exercised only by Tenant delivering unconditional written notice of exercise to Landlord on or before the applicable exercise date set forth above. If for any reason Landlord does not actually receive this unconditional written notice of exercise when required, that Expansion Option will lapse and become null and void. If Tenant fails to validly exercise at least two (2) out of the first three (3) Expansion Options, the fifth (5/th/) Expansion Option will lapse and become null and void. The Expansion Options are granted to and may be exercised by Tenant on the express condition that, at the time of the exercise and at all times before vacant possession of the Expansion Space is delivered to Tenant, Tenant is not in default. TIME IS ABSOLUTELY OF THE ESSENCE. The Expansion Options are personal to the Tenant originally named in this Lease and may not be exercised by or for anyone else (except by an Acquiring Entity), and if Tenant Transfers any part of this Lease or the Premises (except for Outside Subleases that all together aggregate less than 25% of the rentable area of the Premises when made, or Family Subleases that all together aggregate less than 75% of the rentable area of the Premises when made, or subleases of any type that all together aggregate less than 75% of the rentable area of the Premises when made) before the beginning of an applicable Expansion Option term, at Landlord's election that Expansion Option and all future Expansion Options will lapse and become null and void.

28.2 Additional Terms.

(a) With respect to any Expansion Space that Landlord is required to deliver to Tenant (and with respect to the Additional Space), Landlord will not incur Liabilities to Tenant if Landlord is unable to deliver vacant possession of that Expansion Space by the applicable date in Section 28.1 (or if it is unable to deliver vacant possession of the Additional Space during September, 1999) if due to the holdover of a previous tenant or force majeure, but if due to a holdover or force majeure Landlord will diligently and in good faith attempt to deliver vacant possession of that space as soon as reasonably possible, and Tenant's rights and obligations with respect to that space will commence as soon as Landlord delivers vacant possession. If for any reason other than a holdover or force majeure Landlord fails to deliver vacant possession of that Expansion Space by the applicable date in Section 28.1 (or if for any reason other than a holdover or force majeure it fails to deliver vacant possession of the Additional Space during September, 1999), as Tenant's sole right and remedy Tenant will have the right to terminate this Lease provided that the following conditions are satisfied: Tenant is not in default and has not committed acts or omissions which with the passage of time or the giving of notice or both would constitute defaults; within thirty (30) days after the missed delivery date Tenant delivers written notice to Landlord of its intention to terminate and Landlord fails to deliver vacant possession of the applicable Expansion Space (or the Additional Space) to Tenant within sixty (60) days after receiving Tenant's notice; and Tenant delivers a final termination notice on or before January 1, 2002. Under these circumstances, the Lease will terminate as of August 31, 2002.

(b) When Landlord tenders vacant possession of any Expansion Space to Tenant, that space will become part of the Premises and the rentable area of the Premises will be increased by the rentable area of that Expansion Space. The Rent Commencement Date for each portion of the Expansion Space will be the earlier of the dates in Subsections (i) and (ii) below: (i) the date that Tenant occupies that Expansion Space to conduct business; or (ii) the date which is the later of (x) the applicable Delivery Date for that Expansion Space per Section 28.1, or (y) sixty (60) days after Landlord delivers vacant possession of that Expansion Space to Tenant.

(c) The base rent per annum per square foot of rentable area for all

Expansion Space will be as set forth in Exhibit "D" (which in turn is subject to Rider #2).

(d) If Tenant validly exercises its Expansion Options, it is Landlord's present intention to deliver Expansion Space first on the second Floor and then on the third Floor of Building 100, but notwithstanding the foregoing or anything else to the contrary, the foregoing is not binding on Landlord, and Landlord may change its intention and deliver Expansion Space in a different order and/or in different locations, and neither this Lease nor any of Tenant's obligations will be terminated, waived, excused or otherwise reduced in any way by reason thereof.

RIDER #2

EXTENSION OPTIONS

1. Subject to Rider # 3, Landlord grants to Tenant two (2) options to extend the Lease term of the Initial Space and the Additional Space for additional terms of five (5) years each, and two (2) options to extend the Lease term of all Expansion Space leased for additional terms of five (5) years each, and two (2) options to extend the Lease term of all Offer Space leased for additional terms of five (5) years each (collectively, the "Extension Options"). For purposes of exercising the Extension Options, the Initial Space and the Additional Space will be treated collectively (although separately from the Expansion Space, and the Offer Space), and any and all Expansion Space will be treated collectively (although separately from the Initial Space and the Additional Space, and the Offer Space), and any and all Offer Space will be treated collectively (although separately from the Initial Space and the Additional Space, and the Expansion Space), so that when an Extension Option is exercised or not exercised, it will affect all of the Initial Space and the Additional Space, or all of the Expansion Space, or all of the Offer Space, as applicable. There will be no further right to extend. The Extension Options for the Initial Space and the Additional Space can be exercised only by Tenant delivering to Landlord unconditional written notice of exercise specifying that space at least one (1) calendar year before the expiration of the applicable term for that space. The Extension Options for all Expansion Space leased can be exercised only by Tenant delivering to Landlord unconditional written notice of exercise specifying that space at least one (1) calendar year before the expiration of the applicable term for that space. The Extension Options for all Offer Space leased can be exercised only by Tenant delivering to Landlord unconditional written notice of exercise specifying that space at least one (1) calendar year before the expiration of the applicable term for that space. If for any reason Landlord does not actually receive a notice of exercise when required, that Extension Option and any subsequent Extension Option for that space only will lapse and become null and void and there will be no further right to extend the Lease term of that space. The Extension Options are granted to and may be exercised by Tenant on the express condition that, at the time of the exercise and at all times before the beginning of the Extension Option period, Tenant is not in default (and has not committed acts or omissions which would constitute a default with the passage of time or the giving of notice or both). TIME IS ABSOLUTELY OF THE ESSENCE. Landlord will not be required to pay for or perform any work to or for the Premises.

2. The Extension Options are personal to the Tenant originally named in this Lease, and they may not be exercised by or for anyone else (except by an Acquiring Entity). If during the initial term Tenant Transfers any part of this Lease or the Premises (except for Outside Subleases that all together aggregate less than 25% of the rentable area of the Premises when made, or Family Subleases that all together aggregate less than 75% of the rentable area of the Premises when made, or subleases of any type that all together aggregate less than 75% of the rentable area of the Premises when made), at Landlord's written election the Extension Options will lapse and become null and void, whether or not they have been exercised.

3. (a) The annual base rent per square foot of rentable area for each applicable space (i.e., for the Initial Space and the Additional Space treated collectively but separately from all other space, and for all Expansion Space leased treated collectively but separately from all other space, and for all Offer Space leased treated collectively but separately from all other space) for each year of each of the first Extension Option terms will be the scheduled base rent for that space as set forth in Exhibit "D."

(b) The annual base rent per square foot of rentable area for each applicable space (i.e., for the Initial Space and the Additional Space treated collectively but separately from all other space, and for all Expansion Space leased treated collectively but separately from all other space, and for all Offer Space leased treated collectively but separately from all other space) for each year of each of the second Extension Option terms will be the greater of: (a) the scheduled base rent for that space as set forth in Exhibit "D"; or (b) the "fair rental value" of that space determined in accordance with Section 4 below.

4. (a) If Landlord and Tenant can't agree on the annual base rent for the applicable space for each year of the applicable Extension Option term at least six (6) months before the beginning of that Extension Option term, then unless otherwise agreed in writing by Landlord and Tenant, Landlord and Tenant will try to agree on a single appraiser at least five (5) months before the beginning of the applicable Extension Option term. If they can agree on a single appraiser in that time period then that appraiser will determine the fair rental value in accordance with this Rider. If Landlord and Tenant can't agree on a single appraiser within this time period, then Landlord and Tenant each will appoint in writing one appraiser not later than four (4) months before the beginning of the applicable Extension Option term. Within fifteen (15) days after their appointment, the two appointed appraisers will appoint in writing a third appraiser. If the two appraisers can't agree, a third appraiser will be appointed by the American Institute of Real Estate Appraisers (or if this organization refuses to act or no longer exists, by an organization deemed by Landlord to be reasonably equivalent thereto) not later than three (3) months before the beginning of the applicable Extension Option term. If either Landlord or Tenant fails to appoint its appraiser within the prescribed time period, the single appraiser appointed will determine the fair rental value. If both parties fail to appoint appraisers within the prescribed time periods, then the first appraiser validly appointed by a party will determine the fair rental value. Appraisers must have at least five (5) years' experience in the appraisal of office property in the area in which the Building is located and be members of professional organizations such as the American Institute of Real Estate Appraisers or the equivalent. The appraiser(s) will be required to

provide a written determination of the fair rental value not later than two (2) months before the beginning of the applicable Extension Option term.

(b) For the purpose of this Lease, the term "fair rental value" means: ninety five percent (95%) of: the annual base rent per square foot of rentable area that a ready and willing tenant would pay for that space during the applicable Extension Option term to a ready and willing landlord of that space assuming that such space was exposed for lease on the open market for a reasonable period of time, could be used for any lawful use and was improved to its then-existing level, and that a market-rate construction allowance was offered to and received by such hypothetical tenant (even though such construction allowance will not actually be paid or provided to Tenant). If only a single appraiser is appointed as described above, then that appraiser will determine the fair rental value. Otherwise, the fair rental value will be the arithmetic average of the two (2) of the three (3) appraisals which are closest in amount, and the third appraisal will be disregarded.

(c) If for some reason the fair rental value is not determined before the beginning of an Extension Option term, then Tenant will continue to pay to Landlord the base rent applicable to that space as described in Section 3(a) above, as applicable, until the fair rental value is determined. When the fair rental value is determined, Landlord will notify Tenant, and Tenant will pay to Landlord, within thirty (30) days after receipt of such notice, any difference between the base rent actually paid by Tenant to Landlord and the new base rent determined hereunder (if the new base rent is higher).

RIDER #3

TERMINATION RIGHT

1. Provided that Tenant has validly leased Expansion Space and/or Offer Space, subject to the terms hereof Landlord grants to Tenant the right to terminate this Lease provided that the following conditions first are satisfied in all respects:

(a) Tenant delivers unconditional written notice of termination to Landlord: (i) during the period starting on March 31, 2007 and ending on March 31, 2008 (the "First Termination Notice"); or (ii) if Tenant has not delivered the First Termination Notice and has validly exercised all of its applicable first Extension Options so that the Lease terms for the Initial Space, the Additional Space, any and all Expansion Space and any and all Offer Space have been extended pursuant to the first Extension Options, then during the period starting on March 31, 2012 and ending on March 31, 2013 (the "Second Termination Notice"); or (iii) if Tenant has not delivered the First Termination Notice or the Second Termination Notice and has validly exercised all of its applicable first Extension Options and all of its applicable second Extension Options so that the Lease terms for the Initial Space, the Additional Space, any and all Expansion Space and any and all Offer Space have been extended pursuant to the first and second Extension Options, then during the period starting on March 31, 2017 and ending on March 31, 2018 (the "Third Termination Notice"). Tenant can only deliver either the First Termination Notice or the Second Termination Notice or the Third Termination Notice.

(b) Within six (6) months after delivery of either the First Termination Notice or the Second Termination Notice or the Third Termination Notice, as applicable, Tenant pays to Landlord by wire transfer a Lease termination fee equal to seventy five percent (75%) of the base rent and all additional rent (including Tenant's share of Operating Costs, Taxes and Landlord's insurance premiums) that would have been payable under the Lease absent early termination for the entire Premises for the period: (i) starting April 1, 2009 and ending on the last scheduled expiration date of this Lease (if the First Termination Notice is delivered); or (ii) starting on April 1, 2014 and ending on the last scheduled expiration date of this Lease as extended (if the Second Termination Notice is delivered); or (iii) starting on April 1, 2019 and ending on the last scheduled expiration date of this Lease as extended (if the Third Termination Notice is delivered). In determining Tenant's share of Operating Costs, Taxes and Landlord's insurance premiums, the amounts will be equal to the amounts budgeted by Landlord in good faith for the Project for that period. This Lease termination fee will be in addition to all other amounts due under the Lease through and until the date that this Lease terminates. (As a hypothetical example, if Tenant validly delivers the First Termination Notice and is leasing the Initial Space and the Additional Space, 30,000 s.f. of Expansion Space and 30,000 s.f. of Offer Space, the Lease termination fee would include no base rent or additional rent for the Initial Space and the Additional Space [since the Lease terminates as of March 31, 2009 with respect to that space], all base rent and additional rent that would have been payable for the 30,000 s.f. Expansion Space through May 31, 2010 [since the Lease would have terminated then with respect to that space], and all base rent and additional rent that would have been payable for the 30,000 s.f. Offer Space through May 31, 2011 [since the Lease would have terminated then with respect to that space]).

(c) Tenant is not in default (and has not committed acts or omissions which would constitute default with the passage of time or the giving of notice or both).

2. If the conditions set forth in Section 1 above have been satisfied, the expiration date of this Lease will be accelerated to March 31, 2009 (if the First Termination Notice is validly given), or March 31, 2014 (if the Second Termination Notice is validly given) or March 31, 2019 (if the Third Termination Notice is given). TIME IS ABSOLUTELY OF THE ESSENCE. The termination or expiration of this Lease will not relieve Tenant from Liabilities incurred by Tenant prior thereto. Notwithstanding anything to the contrary, unless otherwise specifically elected by Landlord in writing in each instance: (a) Tenant will not have the right to terminate this Lease pursuant to the First Termination Notice if, prior thereto, Tenant has exercised any Extension Options or otherwise extended this Lease by mutual written agreement; (b) Tenant will not have the right to terminate this Lease pursuant to the Second Termination Notice if, prior thereto, Tenant has exercised any of its second Extension Options for any of its space or otherwise extended this Lease by mutual written agreement (except pursuant to the first Extension Options); (c) Tenant will not have the right to terminate this Lease pursuant to the Third Termination Notice if, prior thereto, Tenant and Landlord have further extended this Lease by mutual written agreement (except pursuant to the first and second Extension Options); and (d) from and after the date that Tenant validly delivers either the First Termination Notice or the Second Termination Notice or the Third Termination Notice, as applicable, Tenant will have no further rights to extend the term of this Lease or lease any additional Expansion Space, Offer Space or other additional space, and all of Tenant's rights in connection with Extension Options, Expansion Options, Offer Space or other additional space shall lapse and become null and void, and Tenant will have no further rights to assign, sublease or otherwise Transfer all or any portion of this Lease or the Premises or any interest therein. (Neither Tenant nor Landlord will have any obligation to negotiate or agree to extensions of this Lease in addition to the Extension Options already granted in Rider #2.)

EXHIBIT 10.2

AMENDMENT #1 TO LEASE

1. Parties.

This Amendment, dated as of July 19 1999, is between Andover Mills Realty Limited Partnership ("Landlord") and CMGI, Inc., ("Tenant").

2. Recitals.

2.1. Landlord and Tenant have entered into a Lease, dated as of April 12, 1999, for space in Brickstone Square in Andover, Massachusetts the (the "Lease"). Unless otherwise defined, terms used in this Amendment have the same meanings as those used in the Lease.

2.2 PictureTel Corporation is the current tenant of the Additional Space on the 4th Floor of the Building. PictureTel has advised Landlord that it may be able to vacate a portion of the Additional Space ("Additional Space A") before the scheduled expiration date of its lease, which would allow Landlord to deliver Additional Space A to Tenant earlier than the rest of the Additional Space. "Additional Space A" is shown in Exhibit "B-2" attached hereto and incorporated herein by this reference and is agreed to contain 30,876 s.f. of rentable area. The remainder of the Additional Space is called "Additional Space B" and is agreed to contain 13,309 s.f. of rentable area. If Landlord can accomplish early delivery of Additional Space A, Tenant wishes to accept vacant possession of Additional Space A before it receives vacant possession of Additional Space B.

2.3 Tenant also wishes to exercise its first Expansion Option. The Expansion Space to be provided by Landlord for the first Expansion Option (the "First Expansion Space") is located on the 2nd Floor of the Building and is shown in Exhibit "B-2," and is agreed to contain 37,100 s.f. of rentable area. PictureTel Corporation also is the current tenant of the First Expansion Space.

2.4 To accomplish these and other matters, for Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, the parties agree and the Lease is amended as follows, notwithstanding anything to the contrary:

3. Amendments.

3.1 If Landlord can deliver vacant possession of Additional Space A before it delivers vacant possession of Additional Space B, Tenant will accept delivery on that basis, and: (a) the term of the Lease will begin for (and the Premises will include) each of Additional Space A and Additional Space B when vacant possession of that particular space is delivered to Tenant; (b) the Rent Commencement Date for each of Additional Space A and Additional Space B will occur on the earlier of the date that Tenant occupies that particular space to conduct business or sixty (60) days after the date that vacant possession of that particular space is delivered to Tenant; and (c) on the Rent Commencement Date for Additional Space A Tenant's Percentage will be increased by 3.28%, and on the Rent Commencement Date for Additional Space B Tenant's Percentage will be increased by 1.42%. If Landlord does not deliver vacant possession of Additional Space A before it delivers vacant possession of Additional Space B, then it will deliver vacant possession of the entire Additional Space all at once as initially contemplated in the Lease.

3.2 Tenant hereby exercises its first Expansion Option, and: (a) the Expansion Space for the first Expansion Option will be the First Expansion Space; (b) the term of the Lease will begin for (and the Premises will include) the First Expansion Space when vacant possession of that particular space is delivered to Tenant (subject to Section 28.2(a) of the Lease); (c) notwithstanding Section 28.2(b) of the Lease to the contrary, the Rent Commencement Date for the First Expansion Space will occur on the earlier of the date that Tenant occupies that particular space to conduct business or sixty (60) days after the date that vacant possession of that particular space is delivered to Tenant; and (d) on the Rent Commencement Date for the First Expansion Space, Tenant's Percentage will be increased by 3.94%.

3.3 Landlord will provide the inducement payments to Tenant for Additional Space A, Additional Space B, and the First Expansion Space in accordance with Section 26 of the Lease. Tenant acknowledges receiving the entire inducement payment for the Initial Space in accordance with Section 26(a) of the Lease. Tenant also acknowledges and agrees that the $250,000 portion of the inducement payment received for the Initial Space actually was a payment made to Tenant by Tenant's former sublandlord, FTP Software, Inc., under its sublease with Tenant, which payment was received by Landlord from, and paid by Landlord to Tenant on behalf of, FTP Software, Inc.

3.4 Tenant represents and warrants that, other than the Broker (which is Tenant's sole agent for these purposes), it has not dealt with or engaged any broker, agent, finder or similar party in connection with this transaction or its lease of the Additional Space or the First Expansion Space.

3.5 The agreements set forth in the Recitals in Section 2 above are incorporated herein and are confirmed by the parties.

3.6 On request of either party, both parties will promptly execute and deliver written confirmations of the following dates: the date that vacant possession of any particular space is delivered to Tenant; and the Rent Commencement Date for that space. A party's failure to execute or deliver such a written confirmation will not alter the actual date(s) for which confirmation was requested.

4. No Other Changes.

The Lease is in full force and effect, and except as set forth above the Lease remains unchanged.

IN WITNESS WHEREOF, intending to be legally bound, the parties have executed this Amendment under seal as of the date first set forth above.

ANDOVER MILLS REALTY LIMITED PARTNERSHIP, a Massachusetts limited partnership

By: Brickstone Square Realty, Inc., a Massachusetts corporation, general partner

WITNESS:

/s/ Carolyn Grover

Name Printed: Carolyn Grover

By: /s/ Martin Spagat

Name: Martin Spagat
Title: Vice President
Authorized Signature

WITNESS:

CMGI, INC., a Delaware corporation

/s/ B. Garrity

Name Printed:

By: /s/ A. Hajducky

Name: Andrew Hajducky
Title: CEO
Authorized Signature

EXHIBIT "B-2"

PREMISES
"ADDITIONAL SPACE:"
BUILDING 100
FOURTH FLOOR

[FLOOR PLAN APPEARS HERE]

EXHIBIT "B-2"

PREMISES
"FIRST EXPANSION SPACE"
BUILDING 100
SECOND FLOOR

[FLOOR PLAN APPEARS HEAR]

EXHIBIT 10.3

ARASTRADERO PROPERTY

AND

ALTAVISTA COMPANY

LEASE

SUMMARY OF LEASE

1.	DATE OF LEASE:	September 13, 1999
2.	LANDLORD:	Arastradero Property 3945 Freedom Circle, Suite 640 Santa Clara, California 95054
3.	TENANT:	Altavista Company, a Delaware corporation
4.	PREMISES:	1070 Arastradero Road Palo Alto, California
5.	SQUARE FEET:	75,420 square feet
6.	PERMITTED USE:	See paragraph 1
7.	TERM:	Ten (10) years
	(a) SCHEDULED COMMENCEMENT DATE:	See paragraph 2
	(b) SCHEDULED EXPIRATION DATE:	See paragraph 2
8.	RENT:	
	(a) BASIC RENT:	$257,936.40 per month (Lease months 1-12) $266,964.17 per month (Lease months 13-24) $276,307.92 per month (Lease months 25-36) $285,978.70 per month (Lease months 37-48) $295,987.95 per month (Lease months 49-60) $306,347.53 per month (Lease months 61-72) $317,069.69 per month (Lease months 73-84) $328,167.13 per month (Lease months 85-96) $339,652.98 per month (Lease months 97-108) $351,540.84 per month (Lease months 103-120)
	(b) TENANT'S ESTIMATED SHARE OF COMMON AREA CHARGES:	$29,286.17 per month
9.	SECURITY DEPOSIT:	See paragraph 4(e)
10.	OTHER IMPORTANT PROVISIONS:	Tenant Improvement Allowance Early Access Option to Extend Term Subject to Ground Lease Condition to Effectiveness Early Possession HVAC Replacement
11.	EXHIBITS:	Exhibit A - Premises Exhibit B - Project Exhibit C - Tenant Work Letter Agreement Exhibit D - Ground Lease Exhibit E - Early Occupancy Space Exhibit F - Wood Siding Repair Work

THIS SUMMARY OF LEASE IS INTENDED TO SUMMARIZE CERTAIN KEY PROVISIONS IN THE ATTACHED LEASE. IN THE EVENT OF ANY CONFLICT OR INCONSISTENCY BETWEEN THE PROVISIONS OF THIS SUMMARY AND THE LEASE, THE PROVISIONS OF THE LEASE SHALL GOVERN.

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LEASE

THIS LEASE is made this 13 day of September, 1999, by and between ARASTRADERO PROPERTY, a California general partnership ("Landlord"), and ALTAVISTA COMPANY, a Delaware corporation ("Tenant").

W I T N E S S E T H :

Landlord leases to Tenant and Tenant leases from Landlord those certain premises outlined in red on Exhibit A (the "Premises") commonly known as 1070 Arastradero Road, Palo Alto, California, which Landlord and Tenant hereby agree consists of approximately seventy-five thousand four hundred twenty (75,420) square feet. As used herein the term "Project" shall mean and include all of the land described in Exhibit B and all the buildings, improvements, fixtures and equipment now or hereafter situated on said land.

Tenant covenants, as a material part of the consideration for this lease, to perform and observe each and all of the terms, covenants and conditions set forth below, and this lease is made upon the condition of such performance and observance.

1. USE

Subject to the restrictions contained in paragraph 6 hereof, Tenant shall use the Premises for (i) general office, research and development and sales and (ii) other legal uses related to Tenant's business, provided that such other uses are permitted under all zoning laws and fire and building codes, the ground lease between the Board of Trustees of the Leland Stanford Junior University ("Stanford") as the "Lessor" and Landlord as the "Lessee", dated February 29, 1980 (the "Ground Lease") and any conditions, covenants and restrictions applicable to the Project, and Landlord consents in writing to such other uses, which consent shall not be unreasonably withheld. Tenant shall not use or permit the Premises to be used for any purpose which is not specifically permitted above.

2. TERM

Lease Commencement and Expiration. The term shall commence on the Lease Commencement Date (defined below) and end on the Lease Expiration Date (defined below) unless sooner terminated as hereinafter provided). The "Lease Commencement Date" shall be the earlier of (i) the date that is ninety (90)

days after the date that Landlord provides Tenant with access to the Premises in accordance with paragraph 56 below, (ii) substantial completion of the Tenant Improvements (defined in paragraph 55 below), or (iii) occupancy of the Premises or any part thereof by Tenant and/or Tenant's employees for purposes other than as permitted in paragraph 56 of this lease (regarding early access). The "Lease Expiration Date" shall be the date that is ten (10) years after the Lease Commencement Date.

3. POSSESSION

(a) If Landlord for any reason cannot provide Tenant with access to the Premises by the date that is thirty (30) days after the date that Landlord and Tenant have both executed and delivered this lease, this lease shall not be void or voidable, Landlord shall not be liable to Tenant for any loss or damage on account thereof and, unless Landlord's failure to provide such access to Tenant is caused by the acts or omissions of Tenant, Tenant shall not be liable for rent until the Lease Commencement Date is determined in accordance with paragraph 2. Notwithstanding the above, if Landlord is unable to deliver possession of the Premises by the date that is thirty (30) days after the date that Landlord and Tenant have both executed and delivered this lease, plus the number of days of delay caused by Tenant, or by force majeure (defined below) ("Outside Delivery Date"), then Tenant may at its option, exercisable within ten (10) days following such date, and as its sole remedy, terminate this lease; provided, however, (i) if Tenant fails to timely exercise such right within such ten (10) day period, Tenant's right to terminate shall lapse and (ii) if Tenant elects to terminate, Landlord may override Tenant's election by notifying Tenant within five (5) days after receipt of Tenant's written notice of election to terminate that Landlord has elected to override Tenant's election, in which case Tenant as its sole remedy shall be entitled to one day of free rent for each day of such delay in delivery of the Premises beyond the Outside Delivery Date (as extended above, if applicable) and Landlord shall not be liable to Tenant for any loss, damage or expense resulting from Landlord's failure to deliver possession. If Tenant elects to terminate this lease as provided in this paragraph, all amounts deposited with Landlord by Tenant shall be returned to Tenant and Landlord shall not be liable to Tenant for any loss, damage or expense resulting from Landlord's failure to deliver possession. For purposes of this lease, the term "force majeure" shall mean acts of God, strikes, lockouts, labor troubles, inability to procure labor or materials, fire, accident, riot, civil commotion, laws or regulations of general applicability, acts of tenant, any cause that is not due to Landlord's negligence or willful misconduct or any cause that is beyond Landlord's reasonable control.

(b) Tenant's inability or failure to take possession of the Premises when access is tendered by Landlord (including,

without limitation, Tenant's failure to satisfy the conditions precedent to such early access specified in paragraph 56 below) shall not delay the commencement of the term of this lease or Tenant's obligation to pay rent. Tenant acknowledges that Landlord shall incur significant expenses upon the execution of this lease, even if Tenant never takes possession of the Premises, including, without limitation, brokerage commissions and fees, and legal and other professional fees. Tenant acknowledges that all of said expenses shall be taken into account in measuring Landlord's damages should Tenant breach any of the terms of this lease. Notwithstanding the above, if Landlord is unable to deliver access to the Premises as required under paragraph 56 of this lease by the date that is ninety (90) days from the date of execution and delivery of this lease by both Landlord and Tenant plus the number of days of delay caused by Tenant, or by force majeure (defined below), then Tenant may at its option, exercisable within ten (10) days following such date, and as its sole remedy, terminate this lease; provided, however, if Tenant fails to timely exercise such right within such ten (10) day period, Tenant's right to terminate shall lapse. If Tenant elects to terminate this lease as provided in this paragraph, all amounts deposited with Landlord by Tenant shall be returned to Tenant and Landlord shall not be liable to Tenant for any loss, damage or expense resulting from Landlord's failure to deliver possession. For purposes of this lease, the term "force majeure" shall mean acts of God, strikes, lockouts, labor troubles, inability to procure labor or materials, fire, accident, riot, civil commotion, laws or regulations of general applicability, acts of tenant, any cause that is not due to Landlord's negligence or willful misconduct or any cause that is beyond Landlord's reasonable control.

4. MONTHLY RENT

(a) Basic Rent. Tenant shall pay to Landlord as basic rent for the
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Premises, in advance and subject to adjustment as provided in paragraph 5, the sum of Two Hundred Fifty-Seven Thousand Nine Hundred Thirty-Six and 40/100 Dollars ($257,936.40) on or before the first day of the first full calendar month of the term after the Lease Commencement Date and on or before the first day of each and every successive calendar month. Basic rent for any partial month shall be payable in advance and shall be prorated based on the actual number of days during the lease term occurring in such month divided by the total number of days in such month.

(b) Common Area Charges. In addition to the above basic rent and as
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additional rent, Tenant shall pay to Landlord, subject to adjustments and reconciliation as provided in paragraph 16 of this lease, the sum of Twenty-Nine Thousand Two Hundred Eighty-Six and 17/100 Dollars ($29,286.17) on or before the first day of the first full calendar month of the term after the Lease Commencement Date and on the first day of each and

every successive calendar month, said sum representing Tenant's estimated payment of its percentage share of common area charges as provided for in paragraph 16 of this lease. Payment of common area charges for any partial month shall be payable in advance and shall be prorated based on the actual number of days during the lease term occurring in such month divided by the total number of days in such month.

(c) Manner and Place of Payment. All payments of basic rent and common area charges shall be paid to Landlord, without deduction or offset, in lawful money of the United States of America, at the office of Landlord at 3945 Freedom Circle, Suite 640, Santa Clara, California 95054, or to such other person or place as Landlord may from time to time designate in writing.

(d) First Month's Rent. Concurrently with Tenant's execution of this lease, Tenant shall deposit with Landlord the sum of Two Hundred Eighty-Seven Thousand Two Hundred Twenty Two and 57/100 Dollars ($287,222.57) to be applied against the basic rent and common area charges for the first lease month of the term.

(e) Security Deposit. Concurrent with Tenant's execution of this lease, Tenant shall deliver to Landlord an unconditional and irrevocable letter of credit ("Letter of Credit") in the amount of Four Million Dollars ($4,000,000) to secure the faithful performance by Tenant of all of the terms, covenants and conditions of this lease to be kept and performed by Tenant. The Letter of Credit shall be issued by a bank (the "L-C Bank") approved by Landlord and shall be in a form that is reasonably acceptable to Landlord in Landlord's reasonable discretion. The L-C Bank shall be a bank that accepts deposits, maintains accounts, has a local Santa Clara office that will negotiate the Letter of Credit or if no local office then the Letter of Credit shall provide for draws by Landlord upon delivery of the written draw request by courier or by fax (to be confirmed by telephone and with original to follow within three (3) business days) and payment to be made by wire transfer to Landlord's account as directed by Landlord upon receipt of the original or fax request. The deposits of the L-C Bank shall be insured by the Federal Deposit Insurance Corporation. Tenant shall pay all expenses, points, or fees incurred by Tenant in obtaining the Letter of Credit. The Letter of Credit shall be available by draft at sight, subject only to receipt by the bank of a notarized statement from Birk S. McCandless or Steven E. Sund or other authorized representative of Landlord requesting such draw. The Letter of Credit shall by its terms expire not less than one year from the date issued, and shall provide for automatic one (1) year extensions unless Landlord is notified in writing not less than ninety (90) days prior to such expiration from the L-C Bank that the Letter of Credit will not be extended. In any event, unless Tenant deposits with Landlord a cash security deposit of like amount as permitted below, said Letter of Credit shall be renewed by Tenant for successive periods of

not less than one year each to and including the date that is sixty (60) days after the expiration date of this lease. The bank's written renewal of the Letter of Credit shall in each case be delivered to Landlord not less than ninety (90) days prior to the expiration date of the then outstanding Letter of Credit. Tenant's failure to so deliver, renew (including specifically but not limited to the delivery to Landlord of such renewal not less than ninety (90) days prior to expiration of the Letter of Credit) and maintain such Letter of Credit, shall be a material breach of this lease.

If Tenant fails to perform any provision of this lease to be performed by Tenant after notice and the expiration of any applicable cure period (including, without limitation, providing, renewing and maintaining the Letter of Credit as required above, or payment of rent or any other amounts due Landlord under this lease), Landlord may, without prejudice to any other remedy available to Landlord, immediately and without further notice draw down that portion of the Letter of Credit which is necessary to (i) pay for any rent or other sums then due, (ii) pay or reimburse Landlord for any costs or fees incurred by Landlord in exercising its rights under this lease, or (iii) compensate Landlord for any loss, damage, cost or expense incurred by Landlord due to Tenant's default. Upon written notice from Landlord to Tenant of the amount of any partial draw, Tenant shall within five (5) business days deliver to Landlord an additional letter of credit as necessary to reinstate the full amount of the security deposit required hereunder. If Tenant fails to provide such replacement Letter(s) of Credit, Landlord may without further notice draw down the entire amount of the Letter(s) of Credit, which amounts shall be held by Landlord as a cash security deposit for the faithful performance by Tenant of all of the terms, covenants and conditions of this lease to be kept and performed by Tenant. If Tenant defaults with respect to any provision of this lease, including, but not limited to, the default that precipitated the draw on the Letter of Credit, Landlord may (but shall not be required to) use, apply or retain all or any part of this security deposit for the payment of any amount which Landlord may spend by reason of Tenant's default or to compensate Landlord for any other actual expense, loss or damage which Landlord may suffer by reason of Tenant's default. If any portion of said deposit is so used, Tenant shall, within five (5) days after written demand therefor, deposit cash with Landlord in the amount sufficient to restore the security deposit to its original amount and Tenant's failure to do so shall be a material breach of this lease. Landlord shall not be required to keep this security deposit separate from its general funds and Tenant shall not be entitled to interest on such deposit. If Tenant is not in default at the expiration or termination of this lease, the security deposit or any balance thereof shall be returned to Tenant after Tenant has vacated the Premises. In the event of termination of Landlord's interest in this lease, Landlord shall transfer said deposit to Landlord's successor in

interest, and Tenant agrees that Landlord shall thereupon be released from liability for the return of such deposit or any accounting therefor.

In the event that (i) Tenant goes public and raises a minimum of $150,000,000 (net of expenses) as a result of such initial public offering, and (ii) Tenant thereafter maintains a market capitalization of not less than $1.5 Billion for four consecutive quarters, then the amount of the Letter of Credit required under this lease shall be reduced to $2,000,000.

(f) Application of Payments. All payments received by Landlord from Tenant may be applied by Landlord in Landlord's sole discretion to the oldest payment obligation(s) owed by Tenant to Landlord or in such other order as Landlord determines in Landlord's sole and absolute discretion. No designation by Tenant, either in a separate writing or on a check or money order, shall modify this clause or have any force or effect. Notwithstanding the above, Landlord's determination not to apply such payments to the oldest payment obligations first as specified above shall not constitute a waiver by Landlord with respect to Landlord's claims against Tenant for such prior payment obligation(s) of Tenant or Landlord's right to apply future payments to such prior payment obligation(s) of Tenant in such order as Landlord may determine in Landlord's sole and absolute discretion.

5. ADJUSTMENT OF BASIC RENT

The basic rent provided for in paragraph 4(a) shall be adjusted periodically and the monthly basic rent for each period shall be as set forth below:

Lease Months 1 - 12	$257,936.40 per month
Lease Months 13 - 24	$266,964.17 per month
Lease Months 25 - 36	$276,307.92 per month
Lease Months 37 - 48	$285,978.70 per month
Lease Months 49 - 60	$295,987.95 per month
Lease Months 61 - 72	$306,347.53 per month
Lease Months 73 - 84	$317,069.69 per month
Lease Months 85 - 96	$328,167.13 per month
Lease Months 97 - 108	$339,652.98 per month
Lease Months 109 - 120	$351,540.84 per month

6. RESTRICTION ON USE

Tenant shall not do or permit to be done in or about the Premises or the Project, nor bring or keep or permit to be brought or kept in or about the Premises or Project, anything which is prohibited by or will in any way increase the existing rate of, or otherwise affect, fire or any other insurance covering the Project or any part thereof, or any of its contents, or will cause a cancellation of any insurance covering the Project or any part thereof, or any of its contents. Tenant shall not do or permit to be done anything in or about the Premises or the Project which will constitute waste or which will in any way obstruct or interfere with the rights of other tenants or occupants of the Project or injure or annoy them, or use or allow the Premises to be used for any unlawful purpose, nor shall Tenant cause, maintain or permit any nuisance in or about the Premises or the Project. No loudspeaker or other device, system or apparatus which can be heard outside the Premises shall be used in or at the Premises without the prior written consent of Landlord. Tenant shall not use the Premises in any manner that will cause or emit any objectionable odor, noise or light into the adjoining premises or Common Area. Tenant shall not do anything on the Premises that will cause damage to the Project and Tenant shall not overload the floor capacity of the Premises or the Project. No machinery, apparatus or other appliance shall be used or operated in or on the Premises that will in any manner injure, vibrate or shake the Premises. Landlord shall be the sole judge, in its reasonable discretion, of whether such odor, noise, light or vibration is such as to violate the provisions of this paragraph. No waste materials or refuse shall be dumped upon or permitted to remain upon any part of the Premises or the Project except in trash containers placed inside exterior enclosures designated for that purpose by Landlord, or where otherwise designated by Landlord; and no toxic or hazardous materials shall be disposed of through the plumbing or sewage system. No materials, supplies, equipment, finished products or semi-finished products, raw materials or articles of any nature shall be stored or permitted to remain outside of the building proper. No retail sales shall be made on the Premises. Tenant shall comply with any covenant, condition or restriction ("C.C. & R.s") affecting the Premises.

7. COMPLIANCE WITH LAWS

Tenant represents and warrants that upon completion of the Tenant Improvements, the Tenant Improvements as constructed will be in compliance with all laws, statutes, ordinances and governmental rules, regulations and requirements of federal, state, county, municipal and other governmental authorities. Tenant shall, in connection with its use and occupation of the Premises, at its sole cost and expense, promptly observe and comply with (i) all laws, statutes, ordinances and governmental rules, regulations and requirements of federal state, county,

municipal and other governmental authorities, now or hereafter in effect, which shall impose any duty upon Landlord or Tenant with respect to the use, occupancy or alteration to the Premises (except to the extent of Landlord's obligations pursuant to Section 9 below), (ii) with the requirements of any board of fire underwriters or other similar body now or hereafter constituted and (iii) with any direction or occupancy certificate issued pursuant to law by any public authority; provided, however, that no such failure shall be deemed a breach of these provisions if Tenant, immediately upon notification, commences to remedy or rectify said failure. The judgment of any court of competent jurisdiction or the admission of Tenant in any action against Tenant (whether or not Landlord is a party thereto) that Tenant has violated any such law, statute, ordinance or governmental rule, regulation, requirement, direction or provision, shall be conclusive of that fact as between Landlord and Tenant. This lease shall remain in full force and effect notwithstanding any loss of use or other effect on Tenant's enjoyment of the Premises by reason of any governmental laws, statutes, ordinances, rules, regulations and requirements now or hereafter in effect.

8. ALTERATIONS

Tenant shall not make or suffer to be made any alteration, addition or improvement to or of the Premises or any part thereof (collectively referred to herein as "alterations") without (i) the prior written consent of Landlord, (ii) a valid building permit issued by the appropriate governmental authority and (iii) otherwise complying with all applicable laws, regulations and requirements of governmental agencies having jurisdiction and with the rules, regulations and requirements of any board of fire underwriters or similar body. Notwithstanding the foregoing, Tenant may make non-structural alterations costing less than $20,000 per alteration and less than $100,000 in the aggregate in any one-year period of the term without the prior written consent of Landlord, provided that prior to making such alteration Tenant informs Landlord in writing of the nature of the alteration, the cost thereof and the contractor engaged or proposed to be engaged to perform such work, and provided further that all such work complies with clauses (ii) and (iii) above. Landlord's consent to any requested alteration shall not create on the part of Landlord or cause Landlord to incur any responsibility or liability for such alteration's compliance with all laws, rules and regulations of federal, state, county, municipal and other governmental authorities. Any alteration made by Tenant (excluding moveable furniture and trade fixtures not attached to the Premises) shall at once become a part of the Premises and belong to Landlord, subject to Landlord's right to require removal and restoration as specified herein. Without limiting the foregoing, all heating, lighting, electrical (including all wiring, conduit, outlets, drops, buss ducts, main and subpanels), air conditioning, permanent partitioning, drapery and carpet installations made by Tenant, regardless of how

attached to the Premises, together with all other alterations that have become an integral part of the Project in which the Premises are a part, shall be and become part of the Premises and belong to Landlord upon installation and shall not be deemed trade fixtures and, subject to Landlord's right to require removal and restoration as specified herein, shall remain upon and be surrendered with the Premises at the termination of this lease. Notwithstanding the foregoing, the installation of moveable equipment, furniture and trade fixtures shall not be deemed alterations and shall remain Tenant's personal property.

Regardless of whether Landlord's consent is required in connection with the making of any alteration by Tenant, if Landlord consents to the making of any alteration by Tenant, the same shall be made by Tenant at its sole risk, cost and expense and only after Landlord's written approval of any contractor or person selected by Tenant for that purpose, such approval not to be unreasonably withheld, conditioned or delayed. Tenant shall, if required by Landlord, secure at Tenant's cost a completion and lien indemnity bond for such work. Upon the expiration or sooner termination of the term, Landlord may, at its sole option, require Tenant, at Tenant's sole cost and expense, to promptly remove any such alteration made by Tenant and designated by Landlord to be removed, repair any damage to the Premises caused by such removal and restore the Premises to their condition prior to Tenant's alteration. Upon Tenant's request made at the time that Tenant requests Landlord's consent to any particular alteration, Landlord shall notify Tenant whether Landlord will waive its right to require removal and restoration as provided above. Any moveable furniture and equipment or trade fixtures remaining on the Premises at the expiration or other termination of the term shall become the property of the Landlord; provided, however, in addition to all other remedies available to Landlord at law or in equity, Landlord may (i) require Tenant to remove same or (ii) remove same at Tenant's cost, and Tenant shall be liable to Landlord for all damages incurred by Landlord related thereto.

If during the term any alteration, addition or change of the Premises or the Project is required by law, regulation, ordinance or order of any public authority, Tenant, at its sole cost and expense, shall promptly make the same.

9. REPAIR AND MAINTENANCE

Landlord represents that on the date that Landlord delivers the Premises to Tenant pursuant to paragraph 56 below (Early Access), the building systems (i.e. plumbing, mechanical and electrical systems, but not HVAC equipment) in the Premises shall be in good working order and the roof will be watertight. In addition, Landlord will complete the repairs as specified on Exhibit F attached hereto. Tenant has inspected the Premises and acknowledges that all building systems are in good working order;

except the HVAC system which shall be repaired by Landlord to good operating condition (see Cal Air report dated July 28, 1999). Tenant has inspected the Premises and accepts the Premises in its current condition and acknowledges that the Premises are in good and sanitary order, condition and repair. Except as expressly provided below, Tenant shall at its sole cost keep and maintain the entire Premises and every part thereof including, without limitation, the windows, window frames, plate glass, glazing, elevators within the Premises, truck doors, doors and all door hardware, the interior walls and partitions, lighting and the electrical, mechanical, and plumbing systems.

Subject to the provisions of paragraph 17, Landlord shall keep and maintain the roof, structural elements, exterior walls of the buildings constituting the Project, the heating and air conditioning systems, and the Common Area (including the parking areas, landscaping and all amenities located outside the building) in good order and repair. Tenant waives all rights under and benefits of California Civil Code Sections 1932(1), 1941, and 1942 and under any similar law, statute or ordinance now or hereafter in effect. The cost of the repairs and maintenance which are the obligation of Landlord hereunder, including without limitation, maintenance contracts and supplies, materials, equipment and tools used in such repairs and maintenance shall be a common area charge and Tenant shall pay its percentage share of such costs to Landlord as provided in paragraph 16; provided, however, that if any repairs or maintenance is required because of the negligence or willful misconduct of Tenant, or its agents, employees or invitees, Tenant shall pay to Landlord upon demand the full cost of such repairs or maintenance. Notwithstanding the above, the cost of roof replacement and structural repairs to the building shall be amortized over its useful life (including interest at a rate of two percent (2%) over the then current Prime Rate as published by the Wall Street Journal) and the amortized cost shall be included within common area charges and Tenant shall pay its proportionate share thereof as provided in paragraph 16 of this lease.

10. LIENS

Tenant shall keep the Premises and the Project free from any liens arising out of any work performed, materials furnished or obligations incurred by Tenant, its agents, employees or contractors. Upon Tenant's receipt of a preliminary twenty (20) day notice filed by a claimant pursuant to California Civil Code Section 3097, Tenant shall immediately provide Landlord with a copy of such notice. Should any lien be recorded against the Project, Tenant shall give immediate notice of such lien to Landlord. In the event that Tenant shall not, within ten (10) business days following receipt of notice of the imposition of such lien, cause the same to be released of record, Landlord shall have, in addition to all other remedies provided herein and by law, the right, but no obligation, to cause the same to be

released by such means as it shall deem proper, including payment of the claim giving rise to such lien. All sums paid by Landlord for such purpose, and all expenses (including attorneys' fees) incurred by it in connection therewith, shall be payable to Landlord by Tenant on demand with interest at the rate of twelve percent (12%) per annum or the maximum rate permitted by law, whichever is less. Landlord shall have the right at all times to post and keep posted on the Premises any notices permitted or required by law, or which Landlord shall deem proper for the protection of Landlord, the Premises and the Project and any other party having an interest therein, from mechanics' and materialmen's liens and like liens. Tenant shall give Landlord at least ten (10) days prior notice of the date of commencement of any construction on the Premises in order to permit the posting of such notices. In the event Tenant is required to post an improvement bond with a public agency in connection with any work performed by Tenant on or to the Premises, Tenant shall include Landlord as an additional obligee.

11. INSURANCE

Tenant, at its sole cost and expense, shall keep in force during the term (i) commercial general liability and property damage insurance with a combined single limit of at least $5,000,000 per occurrence insuring against personal or bodily injury to or death of persons occurring in, on or about the Premises or Project and any and all liability of the insureds with respect to the Premises or arising out of Tenant's maintenance, use or occupancy of the Premises and all areas appurtenant thereto, (ii) direct physical loss-special insurance covering the leasehold improvements in the Premises and all of Tenant's equipment, trade fixtures, appliances, furniture, furnishings, and personal property from time to time located in, on or about the Premises, with coverage in the amount of the full replacement cost thereof, and (iii) Worker's Compensation Insurance as required by law, together with employer's liability coverage with a limit of not less than $1,000,000 for bodily injury for each accident and for bodily injury by disease for each employee. Tenant's commercial general liability and property damage insurance and Tenant's Workers Compensation Insurance shall be endorsed to provide that said insurance shall not be canceled or reduced except upon at least thirty (30) days prior written notice to Landlord. Further, Tenant's commercial general liability and property damage insurance shall be primary and shall be endorsed to provide that Landlord and McCandless Management Corporation, and their respective partners, officers, directors and employees and such other persons or entities as directed from time to time by Landlord shall be named as additional insureds for all liability using ISO Bureau Form CG20111185 (or a successor form) or such other endorsement form reasonably acceptable to Landlord; shall contain a severability of interest clause and a cross-liability endorsement; shall be endorsed to provide that the limits and aggregates apply per

location using ISO Bureau Form CG25041185 (or a successor form) or such other endorsement form reasonably acceptable to Landlord; and shall be issued by an insurance company admitted to transact business in the State of California and rated A VIII or better in Best's Insurance Reports (or successor report). The deductibles for all insurance required to be maintained by Tenant hereunder shall be reasonably satisfactory to Landlord. The commercial general liability insurance carried by Tenant shall specifically insure the performance by Tenant of the indemnification provisions set forth in paragraph 18 of this lease provided, however, nothing contained in this paragraph 11 shall be construed to limit the liability of Tenant under the indemnification provisions set forth in said paragraph 18, except to the extent Landlord has waived its rights pursuant to this paragraph. If Landlord or any of the additional insureds named on any of Tenant's insurance, have other insurance which is applicable to the covered loss on a contributing, excess or contingent basis, the amount of the Tenant's insurance company's liability under the policy of insurance maintained by Tenant shall not be reduced by the existence of such other insurance. Any insurance carried by Landlord or any of the additional insureds named on Tenant's insurance policies shall be excess and non-contributing with the insurance so provided by Tenant.

Tenant shall, prior to the commencement of the term and at least thirty (30) days prior to any renewal date of any insurance policy required to be maintained by Tenant pursuant to this paragraph, provide Landlord with a completed Certificate of Insurance, using a form acceptable in Landlord's reasonable judgment, attaching thereto copies of all endorsements required to be provided by Tenant under this lease. Tenant agrees to increase the coverage or otherwise comply with changes in connection with said commercial general liability, property damage, direct physical loss and Worker's Compensation Insurance as Landlord or Landlord's lender may from time to time reasonably require.

Landlord shall obtain and keep in force a policy or policies of insurance covering loss or damage to the Premises and Project, in the amount of the full replacement value thereof, providing protection against those perils included within the classification of "all risk" insurance, with increased cost of reconstruction and contingent liability (including demolition), plus a policy of rental income insurance in the amount of one hundred percent (100%) of twelve (12) months' rent (including sums paid as additional rent) and such other insurance as Landlord or Landlord's lender may from time to time require. Landlord may, but shall not be obligated to, obtain flood and/or earthquake insurance. Landlord shall have no liability to Tenant if Landlord elects not to obtain flood and/or earthquake insurance. Landlord shall keep in force during the term commercial general liability and property damage insurance with a combined single limit of at least $5,000,000 per occurrence

insuring against personal or bodily injury to or death of persons occurring in, on or about the Project and any and all liability of Landlord with respect to the Project or arising out of Landlord's maintenance, use or occupancy of the Project. The cost of all such insurance purchased by Landlord, plus any charges for deferred payment of premiums and the amount of any deductible incurred upon any covered loss within the Project, shall be common area charges and Tenant shall pay to Landlord its percentage share of such costs as provided in paragraph 16. If the cost of insurance is increased due to Tenant's particular use of the Premises (other than that which is typical for office and research and development use), then Tenant shall pay to Landlord upon demand the full cost of such increase.

Landlord and Tenant hereby mutually waive any and all rights of recovery against one another for real or personal property loss or damage occurring to the Premises or the Project, or any part thereof, or to any personal property therein, from perils insured against under fire and extended insurance and any other property insurance policies existing for the benefit of the respective parties so long as such insurance permits waiver of liability and contains a waiver of subrogation without additional premiums.

If Tenant does not take out and maintain insurance as required pursuant to this paragraph 11, then upon five (5) business days written notice from Landlord, Landlord may, but shall not be obligated to, take out the necessary insurance and pay the premium therefor, and Tenant shall repay to Landlord promptly on demand, as additional rent, the amount so paid. In addition, Landlord may recover from Tenant and Tenant agrees to pay, as additional rent, any and all reasonable expenses (including attorney fees) and actual damages which Landlord may sustain by reason of the failure of Tenant to obtain and maintain such insurance, it being expressly declared that the expenses and damages of Landlord shall not be limited to the amount of the premiums thereon.

12. UTILITIES AND SERVICE

Tenant shall pay for all water, gas, light, heat, power, electricity, telephone, trash pickup, sewer charges and all other services supplied to or consumed on the Premises. In the event that any service is not separately metered or billed to the Premises, the cost of such utility service or other service shall be a common area charge and Tenant shall pay its percentage share of such cost to Landlord as provided in paragraph 16. In addition, the cost of all utilities and services furnished by Landlord to the Common Area shall be a common area charge and Tenant shall pay its percentage share of such cost to Landlord as provided in paragraph 16.

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

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

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

13. TAXES AND OTHER CHARGES

All real estate taxes and assessments and other taxes, fees and charges of every kind or nature, foreseen or unforeseen, which are levied, assessed or imposed upon Landlord and/or against the Premises, building, Common Area or Project, or any part thereof by any federal, state, county, regional, municipal or other governmental or quasi-public authority, together with any increases therein for any reason, shall be a common area charge and Tenant shall pay its percentage share of such costs to Landlord as provided in paragraph 16. By way of illustration and not limitation, "other taxes, fees and charges" as used herein include any and all taxes payable by Landlord (other than state and federal personal or corporate income taxes measured by the net income of Landlord from all sources, and premium taxes), whether or not now customary or within the contemplation of the

parties hereto, (i) upon, allocable to, or measured by the rent payable hereunder, including, without limitation, any gross income or excise tax levied by the local, state or federal government with respect to the receipt of such rent, (ii) upon or with respect to the possession, leasing, operation, management, maintenance, alteration, repair, use or occupancy by Tenant of the Premises or any part thereof, (iii) upon or measured by the value of Tenant's personal property or leasehold improvements located in the Premises, (iv) upon this transaction or any document to which Tenant is a party creating or transferring an interest or estate in the Premises, (v) upon or with respect to vehicles, parking or the number of persons employed in or about the Project, and (vi) any tax, license, franchise fee or other imposition upon Landlord which is otherwise measured by or based in whole or in part upon the Project or any portion thereof. If Landlord contests any such tax, fee or charge, the cost and expense incurred by Landlord thereby (including, but not limited to, costs of attorneys and experts) shall also be common area charges and Tenant shall pay its percentage share of such costs to Landlord as provided in paragraph 16. Any tax adjustments made as a result of any such contest shall be applied to the common area charges for the applicable period and Tenant shall be entitled to its proportionate share of any reduction in common area charges resulting therefrom. In the event the Premises and any improvements installed therein by Tenant or Landlord are valued by the assessor disproportionately higher than those of other tenants in the building or Project or in the event alterations or improvements are made to the Premises, Tenant's percentage share of such taxes, assessments, fees and/or charges shall be readjusted upward accordingly and Tenant agrees to pay such readjusted share. Such determination shall be made by Landlord from the respective valuations assigned in the assessor's work sheet or such other information as may be reasonably available and Landlord's determination thereof shall be conclusive.

Tenant agrees to pay, before delinquency, any and all taxes levied or assessed during the term hereof upon Tenant's equipment, furniture, fixtures and other personal property located in the Premises, including carpeting and other property installed by Tenant notwithstanding that such carpeting or other property has become a part of the Premises. If any of Tenant's personal property shall be assessed with the Project, Tenant shall pay to Landlord, as additional rent, the amount attributable to Tenant's personal property within ten (10) days after receipt of a written statement from Landlord setting forth in reasonable detail the amount of such taxes, assessments and public charges attributable to Tenant's personal property.

14. ENTRY BY LANDLORD

Landlord reserves, and at all reasonable times, upon reasonable advance notice shall have, the right to enter the

Premises (i) to inspect the Premises, (ii) to supply services to be provided by Landlord hereunder, (iii) to show the Premises to prospective purchasers, lenders or tenants and to put 'for sale' or 'for lease' signs thereon, (iv) to post notices required or allowed by this lease or by law, (v) to alter, improve or repair the Premises and any portion of the Project, and (vi) to erect scaffolding and other necessary structures in or through the Premises or the Project where reasonably required by the character of the work to be performed. Tenant shall have the right to accompany Landlord during such entry by Landlord and Landlord shall comply with Tenant's reasonable sign-in and security measures. Landlord shall not be liable in any manner for any inconvenience, disturbance, loss of business, nuisance or other damage arising from Landlord's entry and acts pursuant to this paragraph and Tenant shall not be entitled to an abatement or reduction of rent if Landlord exercises any rights reserved in this paragraph. Landlord shall use reasonable efforts to minimize any interference with Tenant's access to or use of the Premises in exercising such rights. For each of the foregoing purposes, Landlord shall at all times have and retain a key with which to unlock all of the doors in, on and about the Premises (excluding Tenant's vaults, safes and similar areas designated in writing by Tenant in advance), and Landlord shall have the right to use any and all means which Landlord may deem proper to open said doors in an emergency in order to obtain entry to the Premises. Any entry by Landlord to the Premises pursuant to this paragraph shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into or a detainer of the Premises or an eviction, actual or constructive, of Tenant from the Premises or any portion thereof.

15. COMMON AREA; PARKING

Subject to the terms and conditions of this lease and such rules and regulations as Landlord may from time to time prescribe, Tenant and Tenant's employees and invitees shall, in common with other occupants of the Project, and their respective employees and invitees and others entitled to the use thereof, have the nonexclusive right to use the access roads, parking areas and facilities within the Project provided and designated by Landlord for the general use and convenience of the occupants of the Project which areas and facilities shall include, but not be limited to, sidewalks, parking, refuse, landscape and plaza areas, roofs and building exteriors, which areas and facilities are referred to herein as "Common Area". This right shall terminate upon the termination of this lease.

Landlord reserves the right from time to time to make changes in the shape, size, location, amount and extent of the Common Area; provided that the basic character of the amenities remains substantially unchanged. Landlord shall also have the right at any time to change the name, number or designation by which the Project is commonly known. Landlord further reserves

the right to promulgate such reasonable rules and regulations relating to the use of the Common Area, and any part thereof, as Landlord may deem appropriate for the best interests of the occupants of the Project. The rules and regulations shall be binding upon Tenant upon delivery of a copy of them to Tenant and Tenant shall abide by them and cooperate in their observance. Such rules and regulations may be amended by Landlord from time to time, with or without advance notice. In the event of a conflict, the provisions of this lease shall prevail over the rules and regulations.

Tenant shall have the use of all existing parking spaces at the Premises; provided that Landlord and Landlord's agents, contractors and employees shall have the right to use such parking areas as reasonably necessary to fulfill Landlord's obligations under this lease. Tenant, at Tenant's expense, may modify the parking areas to increase the number of parking spaces, subject to Landlord's approval of design and structure and consent of Stanford. Any such modification of the parking area shall be subject to the provisions regarding alterations in paragraph 8 of this lease. Landlord makes no representations to Tenant regarding Tenant's ability to obtain the requisite permits, consents and approvals from Stanford and governmental authorities and Tenant's inability to do so shall not affect this lease. Landlord reserves the right at its sole option to assign and label parking spaces, but it is specifically agreed that Landlord is not responsible for policing any such parking spaces; provided that such right shall not apply while Tenant occupies the entire leasable space in the Project. Tenant shall not at any time park or permit the parking of Tenant's trucks or other vehicles, or the trucks or other vehicles of others, adjacent to loading areas so as to interfere in any way with the use of such areas; nor shall Tenant at any time park or permit the parking of Tenant's vehicles or trucks, or the vehicles or trucks of Tenant's suppliers or others, in any portion of the Common Area not designated by Landlord for such use by Tenant. Tenant shall not park or permit any inoperative vehicle or equipment to be parked on any portion of the Common Area.

Landlord shall operate, manage and maintain the Common Area. The manner in which the Common Area shall be operated, managed and maintained and the expenditures for such operation, management and maintenance shall be at the sole discretion of Landlord; provided that Landlord shall maintain the Project in a first class condition. The cost of such maintenance, operation and management of the Common Area, including but not limited to landscaping, repair of paving, parking lots and sidewalks, security and exterminator services and salaries and employee benefits (including union benefits) of on-site personnel engaged in such maintenance and operations management, shall be a common area charge and Tenant shall pay to Landlord its percentage share of such costs as provided in paragraph 16.

16. COMMON AREA CHARGES

Tenant shall pay to Landlord, as additional rent, an amount equal to one hundred percent (100%) of the total common area charges as defined below. Tenant's percentage share of common area charges shall be paid as follows:

Tenant's estimated monthly payment of common area charges payable by Tenant during the calendar year in which the term commences is set forth in paragraph 4(b) of this lease. Prior to the commencement of each succeeding calendar year of the term (or as soon as practicable thereafter), Landlord shall deliver to Tenant a written estimate of Tenant's monthly payment of common area charges. Tenant shall pay, as additional rent, on the first day of each month during the term in accordance with paragraph 4(b) of the lease, its monthly share of common area charges as estimated by Landlord. Within one hundred twenty (120) days of the end of each calendar year and of the termination of this lease (or as soon as practicable thereafter), Landlord shall deliver to Tenant a statement of actual common area charges incurred for the preceding year. If such statement shows that Tenant has paid less than its actual percentage then Tenant shall on demand pay to Landlord the amount of such deficiency which payment shall be due within thirty (30) days after the date of Landlord's notice. If such statement shows that Tenant has paid more than its actual percentage share then Landlord shall, at its option, promptly refund such excess to Tenant or credit the amount thereof to the rent next becoming due from Tenant. Landlord reserves the right to revise any estimate of common area charges if actual or projected common area charges show an increase or decrease in excess of 10% from any earlier estimate for the same period. In such event, Landlord shall deliver the revised estimate to Tenant, together with an explanation of the reasons therefor, and Tenant shall revise its payments accordingly. Landlord's and Tenant's obligation with respect to adjustments at the end of the term or earlier expiration of this lease shall survive such termination or expiration.

Upon written request of Tenant made within sixty (60) days of Tenant's receipt of the statement of actual direct expenses, Landlord shall make available for Tenant's review, at Tenant's cost, copies of documentation reasonably available to Landlord to support the amounts set forth in such statement.

As used in this lease, "common area charges" shall include, but not be limited to, (i) all items identified in paragraphs 8, 9, 11, 12, 13 and 15 as being common area charges; (ii) amortization of such capital improvements having a useful life greater than one year as Landlord may have installed for the purpose of reducing operating costs and/or to comply with all laws, rules and regulations of federal, state, county, municipal and other governmental authorities now or hereafter in effect

(the cost of such capital improvement shall be amortized over its useful life, including interest at the rate of 2% over the then current Prime Rate as published by the Wall Street Journal on the date nearest to the date that such cost is incurred, and the monthly amortized cost thereof shall be included in common area charges); (iii) salaries and employee benefits (including union benefits) of personnel engaged in the operation and maintenance of the Project (or the building in which the Premises are located) and payroll taxes applicable thereto; (iv) supplies, materials, equipment and tools used or required in connection with the operation and maintenance of the Project; (v) licenses, permits and inspection fees; (vi) a reasonable reserve for repairs and replacement of equipment used in the maintenance and operation of the Project; (vii) all other operating costs reasonably incurred by Landlord in maintaining and operating the Project; and (viii) a management cost recovery as determined by Landlord equal to three percent (3%) of the sum of the basic rent and the aggregate of all other common area charges for the Project.

Notwithstanding anything in the definition of common area charges in this lease to the contrary, common area charges shall not include the following, except to the extent specifically permitted by a specific exception to the following:

(i) Any ground lease rental;

(ii) Costs actually reimbursed to Landlord by insurance proceeds for the repair of damage to the Project;

(iii) Costs, including permit, license and inspection costs, incurred with respect to the installation of tenant or other occupants' improvements in the Project or incurred in renovating or otherwise improving, decorating, painting or redecorating vacant space for tenants or other occupants of the Project;

(iv) Marketing costs, including without limitation, leasing commission, attorneys' fees in connection with the negotiation and preparation of letters, deal memos, letters of intent, leases, subleases and/or assignments, space planning costs, and other costs and expenses incurred in connection with lease, sublease and/or assignment negotiations and transactions with Tenant or present or prospective tenants or other occupants of the Project;

(v) Expenses in connection with services or other benefits which are charged directly or are provided to other tenants of the Project but not made available to Tenant on a similar basis (or Tenant is charged separately for such services or benefits);

(vi) Interest, principal, points and fees on debts or amortization on any mortgage or mortgages or any other debt instrument encumbering the Project;

(vii) Landlord's general corporate overhead and general and administrative expenses;

(viii) Advertising and promotional expenditures, and costs of signs in or on the Project identifying the owner of the Project or other tenants' signs;

(ix) Tax penalties incurred as a result of Landlord's failure to make payments and/or to file any tax or informational returns when due;

(x) Costs for the acquisition of (as contrasted with the maintenance of) sculpture, paintings or other objects of art;

(xi) Costs of any "tap fees" or any sewer or water connection fees and for the benefit of any particular tenant in the Project;

(xii) Reserves for bad debts or future improvements, repairs or additions in years subsequent to the current lease year; and

(xiii) Costs related to Hazardous Materials (reporting, monitoring, containment and abatement, and/or remediation) to the extent not placed on, in or about the Project by Tenant and to the extent that the same existed on the Lease Commencement Date and constituted Hazardous Materials pursuant to laws in effect on the Lease Commencement Date.

17. DAMAGE BY FIRE; CASUALTY

In the event the Premises are partially damaged by any casualty which is covered under an insurance policy required to be maintained by Landlord pursuant to paragraph 11, Landlord shall be entitled to the use of all insurance proceeds and shall repair such damage as soon as reasonably possible and this lease shall continue in full force and effect; provided that either party shall have the right to terminate this lease upon written notice to the other within thirty (30) days after the date of damage if the Premises cannot reasonably be restored within one (1) year after the date of such damage.

In the event the Premises are partially damaged by any casualty not covered under an insurance policy required to be maintained pursuant to paragraph 11, Landlord may, at Landlord's option, either (i) repair such damage, at Landlord's expense, as soon as reasonably possible, in which event this lease shall continue in full force and effect, or (ii) give written notice to Tenant within thirty (30) days after the date of the occurrence

of such damages of Landlord's intention to cancel and terminate this lease as of the date of the occurrence of the damages; provided, however, that if such damage is caused by the negligence or willful misconduct of Tenant or its agent, servants or employees, then Tenant shall repair such damage promptly at its sole cost and expense. In the event Landlord elects to terminate this lease pursuant hereto, Tenant shall have the right within fifteen (15) days after receipt of the required notice to notify Landlord in writing of Tenant's intention to repair such damage at Tenant's expense, without reimbursement from Landlord, in which event this lease shall continue in full force and effect and Tenant shall proceed to make such repairs as soon as reasonably possible. If Tenant does not give such notice within the fifteen (15) day period, this lease shall be canceled and terminated as of the date of the occurrence of such damage. In the event Landlord elects to repair the Premises but the repairs cannot reasonably be completed within one (1) year after the date of damage, either party shall have the right to terminate this lease upon written notice to the other within thirty (30) days after the date of such damage. Under no circumstances shall Landlord be required to repair any injury or damage to (by fire or other cause), or to make any restoration or replacement of, any of Tenant's personal property, trade fixtures or property leased from third parties, whether or not the same is attached to the Premises.

If the Premises are totally destroyed during the term from any cause (including any destruction required by any authorized public authority), whether or not covered by the insurance required under paragraph 11, this lease shall automatically terminate as of the date of such total destruction; provided, however, that if the Premises can reasonably and lawfully be repaired or restored within twelve (12) months of the date of destruction to substantially the condition existing prior to such destruction and if the proceeds of the insurance payable to the Landlord by reason of such destruction are sufficient to pay the cost of such repair or restoration, then the insurance proceeds shall be so applied, Landlord shall promptly repair and restore the Premises and this lease shall continue, without interruption, in full force and effect. If the Premises are totally destroyed during the last twelve (12) months of the term, either party may cancel and terminate this lease as of the date of occurrence of such damage by giving written notice to the other within thirty (30) days after the occurrence of such damage.

If the Premises are partially or totally destroyed or damaged and Landlord or Tenant repair them pursuant to this lease, the rent payable hereunder for the period during which such damage and repair continues shall be abated only in proportion to the square footage of the Premises rendered untenantable to Tenant by such damage or destruction. Tenant shall have no claim against Landlord for any damage, loss or

expense suffered by reason of any such damage, destruction, repair or restoration. The parties waive the provisions of California Civil Code sections 1932(2) and 1933(4) (which provisions permit the termination of a lease upon destruction of the leased premises), and hereby agree that the provisions of this paragraph 17 shall govern in the event of such destruction.

18. INDEMNIFICATION

Landlord shall not be liable to Tenant and Tenant hereby waives all claims against Landlord for any injury to or death of any person or damage to or destruction of property in or about the Premises or the Project by or from any cause whatsoever except the failure of Landlord to perform its obligations under this lease where such failure has persisted for an unreasonable period of time after notice of such failure or the gross negligence or willful misconduct of Landlord, its employees or agents. Without limiting the foregoing, Landlord shall not be liable to Tenant for any injury to or death of any person or damages to or destruction of property by reason of, or arising from, any latent defect in the Premises or Project or the act or negligence of any other tenant of the Project. Tenant shall immediately notify Landlord of any defect in the Premises or Project.

Except as to injury to persons or damage to property the principal cause of which is the failure by Landlord to observe any of the terms and conditions of this lease or the gross negligence or willful misconduct of Landlord, its employees or agents, Tenant shall hold Landlord harmless from and defend Landlord against any claim, liability, loss, damage or expense (including attorney fees) arising out of any injury to or death of any person or damage to or destruction of property occurring in, on or about the Premises from any cause whatsoever or on account of the use, condition, occupational safety or occupancy of the Premises. Tenant shall further hold Landlord harmless from and defend Landlord against any claim, liability, loss, damage or expense (including attorney fees) arising (i) from Tenant's use of the Premises or from the conduct of its business or from any activity or work done, permitted or suffered by Tenant or its agents or employees in or about the Premises or Project, (ii) out of the failure of Tenant to observe or comply with Tenant's obligation to observe and comply with laws or other requirements as set forth in paragraph 7, (iii) by reason of Tenant's use, handling, storage, or disposal of toxic or hazardous materials or waste, (iv) by reason of any labor or service performed for, or materials used by or furnished to, Tenant or any contractor engaged by Tenant with respect to the Premises, or (v) from any other act, neglect, fault or omission of Tenant or its agents or employees.

The provisions of this paragraph 18 shall survive the expiration or earlier termination of this lease.

19. ASSIGNMENT AND SUBLETTING

Tenant shall not voluntarily assign, encumber or otherwise transfer its interest in this lease or in the Premises, or sublease all or any part of the Premises, or allow any other person or entity to occupy or use all or any part of the Premises, without first obtaining Landlord's written consent, which consent shall not be unreasonably withheld, and otherwise complying with the requirements of this paragraph 19. Any assignment, encumbrance, sublease or other such transfer ("Transfer") without Landlord's written consent, shall constitute a default. The proposed assignee, subtenant or other transferee is referred to herein as the "Transferee". Reasonable grounds for denying consent to a proposed Transfer include, without limitation, any of the following:

(a) Transferee's credit history, or business is not consistent with the character or quality of a first class office project;

(b) Transferee is either a government agency or an instrumentality of one;

(c) Transferee's intended use of the Premises is inconsistent with the permitted use specified in this lease or will materially and adversely affect Landlord's interest;

(d) Transferee's financial condition is or may be inadequate to support the lease obligations of Transferee under the Transfer (taking into consideration Tenant's continued liability under this lease);

(e) The Transfer would cause Landlord to violate another lease or agreement to which Landlord is a party or would give another tenant in the Project the right to cancel its lease or the Transferee is a primary competitor of another tenant leasing space in the Project and such tenant objects to such Transfer;

(f) Transferee occupies space in the Project and such space is not contiguous to the Premises, is negotiating with Landlord to lease space in the Project, or has negotiated with Landlord during the six (6) months immediately preceding notice of the proposed Transfer to Landlord.

If Tenant desires to Transfer all or any portion of the Premises, Tenant shall give Landlord written notice ("Transfer Notice") thereof, specifying the projected commencement date of the proposed Transfer (which date shall be not less than thirty (30) days or more than one hundred eighty (180) days after the date of Landlord's receipt of such notice), the portion of the Premises which is the subject of the proposed Transfer (the

"Subject Space"), a description of any planned alterations or improvements to the Subject Space, the terms and conditions of the proposed Transfer (including the rent to be paid by the Transferee and any and all other consideration to be given by the Transferee), the name, address and telephone number of the Transferee, and a detailed calculation of the Transfer Premium (certified by Tenant's chief financial officer) to be paid as provided below. Tenant shall further provide Landlord with such other information concerning the Transferee as requested by Landlord. Landlord shall have the right to communicate with the Transferee to discuss the terms of the proposed Transfer, to discuss and negotiate, if Landlord desires, the terms of a direct lease between Landlord and Transferee, or any other matter and to enter into a direct lease agreement with Transferee as provided below and failure of Transferee to meet with Landlord and to negotiate in good faith the terms of a direct lease with Landlord shall constitute grounds for Landlord's refusal to consent to the proposed Transfer. If the total square footage of the Subject Space and all other space subleased or transferred by Tenant under any prior Transfer then operative with terms expiring during the last half of the then remaining term of this lease (determined as of the date of the proposed Transfer) collectively constitutes more than fifty percent (50%) of the Premises, then for a period of twenty (20) days after Landlord's receipt of the Transfer Notice, Landlord shall have the option, exercisable by delivering written notice to Tenant, to terminate this lease for the Subject Space or for the entire Premises, in Landlord's discretion, as of the date specified in Landlord's written notice to Tenant, which date shall not be less than thirty (30) days nor more than ninety (90) days after the date of Landlord's written notice to Tenant. If Landlord exercises its option to terminate this lease as provided in the foregoing sentence, Landlord may, if it so elects, enter into a new lease for the Premises or any portion thereof with the Transferee or any other third party on such terms as Landlord and the Transferee or other third party may agree; in such event, Tenant shall not be entitled to any portion of the profit, if any, which Landlord may realize on account of such termination and reletting. If Landlord exercises its option to terminate this lease with respect to the Subject Space only (i.e., less than the entire Premises), then Tenant shall continue to be obligated under this lease as to the remaining space (i.e., the Premises less the Subject Space) and basic rent and common area charges payable by Tenant under this lease shall be adjusted as follows: (i) the basic rent amount(s) specified in paragraphs 4(a) and 5(a) of this lease shall be multiplied by a fraction, the numerator of which is the square feet of the Premises retained by Tenant after Landlord's recapture of the Subject Space and the denominator of which is the total square feet of the Premises before Landlord's recapture; (ii) Tenant's proportionate share of common area charges as provided in paragraph 16 of this lease shall be reduced to reflect Tenant's percentage share based on the square feet of the Premises retained by Tenant after Landlord's

recapture. This lease as so amended shall continue thereafter in full force and effect. Either party may require written confirmation of the amendments to this lease necessitated by Landlord's recapture of the Subject Space. If Landlord recaptures the Subject Space, Landlord shall, at Landlord's sole expense, construct any partitions required to segregate the Subject Space from the remaining Premises retained by Tenant and Landlord shall pay for painting, covering, or otherwise decorating the surfaces of the partitions facing the remaining Premises retained by Tenant.

If Landlord does not elect to terminate this lease as provided hereinabove in this paragraph 19 and if Landlord consents in writing to the proposed Transfer, Tenant shall be free to make such Transfer subject to the following conditions: (i) any Transfer shall be on the same terms set forth in the Transfer Notice given to Landlord; (ii) no Transfer shall be valid and no Transferee shall take possession of the Subject Space until an executed counterpart of such Transfer has been delivered to Landlord; (iii) no Transferee shall have a further right to assign, sublet or transfer; (iv) seventy-five percent (75%) of the Bonus Rent (as defined below), if any, shall be paid by Tenant to Landlord monthly as additional rent under this lease without affecting or reducing any other obligation of Tenant hereunder (such amounts are referred to herein as the "Transfer Premium"); (v) no Transfer shall release Tenant of Tenant's obligation or alter the primary liability of Tenant to pay the rent and to perform all other obligations to be performed by Tenant hereunder; (vi) any assignee or subtenant must expressly agree to assume and perform all of the covenants and conditions of Tenant under this lease, and (vii) any modification or amendment of any such Transfer shall be deemed to be a separate Transfer transaction and shall be subject to Landlord's right to recapture, Landlord's prior written consent and the other terms and provisions of this paragraph 19. Tenant shall pay to Landlord promptly upon demand as additional rent, Landlord's actual attorneys' fees and other costs incurred for reviewing, processing or documenting any requested Transfer, whether or not Landlord's consent is granted. Tenant shall not be entitled to assign this lease or sublease all or any part of the Premises (and any attempt to do so shall be voidable by Landlord) during any period in which Tenant is in default under this lease.

For purposes of this paragraph 19, the term "Bonus Rent" shall mean the Transfer Payments (as defined below) less the amounts specified in (A) and (B), where (A) is a monthly credit amount equal to the sum of (1) and (2) divided by the total number of months in the term of the Transfer, where (1) is the actual out-of-pocket cost of leasehold improvements paid by Tenant to third party contractors and constructed specifically for the exclusive benefit of such Transferee in the Subject Space, but specifically excluding any costs related to (i) the initial tenant improvements to be constructed in the Premises

pursuant to the terms of this lease, if any, (ii) the installation, modification and/or removal of security systems, data cabling and telephone and communication systems, and (iii) the installation, modification and/or removal of any furniture, fixtures or equipment or any personal property, and (2) is the amount of broker fees paid by Tenant in connection with such Transfer, and (B) is a monthly credit amount equal to the monthly basic rent and common area charges which Tenant is obligated to pay Landlord under this lease during the term of such Transfer (prorated in the case of a sublease to reflect the obligations allocable to that portion of the Premises subject to such sublease). As a condition precedent to allowing the deduction for the cost of leasehold improvements specified above, Tenant shall furnish a complete statement, certified by an independent certified public accountant or Tenant's chief financial officer, describing in detail the computation of any Transfer Premium that Tenant has derived or will derive from the Transfer. Landlord or Landlord's agent shall have the right to review Tenant's books and records relating to the calculation of Bonus Rent, including the right to have an independent certified public accountant review same. If Landlord's independent certified public accountant finds that the Bonus Rent for any Transfer has been understated, Tenant shall, within thirty (30) days after demand, pay the deficiency and Landlord's costs of that review. If Tenant has understated the Bonus Rent by more than ten percent (10%), Landlord may, at its option, declare Tenant in material and incurable default under this lease notwithstanding any cure period specified therein.

For purposes of this paragraph 19, the term "Transfer Payments" shall mean any and all sums or other consideration payable to or received by Tenant as a result of or in connection with a Transfer whether denominated rent or otherwise, including any amounts payable to Tenant for (x) services to be provided to Transferee by Tenant or (y) the sale, lease or use of Tenant's furniture, fixtures and equipment or other personal property, but the total Transfer Payments shall not exceed the fair market rental value of the Premises as reasonably determined by Landlord.

If Tenant is a partnership, a withdrawal or change, voluntary or involuntary or by operation of law, of any general partner or the dissolution of the partnership shall be deemed an assignment of this lease subject to all the conditions of this paragraph 19. If Tenant is a corporation any dissolution, merger, consolidation or other reorganization of Tenant or the sale or other transfer of a controlling percentage of the capital stock of Tenant or the sale of more than fifty percent (50%) of the value of Tenant's assets shall be an assignment of this lease subject to all the conditions of this paragraph 19. The term "controlling percentage" means the ownership of, and the right to vote, stock possessing more than 50% of the total combined voting power of all classes of Tenant's capital stock issued,

outstanding and entitled to vote. This subparagraph of this paragraph 19 shall not apply if Tenant is a corporation the stock of which is traded on the New York Stock Exchange, the American Stock Exchange or NASDAQ.

The acceptance of rent by Landlord from any other person shall not be deemed to be a waiver by Landlord of any provision hereof. Consent to one Transfer shall not be deemed consent to any subsequent Transfer. In the event of default by any Transferee of Tenant or any successor of Tenant in the performance of any of the terms hereof, Landlord may proceed directly against Tenant without the necessity of exhausting remedies against such Transferee or successor. Landlord may consent to subsequent Transfers of this lease or amendments or modifications to this lease with Transferees of Tenant, without notifying Tenant, or any successor of Tenant, and without obtaining its or their consent thereto and such action shall not relieve Tenant of liability under this lease.

No interest of Tenant in this lease shall be assignable by operation of law (including, without limitation, the transfer of this lease by testacy or intestacy). Each of the following acts shall be considered an involuntary assignment: (i) if Tenant is or becomes bankrupt or insolvent, makes an assignment for the benefit of creditors or institutes a proceeding under the Bankruptcy Act in which Tenant is the bankrupt; or, if Tenant is a partnership or consists of more than one person or entity, if any partner of the partnership or other person or entity is or becomes bankrupt or insolvent, or makes an assignment for the benefit of creditors; (ii) if a writ of attachment or execution is levied on this lease; or (iii) if, in any proceeding or action to which Tenant is a party, a receiver is appointed with authority to take possession of the Premises. An involuntary assignment shall constitute a default by Tenant after the expiration of any applicable cure period and Landlord shall have the right to elect to terminate this lease, in which case this lease shall not be treated as an asset of Tenant.

Tenant immediately and irrevocably assigns to Landlord, as security for Tenant's obligations under this lease, all rent or other consideration from any Transfer of all or a part of the Premises as permitted by this lease, and Landlord, as assignee and as attorney-in-fact for Tenant, or a receiver of Tenant appointed on Landlord's application, may collect such rent or other consideration and apply it toward Tenant's obligations under this lease and any Transferee agrees to make such payments directly to Landlord upon Landlord's written request; provided that, until the occurrence of a default by Tenant, Tenant shall have the right to collect such rent, subject to promptly forwarding to Landlord any portion thereof to which Landlord is entitled pursuant to this paragraph 19.

Notwithstanding the above requirement that Tenant obtain the consent of Landlord prior to any assignment or sublet, Tenant may, without obtaining the prior consent of Landlord, assign or sublease the whole or any part of the Premises to any corporation or other entity which controls, is controlled by, or is under common control with Tenant, provided that (i) Tenant shall give written notice thereof to Landlord in the manner required for other assignments or subleases by this paragraph 19; (ii) Tenant shall continue to be fully obligated under this lease; (iii) any such assignee or sublessee shall expressly assume and agree to perform all the terms and conditions of this lease to be performed by Tenant; and (iv) any such assignment or sublet shall be subject to all other terms and conditions of this paragraph 19 pertaining to assignments and/or sublets (excepting only the requirement concerning prior written consent of Landlord). The notices required in clauses (i) through (iv) above shall replace rather than supplement any equivalent or similar statutory notice, including any notices required by Code of Civil Procedure section 1161 or any similar or successor statute. When a statute requires service of a notice in a particular manner, service of that notice (or a similar notice required by this Lease) in the manner required by section 38 shall replace and satisfy the statutory service-of-notice procedures, including those required by Code of Civil Procedure section 1162 or any similar or successor statute.

20. DEFAULT

The occurrence of any of the following shall constitute a default by Tenant: (i) failure of Tenant to pay any rent or other sum payable hereunder when due (provided that Tenant may cure such default by paying to Landlord the amount demanded within three (3) days after receipt of the statutory notice as provided for in Code of Civil Procedure Section 1161); (ii) abandonment of the Premises (Tenant's failure to occupy and conduct business in the Premises for fourteen (14) consecutive days and Tenant has failed to pay any rent or other sum when due shall be deemed an abandonment); (iii) failure of Tenant to deliver to Landlord any instrument, assurance, financial statement, letter of credit, subordination agreement or certificate of estoppel required under this Lease within (a) the time period specified in this lease for such performance after written notice, or (b) if such time period is not specified then within five (5) days after written notice of the failure from Landlord to Tenant; or (iv) failure of Tenant to perform any other obligation under this lease if the failure to perform is not cured within fifteen (15) days after written notice thereof has been given to Tenant, except in the case of an emergency or dangerous condition, in which case Tenant's time to perform shall be that time period which is reasonable under the circumstances, but not more than fifteen (15) days; provided, however, if the nature of Tenant's obligation under this subsection (iv) is such that more than fifteen (15) days are required for performance,

then Tenant shall not be in default if Tenant commences performance within the period of time specified and thereafter diligently prosecutes the same to completion. The notice referred to in clauses (iii) and (iv) above shall specify the obligations Tenant has failed to perform. No notice shall be deemed a forfeiture or termination of this lease unless Landlord so elects in the notice.

In addition to the above, the occurrence of any of the following events shall also constitute a default by Tenant: (i) Tenant fails to pay its debts as they become due or admits in writing its inability to pay its debts, or makes a general assignment for the benefit of creditors (for purposes of determining whether Tenant is not paying its debts as they become due, a debt shall be deemed overdue upon the earliest to occur of the following: thirty (30) days from the date on which any action or proceeding therefor is commenced; or the date on which a formal notice of default or demand has been sent); or (ii) any financial statements given to Landlord by Tenant, any assignee of Tenant, subtenant of Tenant, any guarantor of Tenant, or successor in interest of Tenant (including, without limitation, any schedule of Tenant's aged accounts payable) are materially false.

In the event of a default by Tenant, then Landlord, in addition to any other rights and remedies of Landlord at law or in equity, shall have the right either to terminate Tenant's right to possession of the Premises (and thereby terminate this lease) or, from time to time and without termination of this lease, to relet the Premises or any part thereof for the account and in the name of Tenant for such term and on such terms and conditions as Landlord in its sole discretion may deem advisable, with the right to make alterations and repairs to the Premises.

Should Landlord elect to keep this lease in full force and effect, Landlord shall have the right to enforce all of Landlord's rights and remedies under this lease, including but not limited to the right to recover and to relet the Premises and such other rights and remedies as Landlord may have under California Civil Code Section 1951.4, which Section provides that the landlord may continue the Lease in effect after the tenant's breach and abandonment and recover rent as it becomes due, when the tenant has the right to sublet or assign, subject only to reasonable limitations (or successor Code section) or any other California statute. If Landlord relets the Premises, then Tenant shall pay to Landlord, as soon as ascertained, the costs and expenses incurred by Landlord in such reletting and in making alterations and repairs. Rentals received by Landlord from such reletting shall be applied (i) to the payment of any indebtedness due hereunder, other than basic rent and common area charges, from Tenant to Landlord; (ii) to the payment of the cost of any repairs necessary to return the Premises to good condition normal wear and tear excepted, including the cost of alterations and the

cost of storing any of Tenant's property left on the Premises at the time of releting; and (iii) to the payment of basic rent or common area charges due and unpaid hereunder. The residue, if any, shall be held by Landlord and applied in payment of future rent or damages in the event of termination as the same may become due and payable hereunder and the balance, if any at the end of the term of this lease, shall be paid to Tenant. Should the basic rent and common area charges received from time to time from such releting during any month be less than that agreed to be paid during that month by Tenant hereunder, Tenant shall pay such deficiency to Landlord. Such deficiency shall be calculated and paid monthly. No such releting of the Premises by Landlord shall be construed as an election on its part to terminate this lease unless a written notice of such intention is given to Tenant or unless the termination hereof is decreed by a court of competent jurisdiction. Notwithstanding any such releting without termination, Landlord may at any time thereafter elect to terminate this lease for such previous breach, provided it has not been cured.

Should Landlord at any time terminate this lease for any breach, in addition to any other remedy it may have, it shall have all the rights and remedies of a landlord provided by California Civil Code Section 1951.2 or any successor code section. Upon such termination, in addition to all its other rights and remedies, Landlord shall be entitled to recover from Tenant all damages it may incur by reason of such breach, including the cost of recovering the Premises and including (i) the worth at the time of award of the unpaid rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; (iii) the worth at the time of the award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; and (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this lease or which in the ordinary course of events would be likely to result therefrom. The "worth at the time of award" of the amounts referred to in (i) and (ii) above is computed by allowing interest at the rate of twelve percent (12%) per annum but not to exceed the lawful rate as specified in 1951.2(b). The "worth at the time of award" of the amount referred to in (iii) above shall be computed by discounting such amount at the discount rate of the federal reserve bank of San Francisco at the time of award plus one percent (1%). Tenant waives the provisions of Section 1179 of the California Code of Civil Procedure (which Section allows Tenant to petition of court of competent jurisdiction for relief against forfeiture of this lease). Property removed from the Premises may be stored in a public or private warehouse or elsewhere at the sole cost and

expense of Tenant. In the event that Tenant shall not immediately pay the cost of storage of such property after the same has been stored for a period of thirty (30) days or more, Landlord may sell any or all thereof at a public or private sale in such manner and at such times and places that Landlord, in its sole discretion, may deem proper, without notice to or demand upon Tenant.

21. LANDLORD'S RIGHT TO CURE TENANT'S DEFAULT

Landlord, at any time after Tenant commits a default which is not cured within any applicable cure period specified in paragraph 20, may, but shall not be obligated to, cure the default at Tenant's cost. If Landlord at any time, by reason of Tenant's default, pays any sum or does any act that requires the payment of any sum, the sum paid by Landlord shall be due immediately from Tenant to Landlord and shall bear interest at the rate of twelve percent (12%) per annum or the maximum rate permitted by law, whichever is less, from the date the sum is paid by Landlord until Landlord is reimbursed by Tenant. Amounts due Landlord hereunder shall be additional rent.

22. EMINENT DOMAIN

If all or any part of the Premises shall be taken by any public or quasi-public authority under the power of eminent domain or conveyance in lieu thereof, this lease shall terminate as to any portion of the Premises so taken or conveyed on the date when title vests in the condemnor, and Landlord shall be entitled to any and all payments, income, rent, award or any interest therein whatsoever which may be paid or made in connection with such taking or conveyance. Tenant shall have no claim against Landlord or otherwise for the value of any unexpired term of this lease. Notwithstanding the foregoing, Tenant shall be entitled to any compensation for depreciation to and cost of removal of Tenant's equipment and fixtures and any compensation for its relocation expenses necessitated by such taking, but in each case only to the extent the condemning authority makes a separate award therefor or specifically identifies a portion of the award as being therefor. Each party waives the provisions of Section 1265.130 of the California Code of Civil Procedure (which section allows either party to petition the Superior Court to terminate this lease in the event of a partial taking of the Premises).

If any action or proceeding is commenced for such taking of the Premises or any portion thereof or of any other space in the Project, or if Landlord is advised in writing by any entity or body having the right or power of condemnation of its intention to condemn the Premises or any portion thereof or of any other space in the Project, and Landlord shall decide to discontinue the use and operation of the Project or decide to demolish, alter or rebuild the Project, then Landlord shall have

the right to terminate this lease by giving Tenant written notice thereof within sixty (60) days of the earlier of the date of Landlord's receipt of such notice of intention to condemn or the commencement of said action or proceeding. Such termination shall be effective as of the last day of the calendar month next following the month in which such notice is given or the date on which title shall vest in the condemnor, whichever occurs first.

In the event of a partial taking, or conveyance in lieu thereof, of the Premises and fifty percent (50%) or more of the number of square feet in the Premises are taken then Tenant may terminate this lease. Any election by Tenant to so terminate shall be by written notice given to Landlord within sixty (60) days from the date of such taking or conveyance and shall be effective on the last day of the calendar month next following the month in which such notice is given or the date on which title shall vest in the condemnor, whichever occurs first.

If a portion of the Premises is taken by power of eminent domain or conveyance in lieu thereof and neither Landlord nor Tenant terminates this lease as provided above, then this lease shall continue in full force and effect as to the part of the Premises not so taken or conveyed and all payments of rent shall be apportioned as of the date of such taking or conveyance so that thereafter the amounts to be paid by Tenant shall be in the ratio that the area of the portion of the Premises not so taken bears to the total area of the Premises prior to such taking.

23. NOTICE AND COVENANT TO SURRENDER

On the last day of the term or on the effective date of any earlier termination, Tenant shall surrender to Landlord the Premises in its condition existing as of the commencement of the term (normal wear and tear and casualty excepted) and, except as otherwise required by Landlord pursuant to the terms of paragraph 8 of this lease, all of the improvements and alterations made to the Premises in their condition existing as of the date of completion of construction and/or installation (normal wear and tear and casualty excepted), with all originally painted interior walls washed or repainted if marked or damaged, interior vinyl covered walls cleaned and repaired or replaced if marked or damaged, all carpets shampooed and cleaned, the air conditioning and heating system serviced and repaired by a reputable and licensed service firm (unless Landlord has elected to maintain such system pursuant to paragraph 9 of this lease) and all floors cleaned and waxed; all to the reasonable satisfaction of Landlord. On or prior to the last day of the term or the effective date of any earlier termination, Tenant shall remove all of Tenant's personal property and trade fixtures, together with improvements or alterations that Tenant is obligated to remove pursuant to the provisions of paragraph 8 of this lease, from the Premises, and all such property not

removed shall be deemed abandoned. In addition, on or prior to the expiration or earlier termination of this lease, at Landlord's option and upon Landlord's request, Tenant shall remove, at Tenant's sole cost and expense, all or part (as determined by Landlord) of the telephone, other communication, computer cable and wiring and any other cabling and wiring of any sort installed in the space above the suspended ceiling of the Premises or anywhere else in the Premises and shall promptly repair any damage to the suspended ceiling, lights, light fixtures, walls and any other part of the Premises resulting from such removal.

If the Premises are not surrendered as required in this paragraph, Tenant shall indemnify Landlord against all loss, liability and expense (including but not limited to, attorney fees) resulting from the failure by Tenant in so surrendering the Premises, including, without limitation, any claims made by any succeeding tenants. It is agreed between Landlord and Tenant that the provisions of this paragraph shall survive termination of this lease.

24. TENANT'S QUITCLAIM

At the expiration or earlier termination of this lease, Tenant shall execute, acknowledge and deliver to Landlord, within ten (10) business days after written demand from Landlord to Tenant, any quitclaim deed or other document required to remove the cloud or encumbrance created by this lease from the real property of which the Premises are a part. This obligation shall survive said expiration or termination.

25. HOLDING OVER

Any holding over after the expiration or termination of this lease with the written consent of Landlord shall be construed to be a tenancy from month-to-month at the monthly rent agreed upon by Landlord and Tenant, but in no event less than the monthly rent payable under this lease for the last lease month before the date of such expiration or termination. All provisions of this lease, except (i) as modified by the preceding sentence and (ii) those provisions pertaining to the term, expansion rights and any option to extend, shall apply to the month-to-month tenancy.

If Tenant shall retain possession of the Premises or any part thereof without Landlord's written consent following the expiration or sooner termination of this lease for any reason, then Tenant shall pay to Landlord as rent during the holdover period an amount equal to the greater of (i) one hundred fifty percent (150%) of the amount of the monthly rent in effect during the last full lease month prior to the date of such expiration or termination or (ii) one hundred fifty percent (150%) of the fair market rental (as reasonably determined by Landlord) for the

Premises. Tenant shall also indemnify and hold Landlord harmless from any loss, liability and expense (including, but not limited to, attorneys fees) resulting from delay by Tenant in surrendering the Premises, including without limitation any claims made by any succeeding tenant founded on such delay. Acceptance of rent by Landlord following expiration or termination shall not constitute a renewal of this lease, and nothing contained in this paragraph shall waive Landlord's right of re-entry or any other right. Tenant shall be only a tenant at sufferance, whether or not Landlord accepts any rent from Tenant, while Tenant is holding over without Landlord's written consent.

The provisions of this paragraph 25 are in addition to, and do not affect, Landlord's right of re-entry or other rights hereunder or provided by law. Nothing in this paragraph 25 shall be construed as implied consent by Landlord to any holding over by Tenant. Landlord expressly reserves the right to require Tenant to surrender possession of the Premises to Landlord as provided in this Lease on expiration or other termination of this Lease. The provisions of this paragraph 25 shall not be considered to limit or constitute a waiver of any other rights or remedies of Landlord provided in this Lease or at law. The provisions of this paragraph 25 shall survive the expiration or early termination of this lease.

26. SUBORDINATION

In the event Landlord's title or leasehold interest is now or hereafter encumbered in order to secure a loan to Landlord, Tenant shall, at the request of Landlord or the lender, execute in writing an agreement subordinating its rights under this lease to the lien of such encumbrance, or, if so requested, agreeing that the lien of lender's encumbrance shall be or remain subject and subordinate to the rights of Tenant under this lease. Notwithstanding any such subordination, Tenant's possession under this lease shall not be disturbed if Tenant is not in default and so long as Tenant shall pay all amounts due hereunder and otherwise observe and perform all provisions of this lease. In addition, if in connection with any such loan the lender shall request reasonable modifications of this lease as a condition to such financing, Tenant will not unreasonably withhold, delay or defer its consent thereof, provided that such modifications do not increase the obligations of Tenant hereunder or materially adversely affect the leasehold interest hereby created or Tenant's rights hereunder.

27. CERTIFICATE OF ESTOPPEL

Each party shall, within ten (10) business after request therefor, execute and deliver to the other party, in recordable form, a certificate stating that the lease is unmodified and in full force and effect, or in full force and

effect as modified and stating the modifications. The certificate shall also state the amount of the monthly rent, the date to which monthly rent has been paid in advance, the amount of the security deposit and/or prepaid monthly rent, and, if the request is made by Landlord, shall include such other items as Landlord or Landlord's lender may reasonably request. Failure to deliver such certificate within such time shall constitute a conclusive acknowledgment by the party failing to deliver the certificate that the lease is in full force and effect and has not been modified except as may be represented by the party requesting the certificate. Any such certificate requested by Landlord may be conclusively relied upon by any prospective purchaser or encumbrancer of the Premises or Project. Further, within ten (10) business days following written request made from time to time by Landlord, Tenant shall furnish to Landlord current financial statements of Tenant, not to exceed two (2) requests per calendar year, unless required by Landlord's lender, potential lender or prospective purchaser of the Project.

28. SALE BY LANDLORD

In the event the original Landlord hereunder, or any successor owner of the Project or Premises, shall sell or convey the Project or Premises, upon the assumption of this lease by the new owner, all liabilities and obligations on the part of the original Landlord, or such successor owner, under this lease accruing thereafter shall terminate, and thereupon all such liabilities and obligations shall be binding upon the new owner. Tenant agrees to attorn to such new owner and to look solely to such new owner for performance of any and all such liabilities and obligations.

29. ATTORNMENT TO LENDER OR THIRD PARTY

In the event the interest of Landlord in the land and buildings in which the Premises are located (whether such interest of Landlord is a fee title interest or a leasehold interest) is encumbered by deed of trust, and such interest is acquired by a lender or any other third party through judicial foreclosure or by exercise of a power of sale at private trustee's foreclosure sale, Tenant hereby agrees to release Landlord of any obligation arising on or after any such foreclosure sale and to attorn to the purchaser at any such foreclosure sale and to recognize such purchaser as the Landlord under this lease; provided that Tenant's possession of the Premises and rights under this lease shall not be disturbed so long as Tenant is not in default hereunder.

30. DEFAULT BY LANDLORD

Landlord shall not be in default unless Landlord fails to perform obligations required of Landlord within thirty (30) days after written notice to Landlord and to the holder of any

first mortgage or deed of trust covering the Premises, except in the case of an emergency or dangerous condition, in which case Landlord's time to perform shall be that time period which is reasonable under the circumstances; and provided further that if the nature of Landlord's obligations is such that more than thirty (30) days are required for performance, then Landlord shall not be in default if Landlord commences performance within such thirty (30) day period and thereafter diligently prosecutes the same to completion.

If Landlord is in default of this lease, Tenant's sole remedy shall be to institute suit against Landlord in a court of competent jurisdiction, and Tenant shall have no right to offset any sums expended by Tenant as a result of Landlord's default against future rent and other sums due and payable pursuant to this lease. If Landlord is in default of this lease, and as a consequence Tenant recovers a money judgment against Landlord, the judgment shall be satisfied only out of the proceeds of sale received on execution of the judgment and levy against the right, title and interest of Landlord in the Project of which the Premises are a part, and out of rent or other income from such real property receivable by Landlord or out of the consideration received by Landlord from the sale or other disposition of all or any part of Landlord's right, title and interest in the Project of which the Premises are a part. Neither Landlord nor any of the partners comprising the partnership designated as Landlord shall be personally liable for any deficiency.

31. [INTENTIONALLY OMITTED]

32. MEASUREMENT OF PREMISES

Tenant understands and agrees that any reference to square footage of the Premises is approximate only and includes all interior partitions and columns, one-half of exterior walls, and one-half of the partitions separating the Premises from the rest of the Project, Tenant's proportionate share of the Common Area and, if applicable, covered areas immediately outside the entry doors or loading docks. Tenant waives any claim against Landlord regarding the accuracy of any such measurement and agrees that there shall not be any adjustment in basic rent or common area charges or other amounts payable hereunder by reason of inaccuracies in such measurement.

33. ATTORNEY FEES

If either party commences an action against the other party arising out of or in connection with this lease, the prevailing party shall be entitled to have and recover from the losing party all expenses of litigation, including, without limitation, travel expenses, attorney fees, expert witness fees, trial and appellate court costs, and deposition and transcript expenses. If either party becomes a party to any litigation

concerning this lease, or concerning the Premises or the Project, by reason of any act or omission of the other party or its authorized representatives, the party that causes the other party to become involved in the litigation shall be liable to the other party for all expenses of litigation, including, without limitation, travel expenses, attorney fees, expert witness fees, trial and appellate court costs, and deposition and transcript expenses.

34. SURRENDER

The voluntary or other surrender of this lease or the Premises by Tenant, or a mutual cancellation of this lease, shall not work a merger, and at the option of Landlord shall either terminate all or any existing subleases or subtenancies or operate as an assignment to Landlord of all or any such subleases or subtenancies.

35. WAIVER

No delay or omission in the exercise of any right or remedy of Landlord on any default by Tenant shall impair such right or remedy or be construed as a waiver. The receipt and acceptance by Landlord of delinquent rent or other payments shall not constitute a waiver of any other default and acceptance of partial payments shall not be construed as a waiver of the balance of such payment due. No act or conduct of Landlord, including, without limitation, the acceptance of keys to the Premises, shall constitute an acceptance of the surrender of the Premises by Tenant before the expiration of the term. Only a written notice from Landlord to Tenant shall constitute acceptance of the surrender of the Premises and accomplish a termination of this lease. Landlord's consent to or approval of any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary Landlord's consent to or approval of any subsequent act by Tenant. Any waiver by Landlord of any default must be in writing and shall not be a waiver of any other default concerning the same or any other provision of this lease.

36. EASEMENTS; AIRSPACE RIGHTS

Landlord reserves the right to alter the boundaries of the Project and grant easements and dedicate for public use portions of the Project without Tenant's consent, provided that no such grant or dedication shall interfere with Tenant's use of the Premises or otherwise cause Tenant to incur cost or expense. From time to time, and upon Landlord's demand, Tenant shall execute, acknowledge and deliver to Landlord, in accordance with Landlord's instructions, any and all documents, instruments, maps or plats necessary to effectuate Tenant's covenants hereunder.

This lease confers no rights either with regard to the subsurface of or airspace above the land on which the Project is located or with regard to airspace above the building of which the Premises are a part. Tenant agrees that no diminution or shutting off of light or view by a structure which is or may be erected (whether or not by Landlord) on property adjacent to the building of which the Premises are a part or to property adjacent thereto, shall in any way affect this lease, or entitle Tenant to any reduction of rent, or result in any liability of Landlord to Tenant.

37. RULES AND REGULATIONS

Landlord shall have the right from time to time to promulgate reasonable rules and regulations for the safety, care and cleanliness of the Premises, the Project and the Common Area, or for the preservation of good order. On delivery of a copy of such rules and regulations to Tenant, Tenant shall comply with the rules and regulations, and a violation of any of them shall constitute a default by Tenant under this lease. If there is a conflict between the rules and regulations and any of the provisions of this lease, the provisions of this lease shall prevail. Such rules and regulations may be amended by Landlord from time to time with or without advance notice.

38. NOTICES

Except for legal process and Notice of Belief of Abandonment which may be served either as provided by law or as provided herein, all notices, demands, requests, consents, approvals and other communications ("Notices") which may be given or are required to be given by either party to the other shall be in writing and shall be deemed given to and received by the party intended to receive such Notice and deemed sufficiently given for all purposes as follows:

(a) when personally delivered to the recipient, notice is effective on delivery;

(b) when mailed first class to the last address of the recipient known to the party giving notice, notice is effective on delivery;

(c) when mailed by certified mail with return receipt requested, notice is effective on receipt if delivery is confirmed by a return receipt; or

(d) when delivered by reputable overnight courier (e.g. Federal Express, Airborne) or other comparable service with charges prepaid or charged to the sender's account, notice is effective on delivery if delivery is confirmed by the courier service.

Any correctly addressed Notice that is refused, unclaimed, or undeliverable because of an act or omission of the party to be notified shall be deemed effective as of the first date that the Notice was refused, unclaimed, or considered undeliverable by the postal authorities, messenger, or overnight delivery service.

Prior to the commencement date, all such Notices from Landlord to Tenant shall be served or addressed to Tenant at 529 Bryant Street, Palo Alto, California 94301, Attn. Randy Bender, Director, Real Estate & Property Services. On or after the commencement date all such Notices from Landlord to Tenant shall be addressed to Tenant at the Premises.

All such Notices by Tenant to Landlord shall be sent to Landlord at its offices at 3945 Freedom Circle, Suite 640, Santa Clara, California 95054.

Either party may change its address by giving the other party notice of such change in any manner permitted by this paragraph 38.

39. NAME

Tenant shall not use the name of the Project for any purpose, other than as the address of the business conducted by Tenant in the Premises, without the prior written consent of Landlord.

40. GOVERNING LAW; SEVERABILITY

This lease shall in all respects be governed by and construed in accordance with the laws of the State of California. If any provision of this lease shall be held or rendered invalid, unenforceable or ineffective for any reason whatsoever, all other provisions hereof shall be and remain in full force and effect.

41. DEFINITIONS

As used in this lease, the following words and phrases shall have the following meanings:

Authorized representative: any officer, agent, employee or independent contractor retained or employed by either party, acting within authority given him by that party.

Encumbrance: any deed of trust, mortgage or other written security device or agreement affecting the Premises or the Project that constitutes security for the payment of a debt or performance of an obligation, and the note or obligation secured by such deed of trust, mortgage or other written security device or agreement.

Lease month: the period of time determined by reference to the day of
the month on which the Lease Commencement Date occurs and continuing to one day short of the same numbered day in the next succeeding month; e.g., the tenth day of one month to and including the ninth day in the next succeeding month.

Lender: the beneficiary, mortgagee or other holder of an encumbrance, as defined above.

Lien: a charge imposed on the Premises by someone other than Landlord, by which the Premises are made security for the performance of an act. Most of the liens referred to in this lease are mechanic's liens.

Maintenance: repairs, replacement, repainting and cleaning.

Monthly rent: the sum of the monthly payments of basic rent and common area charges.

Person: one or more human beings, or legal entities or other artificial persons, including, without limitation, partnerships, corporations, trusts, estates, associations and any combination of human being and legal entities.

Provision: any term, agreement, covenant, condition, clause, qualification, restriction, reservation or other stipulation in the lease that defines or otherwise controls, establishes or limits the performance required or permitted by either party.

Rent: basic rent, common area charges, additional rent, and all other amounts payable by Tenant to Landlord required by this lease or arising by subsequent actions of the parties made pursuant to this lease.

Words used in any gender include other genders. If more than one individual or entity comprises Tenant, the obligations imposed on each individual or entity that comprises Tenant under this Lease are and shall be joint and several. All provisions whether covenants or conditions, on the part of Tenant shall be deemed to be both covenants and conditions. The paragraph headings are for convenience of reference only and shall have no effect upon the construction or interpretation of any provision hereof.

42. TIME

Time is of the essence of this lease and of each and all of its provisions.

43. INTEREST ON PAST DUE OBLIGATIONS; LATE CHARGE

Any amount due from Tenant to Landlord hereunder which is not paid when due shall bear interest at the rate of ten percent (10%) per annum from when due until paid, unless otherwise specifically provided herein, but the payment of such interest shall not excuse or cure any default by Tenant under this lease. In addition, Tenant acknowledges that late payment by Tenant to Landlord of basic rent or common area charges or of any other amount due Landlord from Tenant, will cause Landlord to incur costs not contemplated by this lease, the exact amount of such costs being extremely difficult and impractical to fix. Such costs include, without limitation, processing and accounting charges, and late charges that may be imposed on Landlord, e.g., by the terms of any encumbrance and note secured by any encumbrance covering the Premises. Therefore, if any such payment due from Tenant is not received in full by Landlord when due, which payments are subject to application by Landlord as provided in paragraph 4 of this lease, Tenant shall pay to Landlord an additional sum of five percent (5%) of the entire payment as a late charge. Landlord shall waive such late charge once per lease year if Tenant pays to Landlord the amount due within three (3) days after the date that Tenant receives written notice that such amount is past due. The parties agree that this late charge represents a fair and reasonable estimate of the costs that Landlord will incur by reason of late payment by Tenant. Acceptance of any late charge shall not constitute a waiver of Tenant's default with respect to the overdue amount, nor prevent Landlord from exercising any of the other rights and remedies available to Landlord. No notice to Tenant of failure to pay shall be required prior to the imposition of such interest and/or late charge, and any notice period provided for in paragraph 20 shall not affect the imposition of such interest and/or late charge. Any interest and late charge imposed pursuant to this paragraph shall be and constitute additional rent payable by Tenant to Landlord.

44. ENTIRE AGREEMENT

This lease, including any exhibits and attachments, constitutes the entire agreement between Landlord and Tenant relative to the Premises and this lease and the exhibits and attachments may be altered, amended or revoked only by an instrument in writing signed by both Landlord and Tenant. Landlord and Tenant agree hereby that all prior or contemporaneous oral agreements between and among themselves or their agents or representatives relative to the leasing of the Premises are merged in or revoked by this lease.

45. AUTHORITY

Each individual executing this lease on behalf of Tenant represents and warrants that each individual executing

this lease is duly authorized to execute and deliver this lease on behalf of Tenant and: (a) if Tenant is a corporation, such authorization is in accordance with a duly adopted resolution of the Board of Directors of said corporation, (b) if Tenant is a partnership, such authorization is in accordance with the partnership agreement now in effect, and (c) if Tenant is a limited liability company, such authorization is in accordance with the company's governing documents; and (ii) this lease is binding upon Tenant in accordance with its terms. Upon Landlord's request, Tenant shall deliver to Landlord within ten (10) business days after such request evidence of the authorization specified above as Landlord may reasonably request, including, without limitation, in the case where Tenant is a corporation, a copy of the resolution of the Board of Directors of Tenant authorizing the execution of this lease and naming the officers that are authorized to execute this lease on behalf of Tenant, which copy shall be certified by Tenant's secretary as correct and in full force and effect.

46. RECORDING

Neither Landlord nor Tenant shall record this lease or a short form memorandum hereof without the consent of the other.

47. REAL ESTATE BROKERS

Each party represents and warrants to the other party that it has not had dealings in any manner with any real estate broker, finder or other person with respect to the Premises and the negotiation and execution of this lease except BT Commercial and Cornish & Carey Commercial ("Tenant's Brokers") and Cushman & Wakefield and McCandless Management Corporation ("Landlord's Brokers"). Except for the commissions and fees to be paid to Tenant's Brokers and Landlord's Brokers by Landlord pursuant to separate agreement, each party shall indemnify and hold harmless the other party from all damage, loss, liability and expense (including attorneys' fees and related costs) arising out of or resulting from any claims for commissions or fees that have been or may be asserted against the other party by any broker, finder or other person with whom Tenant or Landlord, respectively, has dealt, or purportedly has dealt, in connection with the Premises and the negotiation and execution of this lease. Landlord shall pay broker leasing commissions to Tenant's Brokers and Landlord's Brokers in connection with the Premises and the negotiation and execution of this lease, to the extent agreed to between Landlord and such brokers per separate written agreement. Landlord and Tenant agree that Landlord shall not be obligated to pay any broker leasing commissions, consulting fees, finder fees or any other fees or commissions arising out of or relating to any extended term of this lease or to any expansion or relocation of the Premises at any time.

48. EXHIBITS AND ATTACHMENTS

All exhibits and attachments to this lease are a part hereof and the terms and provisions thereof are incorporated into this lease by this reference as though set forth herein in full.

49. ENVIRONMENTAL MATTERS

A. Tenant's Covenants Regarding Hazardous Materials.

(1) Hazardous Materials Handling. Tenant, its agents, invitees, employees, contractors, sublessees, assigns and/or successors shall not use, store, dispose, release or otherwise cause to be present or permit the use, storage, disposal, release or presence of Hazardous Materials (as defined below) on or about the Premises or Project, except ordinary office and cleaning supplies, unless otherwise agreed in writing by Landlord. As used herein "Hazardous Materials" shall mean any petroleum or petroleum by-products, flammable explosives, asbestos, urea formaldehyde, radioactive materials or waste and any "hazardous substance", "hazardous waste", "hazardous materials", "toxic substance" or "toxic waste" as those terms are defined under the provisions of the California Health and Safety Code and/or the provisions of the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. Section 9601 et seq.), as amended by the Superfund Amendments and Reauthorization Act of 1986 (42 U.S.C. Section 9601 et seq.), or any other hazardous or toxic substance, material or waste which is or becomes regulated by any local governmental authority, the State of California or any agency thereof, or the United States Government or any agency thereof.

(2) Notices. Tenant shall immediately notify Landlord in writing of: (i) any enforcement, cleanup, removal or other governmental or regulatory action instituted, completed or threatened pursuant to any law, regulation or ordinance relating to the industrial hygiene, environmental protection or the use, analysis, generation, manufacture, storage, presence, disposal or transportation of any Hazardous Materials (collectively "Hazardous Materials Laws"); (ii) any claim made or threatened by any person against Tenant, the Premises, Project or buildings within the Project relating to damage, contribution, cost recovery, compensation, loss or injury resulting from or claimed to result from any Hazardous Materials; and (iii) any reports made to any environmental agency arising out of or in connection with any Hazardous Materials in, on or removed from the Premises, Project or buildings within the Project, including any complaints, notices, warnings, reports or asserted violations in connection therewith. Tenant shall also supply to Landlord as promptly as possible, and in any event within five (5) business days after Tenant first receives or sends the same, with copies of all claims, reports, complaints, notices, warnings or asserted violations relating in any way to the Premises, Project or buildings within the Project or Tenant's use thereof. Tenant shall promptly deliver to Landlord copies of hazardous waste

manifests reflecting the legal and proper disposal of all Hazardous Materials removed from the Premises.

B. Indemnification of Landlord. Tenant shall indemnify, defend (by counsel acceptable to Landlord), protect, and hold Landlord, and each of Landlord's partners, employees, agents, attorneys, successors and assigns, free and harmless from and against any and all claims, liabilities, penalties, forfeitures, losses or expenses (including attorneys' fees) for death of or injury to any person or damage to any property whatsoever (including water tables and atmosphere), arising from or caused in whole or in part, directly or indirectly, by (i) the presence in, on, under or about the Premises, Project or buildings within the Project of any Hazardous Materials where such presence was caused by Tenant, (ii) Tenant's use, analysis, storage, transportation, disposal, release, threatened release, discharge or generation of Hazardous Materials to, in, on, under, about or from the Premises, Project or buildings within the Project, or (iii) Tenant's failure to comply with any Hazardous Materials Laws whether knowingly, unknowingly, intentionally or unintentionally. Tenant's obligations hereunder shall include, without limitation, and whether foreseeable or unforeseeable, all costs of any required or necessary repair, cleanup or detoxification or decontamination of the Premises, Project or buildings within the Project, and the preparation and implementation of any closure, remedial action or other required plans in connection therewith. In addition, Tenant shall reimburse Landlord for (i) losses in or reductions to rental income resulting from Tenant's use, storage or disposal of Hazardous Materials, (ii) all costs of refitting or other alterations to the Premises, Project or buildings within the Project required as a result of Tenant's use, storage, or disposal of Hazardous Materials including, without limitation, alterations required to accommodate an alternate use of the Premises, Project or buildings within the Project, and (iii) any diminution in the fair market value of the Premises, Project or buildings within the Project caused by Tenant's use, storage, or disposal of Hazardous Materials. For purposes of this paragraph 49, any acts or omissions of Tenant, or by employees, agents, assignees, contractors or subcontractors of Tenant or others acting for or on behalf of Tenant (whether or not they are negligent, intentional, willful or unlawful) shall be strictly attributable to Tenant.

C. Survival. The provisions of this paragraph 49 shall survive the expiration or earlier termination of the term of this lease.

D. Landlord's Representation. Landlord hereby represents to Tenant as of the date of execution of this lease by Landlord that, to Landlord's actual knowledge, without duty to investigate or inquire, there are no Hazardous Materials on, in

or under the Project in violation of any Hazardous Materials Laws.

50. SIGNAGE

Tenant shall not, without obtaining the prior written consent of Landlord (not to be unreasonably withheld, delayed or conditioned), install or attach any sign or advertising material on any part of the outside of the Premises, or on any part of the inside of the Premises which is visible from the outside of the Premises, or in the halls, lobbies, windows or elevators of the building in which the Premises are located or on or about any other portion of the Common Area or Project. Notwithstanding the above, Tenant shall have the right to use the existing monument sign at the Project and a sign in each Project directory ("Permitted Signage"). With respect to the Permitted Signage and any other signage consented to by Landlord at any time, such signage, the location, size, design, color and other physical aspects thereof shall be subject to Landlord's prior written approval and shall be in accordance with any sign program applicable to the Project and shall comply with all applicable laws, statutes, requirements, rules, ordinances and any C.C. & R.'s or other similar requirements. With respect to any permitted sign installed by or for Tenant, Tenant shall maintain such sign or other advertising material in good condition and repair and shall remove such sign or other advertising material on the expiration or earlier termination of the term of this lease. The cost of any permitted sign or advertising material and all costs associated with the installation, maintenance and removal thereof shall be paid for solely by Tenant. If Tenant fails to properly maintain or remove any permitted sign or other advertising material, Landlord may do so at Tenant's expense. Any cost incurred by Landlord in connection with such maintenance or removal shall be deemed additional rent and shall be paid by Tenant to Landlord within twenty (20) days following notice from Landlord. Landlord may remove any unpermitted sign or advertising material without notice to Tenant and the cost of such removal shall be additional rent and shall be paid by Tenant within twenty (20) days following notice from Landlord. Landlord shall not be liable to Tenant for any damage, loss or expense resulting from Landlord's removal of any sign or advertising material in accordance with this paragraph 50. The provisions of this paragraph 50 shall survive the expiration or earlier termination of this lease.

51. SUBMISSION OF LEASE

The submission of this lease to Tenant for examination or signature by Tenant is not an offer to lease the Premises to Tenant, nor an agreement by Landlord to reserve the Premises for Tenant. Landlord will not be bound to Tenant until this lease has been duly executed and delivered by both Landlord and Tenant.

52. PREMISES TAKEN "AS IS"

Except as otherwise specifically provided in this lease, Tenant is leasing the Premises from Landlord "as is" in their condition existing as of the date hereof. Landlord shall have no obligation to alter or improve the Premises.

53. ADDITIONAL RENT

All costs, charges, fees, penalties, interest and any other payments (including Tenant's reimbursement to Landlord of costs incurred by Landlord) which Tenant is required to make to Landlord pursuant to the terms and conditions of this lease and any amendments to this lease shall be and constitute additional rent payable by Tenant to Landlord when due as specified in this lease and any amendments to this lease.

54. [INTENTIONALLY OMITTED]

55. INITIAL TENANT IMPROVEMENTS

Improvements to the Premises shall be constructed and installed in accordance with the plans and specifications, and other terms and conditions set forth in the Tenant Work Letter Agreement attached hereto as Exhibit C, the contents of which are incorporated herein and made a part hereof by this reference. The Tenant Improvements (as defined in Exhibit C) shall be constructed and installed at the expense of Landlord and/or Tenant as set forth in Exhibit C to this lease and in each case shall be performed in a diligent and workmanlike manner.

Any upgrades, changes or improvements to the Premises or the Project, whether or not required by governmental authority, including without limitation, repair and replacement of HVAC or other building systems, ADA compliance and building code upgrades shall be deemed part of and included in the cost of the Tenant Improvements and shall be paid for as specified in Exhibit C.

56. EARLY ACCESS.

Upon satisfaction of the conditions to effectiveness set forth in paragraph 59 of this lease, Landlord shall provide Tenant with limited access to the Premises prior to the Lease Commencement Date, but only for purposes of constructing the Tenant Improvements in accordance with paragraph 55 above. Except as specifically provided below, Tenant's access to the Premises pursuant to this paragraph shall be subject to all the terms and conditions of this lease, including the insurance

obligations specified in paragraph 11. As a condition precedent to Tenant's right to such access to the Premises, Tenant shall provide Landlord with proof that Tenant has satisfied said insurance requirements. Such limited access to the Premises shall not accelerate the commencement or termination dates of this lease specified in paragraph 2 hereof and except as otherwise provided in paragraph 60 below (Early Possession), Tenant shall not be obligated to pay basic rent or common area charges until the commencement of the term.

57. OPTION TO EXTEND TERM.

Landlord grants to Tenant the option to extend the term for one period of five (5) years (the "Extended Term") following the expiration of the initial term set forth in paragraph 2 ("Initial Term") under all the provisions of this lease except for the amount of the basic rent. The basic rent for the Extended Term shall be adjusted to the market rate (as defined in paragraph (c) below); provided that in no event shall the basic rent for the Extended Term be less than the basic rent in effect at the expiration of the Initial Term. This option is further subject to the following terms and conditions:

(a) Tenant must deliver its irrevocable written notice of Tenant's exercise of this option to Landlord not less than twelve (12) lease months, nor more than fifteen (15) lease months, prior to the expiration of the Initial Term. Time is of the essence with respect to the time period during which Tenant must deliver to Landlord its written notice of exercise and, therefore, if Tenant fails to give Landlord its irrevocable written notice of its exercise of this option within the time period provided above then this option shall expire and be of no further force or effect.

(b) The parties shall have thirty (30) days from the date Landlord receives Tenant's notice of exercise in which to agree on the amount constituting the market rate. If Landlord and Tenant agree on the amount of the market rate, they shall immediately execute an amendment to this lease setting forth the expiration date of the Extended Term and the amount of the basic rent to be paid by Tenant during the Extended Term. If Landlord and Tenant are unable to agree on the amount of the market rate within such time period, then, at the request of either party, the market rate shall be determined in the following manner: (i) within ten (10) days of the request of either party, Landlord and Tenant shall each select a licensed real estate broker with not less than five (5) years experience in the business of commercial leasing of property of the same type and use and in the same geographic area, as the Premises; (ii) within fifteen (15) days of their appointment, such two real estate brokers shall select a third broker who is similarly qualified; (iii) within thirty (30) days from the appointment of the third broker, the three brokers so selected shall, acting as a board of arbitrators, then

determine the amount of the market rate, basing their determination on standard procedures and tests normally employed in determining market rates and applying the factors included within the definition of market rate set forth in subparagraph (c) below. The decision of the majority of said brokers shall be final and binding upon the parties hereto. If a majority of the brokers are unable to agree on the market rate within the stipulated period of time, the three opinions of the market rate shall be added together and their total divided by three; the resulting quotient shall be the market rate. If, however, the low opinion and/or the high opinion are/is more than 15% lower and/or higher than the middle opinion, the low opinion and/or the high opinion, as the case may be, shall be disregarded. If only one opinion is disregarded, the remaining two opinions shall be added together and their total divided by two and the resulting quotient shall be the market rate. If both the low opinion and the high opinion are disregarded as stated in this paragraph, the middle opinion shall be the market rate. If a party does not appoint a qualified broker within the required time period, the broker appointed by the other party shall be the sole broker and shall determine the market rate. If the two brokers appointed by the parties are unable to agree on the third broker, either of the parties to the lease, by giving ten (10) days' notice to the other party, can apply to the then president of the county real estate board of the county in which the Premises are located, or to the presiding judge of the superior court of that county, for the selection of a third broker who meets the qualifications stated in this paragraph. Each party shall pay the expenses and charges of the brokers appointed by it and the parties shall pay the expenses and charges of the third broker in equal shares. When the market rate has been so determined, Landlord and Tenant shall immediately execute an amendment to this lease stating the basic rent for the Extended Term.

(c) As used herein, the "market rate" shall be the monthly rental rate, including all escalations, then obtained for five (5) year leases with comparable terms for comparable space in the Project and in buildings and/or projects within the same geographical area of similar type, identity, quality and location as the Project and shall take into consideration the following concessions: (1) rental abatement concessions, if any, being granted to tenants in connection with comparable space; and (2) tenant improvements or allowances being provided for comparable space, taking into account the value of the existing improvements in the Premises.

(d) Common area charges shall continue to be determined and payable as provided in paragraph 16 of this lease.

(e) Neither party shall have the right to have any court or other third party determine the market rate or the basic rent. Tenant shall not assign or otherwise transfer this option or any interest therein and any attempt to do so shall render

this option null and void. Tenant shall have no right to extend the term beyond the Extended Term. If Tenant is in default under this lease or an event has occurred which with notice or the passage of time would constitute a default under this lease at the date of delivery of Tenant's notice of exercise to Landlord, then such notice shall be of no effect and this lease shall expire at the end of the Initial Term; if Tenant is in default under this lease on the last day of the Initial Term, then Landlord may in its sole discretion elect to have Tenant's exercise of this option be of no effect, in which case this lease shall expire at the end of the Initial Term.

(f) The rights contained in this paragraph 57 shall be personal to the originally named Tenant and may be exercised only by the originally named Tenant (and may not be transferred or assigned or exercised by any assignee, sublessee, or other transferee of Tenant's interest in this lease) and only if the originally named Tenant occupies the entire Premises as of the date it exercises this option in accordance with the terms of this paragraph 57.

58. SUBJECT TO GROUND LEASE

This lease is subject to the provisions of the Ground Lease (defined in paragraph 1 above) covering the Premises between Landlord and Stanford and attached hereto as Exhibit D. During the term of this lease Tenant shall perform all of Landlord's obligations as Lessee under said Ground Lease, except as otherwise stated herein, and shall be subject to all restrictions in said Ground Lease, including but not limited to restrictions with respect to the use, occupancy and alteration of the Premises. Tenant hereby acknowledges having reviewed the Ground Lease and approves the provisions of the same. In the event of any conflict in the provisions of this lease and the Ground Lease, the latter shall prevail.

59. CONDITION TO EFFECTIVENESS

The effectiveness of this lease is conditioned upon receipt of Stanford's consent hereto at no additional cost or charge to Landlord and termination of all leases of the current tenants in the Premises. Tenant shall be responsible for obtaining Stanford's consent to this lease and approval of the uses specified herein and shall bear all costs related thereto, including without limitation any attorneys fees or other costs or charges of Stanford as may be required under the Ground Lease. If the foregoing conditions are not satisfied on or before the date that is thirty (30) days after the date of execution and delivery of this lease by both parties, then upon written notice of Landlord or Tenant to the other, this lease shall be of no force or effect and Landlord and Tenant shall have no further obligation to each other under this lease.

60. EARLY POSSESSION

Tenant shall be permitted to occupy that portion of the Premises located on the third floor as shown on Exhibit E attached hereto ("Early Occupancy Space"). Tenant shall notify Landlord in writing of its intent to occupy the Early Occupancy Space not less than three (3) days prior to the date that Tenant proposes to commence such occupancy. Commencing on the date that Tenant commences business operations in the Early Occupancy Space (the "Early Occupancy Date"), all terms and provisions of this lease shall apply except that Tenant's obligation to pay basic rent shall be Sixty-nine Thousand Eight Hundred Thirty-six and 40/100 Dollars ($69,836.40) per month, Tenant's percentage share of common area charges shall be twenty-seven and eight one-hundredths percent (27.08%) and Tenant's payment of its estimated share of common area charges shall be Seven Thousand Nine Hundred Twenty-nine and 24/100 Dollars ($7,929.24) per month, which amounts are prorated amounts based on the ratio of the square footage of the Early Occupancy Space to the square footage of the Premises which the parties agree is twenty-seven and eight one-hundredths percent (27.08%) (20,420 + 75,420). Notwithstanding the early possession permitted hereunder, the Lease Commencement Date and the Lease Expiration Date with respect to the entire Premises shall be as defined in paragraph 2 of this lease and the basic rent schedule set forth in paragraph 5 of this lease shall apply to the ten (10) year period commencing on the Lease Commencement Date and ending on the Lease Expiration Date.

61. COUNTERPARTS

This lease may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

62. HVAC REPLACEMENT

Tenant agrees, at its cost and expense, to replace the original HVAC units on the roof no later than two (2) years after execution of this lease. These units consist of four (4) 40 ton Trane VAV units, four (4) Reznor heaters, and three (3) 10 ton Trane package units. The final specifications and brand of the equipment and installation will be subject to Landlord's approval. Landlord shall be notified no less than sixty (60) days prior to commencement of the work requesting consent and providing all relevant information regarding the installation. The new units shall be sized to accommodate all expected heat loads per Landlord's mechanical engineer's recommendations. The units will have variable frequency drives, full economizers, and a new control system for economical and long term efficient operation to the latest standards in the industry.

[Signatures on next page]

IN WITNESS WHEREOF, Landlord and Tenant have executed and delivered this lease on the date first above written.

Landlord:

ARASTRADERO PROPERTY,
a California general partnership

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

By: /s/ Jean A. McCandless

Jean A. McCandless, as Trustee under the Charles S. McCandless and Jean A. McCandless Inter Vivos Trust Agreement dated January 25, 1977, Partner

By: /s/ Birk S. McCandless

Birk S. McCandless, as Trustee under the Birk S. McCandless

and

Mary McCandless Inter Vivos Trust Agreement dated February 17, 1982, Partner

By: /s/ Gregory B. McCandless

Gregory B. McCandless, as Trustee under the Gregory B. McCandless and Gloria M. McCandless Inter Vivos Trust Agreement dated November 24, 1982, Partner

By: Computer Curriculum Partnership, a California general partnership, Partner

By: /s/ Patrick Suppes

Patrick Suppes, Managing Partner

Tenant:

ALTAVISTA COMPANY
a Delaware corporation

By: /s/ Ken Barber

Name: Ken Barber

Title: C.F.O

Date: September 13, 1999

By: /s/ Stephanie Lucie

Name: Stephanie Lucie

Title: V.P. & General Counsel

Date: September 13, 1999

EXHIBIT 10.4

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622 BUILDING COMPANY LLC

Landlord,

iCAST, INC.

Tenant.

LEASE

Premises: 622 Third Avenue
New York, New York 10022
Entire 8/th/ Floor

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INDENTURE OF LEASE made as of this 16/th/ day of Aug, 1999, between 622 BUILDING COMPANY LLC, a New York limited liability company, having an office at 750 Lexington Avenue, New York, New York 10022 ("Landlord") and iCAST, INC., a Delaware corporation having an office at 304 Park Avenue South, 11/th/ floor, New York, New York 10016 ("Tenant").

W I T N E S S E T H :

ARTICLE 1

Premises; Term

Landlord hereby leases to Tenant and Tenant hereby hires from Landlord the following space ("Demised Premises"): the entire 8/th/ floor as shown crosshatched on the floor plan (Schedule A) attached hereto, in the office building known as and by the street number 622 Third Avenue, in the Borough of Manhattan, City and State of New York ("Building"), upon and subject to the terms, covenants and conditions hereafter set forth.

TO HAVE AND TO HOLD the Demised Premises unto Tenant for a term commencing on the date hereof (the "Commencement Date") and ending on a date (the "Expiration Date") which shall be five (5) years and four (4) months after the Commencement Date, plus the number of days required, if any, to have such term expire on the last day of a calendar month, or on such earlier date upon which said term may expire or terminate pursuant to the conditions of this Lease or pursuant to law.

IT IS MUTUALLY COVENANTED AND AGREED between Landlord and Tenant as follows:

ARTICLE 2

Commencement of Term

Section 2.01. The term of this Lease, for which the Demised Premises are hereby leased, shall commence on the Commencement Date, and the Landlord shall deliver possession of the Demised Premises on the Commencement Date.

Section 2.02. Tenant has fully inspected the Demised Premises, is familiar with the condition thereof and agrees to accept possession of the same on the Commencement Date. Except as hereinafter provided, Landlord shall not be required to do any work therein to make the same suitable for the operation of

Tenant's business. However, Landlord, promptly following the execution of this Lease and at its expense, shall (i) remove the dumbwaiter from the Demised Premises and repair any damage to the Demised Premises caused by such removal and (ii) do such work as may be required in the bathrooms on the 8/th/ floor so that the same comply with the Americans' with Disabilities Act.

Landlord is presently refurbishing the Building lobby, and elevators. If Landlord has not substantially completed such work by December 31, 1999, subject to the provisions of Article 34, then Tenant shall be entitled to an additional abatement of the minimum rent of one (1) day for each one (1) business day thereafter until Landlord has substantially completed said work.

Section 2.03. Promptly after the Commencement Date, Landlord and Tenant shall execute a statement in recordable form confirming the agreed upon Commencement and Expiration Dates of this Lease, in accordance with the foregoing provisions.

ARTICLE 3

Rent

Section 3.01. Tenant shall pay as rent for the Demised Premises, the following:

(a) a fixed minimum rent (the "minimum rent") at the following annual rates:

(i) $1,140,000.00 per annum (or $95,000.00 per month) for the first year (inclusive of a partial month if the Commencement Date is not the first day of a month) following the Commencement Date, provided if the Commencement Date is not the first day of a month, then the minimum rent for such month shall be prorated; and

(ii) $1,170,000.00 per annum (or $97,500.00 per month) for the second year following the Commencement Date; and

(iii) $1,200,000.00 per annum (or $100,000.00 per month) for the third year following the Commencement Date; and

(iv) $1,230,000.00 per annum (or $102,500.00 per month) for the fourth year remainder of the term following the Commencement date; and

(v) $1,260,000.00 per annum (or $105,000.00 per month) for the remainder of the term; and

(b) all other sums and charges required to be paid by Tenant under the terms of this Lease (including without limitation, the payments required to be made under Article 22), which shall be deemed to be and are sometimes referred to hereafter as additional rent.

Section 3.02. Notwithstanding the provisions of Section 3.01 hereof and provided Tenant is not then in default under any of the provisions of this Lease on its part to be performed, Tenant shall be entitled to an abatement of the minimum rent only as follows: the amount of $97,500.00 for each of the 1/st/, 2/nd/, 3/rd/ and 4/th/ full months of the term succeeding the Commencement Date. Tenant acknowledges that the consideration for the aforesaid abatement of minimum rent is Tenant's agreement to perform all of the terms, covenants and conditions of this Lease on its part to be performed. Tenant shall be required to pay additional rent from and after the Commencement Date.

Section 3.03. The minimum rent shall be payable in equal monthly installments in advance on the first day of each and every month during the term of this Lease, except that the first installment of $97,500.00 shall be paid upon the execution of this Lease and applied to the payment of minimum rent for the fifth (5/th/) full month of the term.

Landlord and Tenant agree that Tenant shall pay minimum rent, additional rent and other amounts now due or hereafter to become due to the Landlord or its agents as provided for in this Lease, (as and when due) directly to the following lock-box account:

622 Building Company LLC
P.O. Box 41007
Newark, New Jersey 07101-8700

All rent checks shall be made payable to 622 Building Company LLC.

Section 3.04. Tenant shall pay the minimum rent and additional rent in lawful money of the United States which shall be legal tender for the payment of all debts, public and private, at the time of payment.

Section 3.05. The minimum rent and additional rent shall be payable by Tenant without any set-off, abatement or deduction whatsoever and without notice or demand, except as otherwise expressly provided herein.

ARTICLE 4

Use

Section 4.01. Tenant shall use and occupy the Demised Premises for administrative, executive and general office purposes only, including a data center and computer room.

Section 4.02. Notwithstanding the provisions of Section 4.01, Tenant shall not use or allow the use of the Demised Premises or any part thereof (1) for the cooking and/or sale of food, except that Tenant may have a coffee maker and warm foods through a microwave; (2) for storage for sale of any alcoholic beverage in the Demised Premises; (3) for the storage and/or sale of any product or material from the Demised Premises; (4) for manufacturing or printing purposes; (5) for the conduct of a school or training facility or similar type of business which results in the presence of the general public in the Demised Premises, except that Tenant may have training classes for its personnel incidental to its business; (6) for the conduct of the business of an employment agency or personnel agency; (7) for the conduct of any public auction or public exhibition; (8) for occupancy by a foreign, United States, state, municipal or other governmental or quasi-governmental body, agency or department or any authority or other entity which is affiliated therewith or controlled thereby and which has diplomatic or sovereign immunity or the like with respect to a commercial lease; (9) for messenger or delivery service (excluding Tenant's own employees or outside services); (10) as a public stenographer or typist; (11) as a telephone or telegraph agency, except that Tenant as an incident to its business may have audio visual and closed circuit television facilities and other types of telecommunication equipment; (12) as a company engaged in the business of renting office(s) or desk space in the Demised Premises; (13) as medical offices or a laboratory; (14) as a travel agency; (15) as a dating service; (16) as a restaurant; (17) as a night club, discotheque, arcade or like kind establishments; (18) as a public or quasi-public health facility, radiation treatment facility, methadone clinic or other drug related clinic, abortion clinic, or for any practice conducted in or through the format of a clinic; (19) as a pawn shop; (20) as an off-track betting parlor; (21) as a homeless shelter, soup kitchen or similar use; (22) for the sale or display or pornographic products or services; (23) for the use or storage of flammable liquids or chemicals (unless incidental to a permitted use); (24) as a funeral parlor; (25) for

the sale or grooming of pets; or (26) for any form of spiritualist services, such a fortune telling or reading. Furthermore, the Demised Premises shall not be used for any purpose that would, in Landlord's reasonable judgment, create unreasonable or excessive elevator or floor loads, impair or interfere with any of the Building operations or the proper and economic heating, air-conditioning, cleaning or any other services of the Building, interfere with the use of the other areas of the Building by any other tenants, or impair the appearance of the Building. Neither Tenant nor any person within Tenant's control shall use, generate, store, treat and/or dispose of any Hazardous Materials (as hereinafter defined) in, on, under or about the Demised Premises.

Section 4.03. If any governmental license or permit, other than a Certificate of Occupancy or any license or permit required for the proper and lawful conduct of Tenant's business in the Demised Premises, or any part thereof, and if failure to secure such license or permit would in any way affect Landlord, Tenant, at its expense, shall duly procure and thereafter maintain such license or permit and submit the same for inspection by Landlord. Tenant shall at all times comply with the terms and conditions of each such license or permit.

Section 4.04. Tenant shall not at any time use or occupy, or permit anyone to use or occupy, the Demised Premises, or do or permit anything to be done in the Demised Premises, in violation of the Certificate of Occupancy, for the Demised Premises or for the Building, and will not permit or cause any act to be done or any condition to exist on the Demised Premises which may be dangerous unless safeguarded as required by law, or which in law constitutes a nuisance, public or private, or which may make void or voidable any insurance then in force covering the Building and building equipment.

Section 4.05. Landlord represents that the existing Certificate of Occupancy permits the use of the Demised Premises for the purposes set forth in Section 4.01, and that Landlord shall not change the Certificate of Occupancy to prohibit such uses.

ARTICLE 5

Alterations, Fixtures

Section 5.01. Tenant, without Landlord's prior consent, shall make no structural alterations, installations, additions, or improvements in or to the Demised Premises ("work") including, but not limited to, an air-conditioning or cooling

system, or any unit or part thereof or other apparatus of like or other nature, railings, mezzanine floors, galleries and the like. However, Tenant may make non-structural interior work, subject to Landlord's prior written consent which shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, Tenant, without Landlord's consent but subject to Landlord's approval of contractors, may make non-structural interior work which does not affect the structural integrity of the Building or the Building systems, does not affect the other tenants in the Building, does not violate any mortgage, does not cost more than $50,000 in the aggregate during any twelve (12) month period, and Tenant has given not less than ten (10) days prior notice thereof. With respect to any work requiring Landlord's approval and performance by any contractor other than Landlord, Tenant shall pay to Landlord ten (10%) percent of the cost of such work for supervision, coordination and other expenses incurred by Landlord in connection therewith. However, such ten (10%) percent charge shall not apply to Tenant's initial work in the Demised Premises nor does it apply to painting, wallcovering, carpeting or furnishings. Workers' compensation and public liability insurance and property damage insurance, all in amounts and with companies and/or forms reasonably satisfactory to Landlord, shall be provided and at all times maintained by Tenant's contractors engaged in the performance of the work, and before proceeding with the work, certificates of such insurance shall be furnished to Landlord. If consented to by Landlord, all such work shall be done at Tenant's sole expense and in full compliance with all governmental authorities having jurisdiction thereover. Upon completion of such work, Tenant shall deliver to Landlord full scale "as built" plans for the same. Landlord upon request of Tenant, will waive its right to any lien upon Tenant's trade fixtures and equipment, in such form as shall be reasonably acceptable to Landlord. All work affixed to the realty or if not so affixed but for which Tenant shall have received a credit, shall become the property of Landlord, subject to Tenant's right to replace same during the term hereof with items of equal quality class and value, and shall remain upon, and be surrendered with, the Demised Premises as a part thereof at the end of the term or any renewal or extension term, as the case may be, without allowance to Tenant or charge to Landlord, unless Landlord elects otherwise on notice to Tenant given at the time that Landlord has consented to the work. However, if Landlord shall elect at the time Tenant requests consent to any work, otherwise, Tenant at Tenant's expense, at or prior to any termination of this Lease, shall remove all such work or such portion thereof as Landlord shall elect and Tenant shall restore the Demised Premises to its original condition, reasonable wear and tear excepted, at Tenant's expense. However, Tenant shall not be obligated to remove its initial work in the Demised Premises. If any Building facilities or services, including but not limited to air-conditioning and ventilating equipment installed by Landlord, are adversely affected or damaged by reason of the work by Tenant, Tenant, at its expense, shall repair such damage to the extent such damage has been caused by Tenant's work and shall correct the work so as to prevent any further damage or adverse effect on such facilities or services.

Section 5.02. Prior to commencing any work pursuant to the provisions of Section 5.01, Tenant shall furnish to Landlord:

(a) Plans and specifications for the work to be done. However, if Landlord fails to respond to Tenant's request for Landlord's consent to the work within ten (10) business days after its receipt of such request together with all required information, then Landlord shall be deemed to have consented thereto.

(b) Copies of all governmental permits and authorizations which may be required in connection with such work.

(c) A certificate evidencing that Tenant (or Tenant's contractor) has procured workers' compensation insurance covering all persons employed in connection with the work who might assert claims for death or bodily injury against Landlord, Tenant, any mortgagee or the Building.

(d) Such additional personal injury and property damage insurance (over and above the insurance required to be carried by Tenant pursuant to the provisions of Section 9.03) as Landlord may reasonably require because of the nature of the work to be done by Tenant.

(e) With respect to Tenant's work, other than Tenant's initial work, exceeding the cost of $50,000, a bond or other security satisfactory to Landlord, in the amount of one hundred ten (110%) percent of the aggregate cost of the work, to insure completion of such work.

Section 5.03. Where furnished by or at the expense of Tenant (except the replacement of an item theretofore furnished and paid for by Landlord or for which Tenant has received a credit), all movable property, furniture, furnishings, roller files, equipment and trade fixtures ("personalty") other than those affixed to the realty in such manner as to cause material damage upon its removal, shall remain the property of and shall be removed by Tenant on or prior to any termination or expiration of this Lease, and, in the case of damage by reason of such removal, Tenant, at Tenant's expense, promptly shall repair the damage. If Tenant does not remove any such personalty, Landlord, after two (2) business days notice to Tenant, at its election, (a) may cause the personalty to be removed and placed in storage at Tenant's expense or (b) may treat the personalty as abandoned and may dispose of the personalty as it sees fit without accounting to Tenant for any proceeds realized upon such disposal.

Section 5.04. Tenant agrees that the exercise of its rights pursuant to the provisions of this Article 5 shall not be done in a manner which would create any work stoppage, picketing, labor disruption or dispute or violate Landlord's union contracts affecting the Building or interfere with the business of Landlord or any Tenant or occupant of the Building. In the event of the occurrence of any condition described above arising from the exercise by Tenant of its right pursuant to the provisions of this Article 5, Tenant shall, immediately upon notice from Landlord, cease the manner of exercise of such right giving rise to such condition. In the event Tenant fails to cease such manner of exercise of its rights as aforesaid, Landlord, in addition to any rights available to it under this Lease and pursuant to law, shall have the right to injunction. With respect to Tenant's work, Tenant shall make all arrangements for, and pay all expenses incurred in connection with, use of the freight elevators servicing the Demised Premises during those hours other than as provided in Section 21.01(a) in accordance with Landlord's customary charges therefor.

ARTICLE 6

Repairs

Section 6.01. Except as provided in Articles 10 and 14, Tenant shall take good care of the Demised Premises and the fixtures wholly contained therein and all portions of the HVAC, mechanical, plumbing and electrical systems wholly contained within and exclusively serving the Demised Premises, and at its sole cost and expense make all repairs thereto as and when needed to preserve them in good working order and condition. All damage or injury to the Demised Premises or the Building or to any building equipment or systems caused by Tenant moving property in or out of the Building or by installation or removal of personalty or resulting from negligence or conduct of Tenant, its employees, agents, contractors, customers, invitees and visitors, shall be repaired, promptly by Tenant at Tenant's expense, and whether or not involving structural changes or alterations, to the satisfaction of Landlord. All repairs shall include replacements or substitutions where necessary and shall be at least equal to the quality, class and value of the property repaired, replaced or substituted and shall be done in a good and workmanlike manner.

Section 6.02. Landlord, at its expense, shall maintain and make all repairs and replacements, structural and otherwise, to the exterior and public portions of the Building, the Building systems up to its connection with the Demised Premises, and to the Demised Premises, unless Tenant is required to make them under the provisions of Section 6.01 or unless required as a result of the performance

or existence of alterations performed by Tenant or on Tenant's behalf, in which event Tenant, at its expense, shall perform such maintenance, repairs or replacements. Tenant shall notify Landlord of the necessity for any repairs for which Landlord may be responsible in the Demised Premises under the provisions of this Section. Landlord shall have no liability to Tenant by reason of any inconvenience, annoyance, interruption or injury to business arising from Landlord's making any repairs or changes which Landlord is required or permitted by this Lease, or required by law, to make in or to any portion of the Building or the Demised Premises, or in or to the fixtures, equipment or appurtenances of the Building or the Demised Premises. Notwithstanding the foregoing, Landlord shall use reasonable efforts to make such repairs or changes in a manner to minimize its interference with the normal conduct of Tenant's business, provided Landlord shall not be required to employ overtime or premium labor.

Section 6.03. Tenant shall not store or place any materials or other obstructions in the lobby or other public portions of the Building, or on the sidewalk abutting the Building.

ARTICLE 7

Floor Load; Noise

Section 7.01. Tenant shall not place a load upon any floor of the Demised Premises which exceeds the load per square foot which such floor was designed to carry (50 lbs. live per square foot).

Section 7.02. Business machines and mechanical equipment belonging to Tenant which cause noise, vibration or any other nuisance that may be transmitted to the structure or other portions of the Building or to the Demised Premises, to such a degree as to be objectionable to Landlord or which interfere with the use or enjoyment by other tenants of their premises or the public portions of the Building, shall be placed and maintained by Tenant, at Tenant's expense, in settings of cork, rubber or spring type vibration eliminators sufficient to eliminate such objectionable or interfering noise or vibration.

ARTICLE 8

Laws, Ordinances, Requirements of Public Authorities

Section 8.01. (a) Subject to the provisions of this Article 8, Tenant, at its expense, shall comply with all laws, orders, ordinances, rules and regulations and directions of Federal, State, County and Municipal authorities and departments thereof having jurisdiction over the Demised Premises and the Building, including but not limited to the Americans With Disabilities Act ("Governmental Requirements"), referable to Tenant or the Demised Premises, arising by reason of Tenant's particular manner of use of the Demised Premises (other than in contradistinction merely for the office uses permitted in Section 4.01) or any installations made therein by or at Tenant's request, or any default by Tenant under this Lease.

(b) Except as otherwise provided herein, Tenant covenants and agrees that Tenant shall, at Tenant's sole cost and expense, comply at all times with all Governmental Requirements governing the use, generation, storage, treatment and/or disposal of any "Hazardous Materials" (which term shall mean any biologically or chemically active or other toxic or hazardous wastes, pollutants or substances, including, without limitation, asbestos, PCBs, petroleum products and by-products, substances defined or listed as "hazardous substances" or "toxic substances" or similarly identified in or pursuant to the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. (S) 9601 et seq., and as hazardous wastes under the Resource Conservation and Recovery Act, 42 U.S.C. (S) 6010 et seq., any chemical substance or mixture regulated under the Toxic Substance Control Act of 1976, as amended, 15 U.S.C. (S) 2601 et seq., any "toxic pollutant" under the Clean Water Act, 33 U.S.C. (S) 466 et seq., as amended, any hazardous air pollutant under the Clean Air Act, 42 U.S.C. (S) 7401 et seq., hazardous materials identified in or pursuant to the Hazardous Materials Transportation Act, 49 U.S.C. (S) 1802 et seq., and any hazardous or toxic substances or pollutant regulated under any other Governmental Requirements). Tenant shall agree to execute, from time to time, at Landlord's request, affidavits, representations and the like concerning Tenant's best knowledge and belief regarding the presence of Hazardous Materials in, on, under or about the Demised Premises, the Building or the Land. Tenant shall indemnify and hold harmless Landlord, its partners, officers, shareholders, members, directors and employees, Overlandlord and

any mortgagee (collectively, the "Indemnitees"), from and against any loss, cost, damage, liability or expense (including attorneys' fees and disbursements) arising by reason of any cleanup, removal, remediation, detoxification action or any other activity required or recommended of any Indemnitees by any government authority by reason of the presence in or about the Land, the Building or the Demised Premises of any Hazardous Materials, as a result of or in connection with the act or omission of Tenant or any person or entity within Tenant's control or the breach of this Lease by Tenant or any person or entity within Tenant's control. The foregoing covenants and indemnity shall survive the expiration of any termination of this Lease. Tenant, at its own cost and expense, may contest, in any manner permitted by Governmental Requirements (including appeals to a court, governmental department or authority having jurisdiction), the validity or the enforcement of any Government Requirements which Tenant is required to comply, and may defer compliance, provided that (i) such non-compliance shall not subject Landlord to criminal prosecution or subject the Land and/or Building to sale or any lien, unless Tenant posts a bond to remove such lien, (ii) Tenant shall indemnify Landlord against any cost, damage or injury from such non-compliance, and if any mortgagee shall require, Tenant shall deliver a surety bond by a surety company approved by such mortgagee and Landlord with respect to such indemnity, and (iii) Tenant shall promptly, diligently and continuously prosecute such contest. Landlord, at no expense to Landlord, shall cooperate with Tenant and execute any required documents, provided Landlord is reasonably satisfied that the facts set forth in such documents are accurate.

(c) Landlord, at its expense, shall comply with and cure Governmental Requirements relating to the public portions of the Building and to the Demised Premises, provided that Tenant is not obligated to comply with them under the provisions of subdivision (a) of this Section. Landlord, at its expense, may contest the validity of any Governmental Requirements and postpone compliance therewith pending such contest.

(d) Landlord represents that on the Commencement Date the Demised Premises will be free of Hazardous Materials and in compliance with applicable Governmental Requirements. Landlord, at its expense, agrees to remedy any condition arising out of a breach of the representations contained in this subdivision (d) and agrees to indemnify and hold Tenant harmless from and against any costs,

expenses and damages arising out of a breach of such representations.

Section 8.02. If Tenant receives written notice of any violation of any Governmental Requirements applicable to the Demised Premises, it shall give prompt notice thereof to Landlord.

Section 8.03. Tenant will not clean, nor allow any window in the Demised Premises to be cleaned, from the outside in violation of Section 202 of the Labor Law or the rules of the Board of Standards and Appeals or of any other board or body having or asserting jurisdiction.

ARTICLE 9

Insurance

Section 9.01. Provided Tenant has notice of the applicable provisions, Tenant shall not do or permit to be done any act or thing in or upon the Demised Premises which will invalidate or be in conflict with the Certificate of Occupancy for the Building or the terms of the insurance policies covering the Building and the property and equipment therein; and, subject to Section 8.01, Tenant, at its expense, shall comply with all rules, orders, regulations and requirements of the New York Board of Fire Underwriters or any other similar body having jurisdiction, and of the insurance carriers, and shall not knowingly do or permit anything to be done in or upon the Demised Premises in a manner which increases the rate of insurance for the Building or any property or equipment therein over the rate in effect on the Commencement Date, provided further that nothing in this Section shall prohibit the uses permitted under Section 4.01.

Section 9.02. If, by reason of Tenant's failure to comply with the provisions of Section 9.01 or any of the other provisions of this Lease, the rate of insurance for the Building or the property and equipment of Landlord shall be higher than on the Commencement Date, Tenant shall pay to Landlord any additional or increased insurance premiums to the extent resulting therefrom thereafter paid by Landlord, and Tenant shall make such payment forthwith on demand of Landlord. In any action or proceeding wherein Landlord and Tenant are parties, a schedule or "make up" of any insurance rate for the Building or Demised Premises issued by the New York Fire Insurance Exchange, or other body establishing fire insurance rates for the Building, shall be conclusive evidence of the facts therein stated and of the

several items and charges in the insurance rates then applicable to the Building or Demised Premises.

Section 9.03. (a) Tenant covenants to provide on or before the Commencement Date and to keep in force during the term hereof, the following insurance coverage:

(i) For the benefit of Landlord, Tenant and any mortgagee, a commercial policy of liability insurance protecting and indemnifying Landlord, Tenant and any mortgagee against any and all claims for personal injury, death or property damage occurring upon, in or about the Demised Premises, and the public portions of the Building in connection with any act of Tenant, its employees, agents, contractors, customers, invitees and visitors including, without limitation, personal injury, death or property damage resulting from any work performed by or on behalf of Tenant, with coverage of not less than $5,000,000.00 combined single limit for personal injury, death and property damage arising out of one occurrence or accident.

(ii) Fire and extended coverage in an amount adequate to cover the cost of replacement of all personal property, fixtures, furnishings and equipment, including Tenant's work (as referred to in Section 5.01), located in the Demised Premises.

(b) All such insurance shall (i) be effected under valid and enforceable policies, (ii) be issued by insurers of recognized responsibility authorized to do business in the State of New York, (iii) contain a provision whereby the insurer agrees not to cancel the insurance without thirty (30) days' prior written notice to Landlord, and (iv) contain a provision that no act or omission of Tenant shall result in forfeiture of the insurance as against Landlord.

On or before the Commencement Date, Tenant shall deliver to Landlord duplicate originals of the aforesaid policies or certificates evidencing the aforesaid insurance coverage, and renewal policies or certificates shall be delivered to Landlord at least thirty (30) days prior to the expiration date of each policy with proof of payment of the premiums thereof.

Section 9.04 Landlord shall maintain fire and extended coverage insurance covering the Building in an amount required by the mortgagee, and shall also maintain liability insurance.

Section 9.05. Landlord and Tenant shall each secure an appropriate clause in, or an endorsement upon, each fire or extended coverage policy obtained by it and covering the Building, the Demised Premises or the personal property, fixtures and equipment located therein or thereon, pursuant to which the respective insurance companies waive subrogation or permit the insured, prior to any loss, to agree with a third party to waive any claim it might have against said third party. The waiver of subrogation or permission for waiver of any claim herein before referred to shall extend to the agents of each party and its employees and, in the case of Tenant, shall also extend to all other persons and entities occupying or using the Demised Premises in accordance with the terms of this lease. If and to the extent that such waiver or permission can be obtained only upon payment of an additional charge, then, the party benefitting from the waiver or permission shall pay such charge upon demand, or shall be deemed to have agreed that the party obtaining the insurance coverage in question shall be free of any further obligations under the provisions hereof relating to such waiver or permission.

Subject to the foregoing provisions of this Section 9.05, and insofar as may be permitted by the terms of the insurance policies carried by it, (i) each party hereby releases the other with respect to any claim (including a claim for negligence) which it might otherwise have against the other party for loss, damages or destruction with respect to its property by fire or other casualty (including rental value or business interruption, as the case may be) occurring during the term of this Lease covered by insurance and (ii) Tenant releases other tenants but only to the extent that the policies of such other tenants permit a similar waiver for the benefit of Tenant and such other tenant gives such a waiver.

ARTICLE 10

Damage by Fire or Other Cause

Section 10.01. If the Demised Premises shall be damaged by fire or other casualty, the damage shall be repaired by and at the expense of Landlord and the minimum rent and additional rent pursuant to the provisions of Article 22 until such repairs shall be made, shall be apportioned according to the part of the Demised Premises which is usable and accessable by Tenant. Landlord shall have no responsibility to repair any damage to Tenant's work (as referred to in Section 5.01), the same being the responsibility of Tenant. No penalty shall accrue for delays

which may arise by reason of adjustment of insurance by Landlord, unavoidable delays (as hereinafter defined), or any other cause beyond Landlord's reasonable control. Tenant shall give notice to Landlord promptly upon learning thereof in case of fire or other damage to the Demised Premises. If the Demised Premises are totally or substantially damaged or are rendered wholly or substantially unusable by fire or any such other casualty, or if the Building shall be so damaged that Landlord shall decide to demolish it or to rebuild it (whether or not the Demised Premises shall have been damaged), Landlord at its election may terminate this Lease by written notice to Tenant, within ninety (90) days after such fire or other casualty, and thereupon the term of this Lease shall expire by lapse of time upon the third (3rd) day after such notice is given, and Tenant shall vacate and surrender the Demised Premises to Landlord. However, if more than twenty-five (25%) percent of the rentable square feet of the Demised Premises shall be damaged during the last year of the term hereof, either Landlord or Tenant, at its election, may terminate this Lease by written notice to the other within sixty (60) days after such fire or other casualty, and thereupon the term of this Lease shall expire upon the third (3/rd/) day after such notice is given and Tenant shall vacate and surrender the Demised Premises to Landlord. Tenant shall not be liable under this Lease for anything accruing after the date of such expiration. Notwithstanding the foregoing, if Landlord does not substantially complete such repairs within six (6) months from the date of such casualty (as such period may be extended pursuant to Article 34), then Tenant may elect to terminate this Lease by notice to Landlord within ten (10) days following the expiration of such time period, and thereupon the term of this Lease shall expire on the thirtieth (30/th/) day after such notice is given and Tenant shall vacate and surrender the Demised Premises to Landlord, unless within such thirty (30) day period, Landlord substantially completes such repairs, in which event this Lease shall remain in full force and effect. Tenant hereby waives the provisions of Section 227 of the Real Property Law, and the provisions of this Article shall govern and control in lieu thereof.

Section 10.02. No damages of compensation shall be payable by Landlord nor shall Tenant make any claim for inconvenience, loss of business or annoyance arising from any repair or restoration of any portion of the Demised Premises or of the Building. Landlord shall use its best efforts to commence and effect such repairs promptly and in such manner as not to unreasonably interfere with Tenant's occupancy.

ARTICLE 11

Assignment, Subletting, Mortgaging

Section 11.01. Tenant will not, by operation of law or otherwise, assign, mortgage or encumber this Lease, or sublet or permit the Demised Premises or any part thereof to be occupied or used by others for desk space, mailing privileges or otherwise, without Landlord's prior written consent in each instance, which consent shall not be unreasonably withheld or delayed subject to the provisions of Section 11.07. If this Lease be assigned, or if the Demised Premises or any part thereof be underlet or occupied by anybody other than Tenant, Landlord, may, after default by Tenant, collect rent from the assignee, undertenant or occupant, and apply the net amount collected to the rent herein reserved, but no assignment, underletting, occupancy or collection shall be deemed a waiver of the provisions hereof, the acceptance of the assignee, undertenant or occupant as tenant, or a release of Tenant from the further performance by Tenant of covenants on the part of Tenant herein contained. The consent by Landlord to any assignment, subletting, mortgage or encumbrance shall not in any manner be construed to relieve Tenant from obtaining Landlord's express consent to any other or further assignment, subletting, mortgage or encumbrance. In no event shall any permitted sublessee assign or encumber its sublease or further sublet all or any portion of its sublet space, or otherwise suffer or permit the sublet space or any part thereof to be used or occupied by others, without Landlord's prior written consent in each instance, which consent shall not be unreasonably withheld or delayed subject to the provisions of Section 11.07.

Section 11.02. If Tenant shall at any time or times during the term of this Lease desire to assign this Lease or sublet all or part of the Demised Premises, Tenant shall give notice thereof to Landlord, which notice shall be accompanied by (a) a conformed or photostatic copy of the proposed assignment or sublease, the effective or commencement date of which shall be not less than thirty (30) nor more than 180 days after the giving of such notice, (b) a statement setting forth in reasonable detail the identity of the proposed assignee or subtenant, the nature of its business and its proposed use of the Demised Premises, and (c) current financial information with respect to the proposed assignee or subtenant, including, without limitation, its most recent financial report. Such notice shall be deemed an offer from Tenant to Landlord whereby Landlord (or Landlord's designee) may, at its option, (i) sublease such space (hereinafter called the "Leaseback Space") from Tenant upon the terms and conditions hereinafter set forth (if the proposed transaction is a sublease of all or part of the Demised Premises), (ii) terminate this Lease (if the proposed transaction is an assignment or a sublease (whether by one sublease or a series of related or unrelated subleases) of all or substantially all of the

Demised Premises, or (iii) terminate this Lease with respect to the Leaseback Space (if the proposed transaction is a sublease of part of the Demised Premises). Said options may be exercised by Landlord by notice to Tenant at any time within twenty (20) days after such notice has been given by Tenant to Landlord; and during such twenty (20) day period Tenant shall not assign this Lease nor sublet such space to any person.

Section 11.03. If Landlord exercises its option to terminate this Lease in the case where Tenant desires either to assign this Lease or sublet (whether by one sublease or a series of related or unrelated subleases) all or substantially all of the Demised Premises, then this Lease shall end and expire on the date that such assignment or sublet was to be effective or commence, as the case may be, and the minimum rent and additional rent shall be paid and apportioned to such date.

Section 11.04. If Landlord exercises its option to terminate this Lease in part in any case there Tenant desires to sublet part of the Demised Premises, then (a) this Lease shall end and expire with respect to such part of the Demised Premises on the date that the proposed sublease was to commence; and (b) from and after such date the minimum rent and additional rent shall be adjusted, based upon the proportion that the rentable area of the Demised Premises remaining bears to the total rentable area of the Demised Premises; and (c) Landlord shall pay the costs incurred by Landlord in physically separating such part of the Demised Premises from the balance of the Demised Premises and in complying with any laws and requirements of any public authorities relating to such separation.

Section 11.05. If Landlord exercises its option to sublet the Leaseback Space, such sublease to Landlord or its designee (as subtenant) shall be at the lower of (i) the rental rate per rentable square foot of minimum rent and additional rent then payable pursuant to this Lease or (iii) the rentals set forth in the proposed sublease, and shall be for the same term as that of the proposed subletting, and such sublease:

(a) shall be expressly subject to all of the covenants, agreements, terms, provisions and conditions of this Lease except such as are irrelevant or inapplicable, and except as otherwise expressly set forth to the contrary in this Section;

(b) Such sublease shall be upon the same terms and conditions as those contained in the proposed sublease, except such as are irrelevant or inapplicable and except as otherwise expressly set forth to the contrary in this Section;

(c) Such sublease shall give the sublesee the unqualified and unrestricted right, without Tenant's permission, to assign such sublease or any interest therein and/or to sublet the Leaseback Space and to make any and all changes, alterations, and improvements in the space covered by such sublease at no cost or liability to Tenant and if the proposed sublease will result in all or substantially all of the Demised Premises being sublet, grant Landlord or its designee the option to extend the term of such sublease for the balance of the term of this Lease less one (1) day;

(d) Such sublease shall provide that any assignee or further subtenant, of Landlord or its designee, may, at the election of Landlord, be permitted to make alterations, decorations and installations in the Leaseback Space or any part thereof and shall also provide in substance that any such alterations, decorations and installations in the Leaseback Space therein made by any assignee or subtenant of Landlord or its designee may be removed, in whole or in part, by such assignee or subtenant, at its option, prior to or upon the expiration or other termination of such sublease provided that such assignee or subtenant, at its expense, shall repair any damage and injury to that portion of the Leaseback Space so sublet caused by such removal and restore to the condition such space was in at the beginning of the sublease term for other than customary office installations; and

(e) Such sublease shall also provide that (i) the parties to such sublease expressly negate any intention that any estate created under such sublease be merged with any other estate held by either of said parties, (ii) any assignment or subletting by Landlord or its designee (as the subtenant) may be for any purpose or purposes that Landlord, in Landlord's reasonable discretion, shall deem suitable or appropriate, (iii) Landlord, at Tenant's expense, may make such alterations as may be required or deemed necessary by Landlord to physically separate the Leaseback Space from the balance of the Demised Premises and to comply with any laws and requirements of public authorities relating to such separation, and (iv) that at the expiration of the term of such sublease, Tenant will accept the space covered by such sublease in its then existing condition, subject to the obligations of the sublessee to make such repairs thereto as may be necessary to restore the premises demised by such sublease to a comparable condition as such space was in at the beginning of the sublease term.

Section 11.06. (a) If Landlord exercises its option to sublet the Leaseback Space, Landlord shall indemnify and save Tenant harmless from all obligations under this Lease as to the Leaseback Space during the period of time it is so sublet to Landlord.

(b) Performance by Landlord, or its designee, under a sublease of the Leaseback Space shall be deemed performance by Tenant of any similar obligation under this Lease and any default under any such sublease shall not give rise to a default under a similar obligation contained in this Lease, nor shall Tenant be liable for any default under this Lease or deemed to be in default hereunder if such default is occasioned by or arises from any act or omission of any occupant holding under or pursuant to any such sublease.

(c) Tenant shall have no obligation, at the expiration or earlier termination of the term of this Lease, to remove any alteration, installation or improvement made in the Leaseback Space by Landlord or by any occupant thereof.

Section 11.07. In the event Landlord does not exercise an option provided to it pursuant to Section 11.02 and provided that Tenant is not in default in any of Tenant's obligations under this Lease, Landlord's consent (which must be in writing and in form reasonably satisfactory to Landlord) to the proposed assignment or sublease shall not be unreasonably withheld or delayed, provided and upon condition that:

(a) Tenant shall have complied with the provisions of Section 11.02 and Landlord shall not have exercised any of its options under said Section 11.02 within the time permitted therefor;

(b) In Landlord's judgment, the proposed assignee or subtenant is engaged in a business and the Demised Premises, or the relevant part thereof, will be used in a manner which (i) is limited to the use expressly permitted under Sections 4.01 and 4.02 of this Lease, and (ii) is in keeping with the then standards of the Building;

(c) The proposed assignee or subtenant is a reputable person of good character and with sufficient financial worth considering the responsibility involved, and Landlord has been furnished with reasonable proof thereof;

(d) Neither (i) the proposed assignee or sublessee nor (ii) any person which, directly or indirectly, controls, is controlled by

or is under common control with, the proposed assignee or sublessee, is then an occupant of any part of the Building other than the Demised Premises;

(e) The proposed assignee or sublessee is not a person with whom Landlord is currently negotiating to lease space in the Building;

(f) The proposed sublease shall be in form reasonably satisfactory to Landlord and shall comply with the provisions of this Article;

(g) At any one time there shall not be more than four (4) unrelated subtenants (including Landlord or its designee) in the Demised Premises;

(h) Tenant shall reimburse Landlord on demand for any reasonable costs that may be incurred by Landlord in connection with said assignment or sublease, including, without limitation, the reasonable costs incurred in making investigations as to the acceptability of the proposed assignee or subtenant, and reasonable legal costs incurred in connection with the granting of any requested consent;

(i) Tenant shall not have (i) advertised in any way the availability of the Demised Premises without prior notice to Landlord, or (ii) listed the Demised Premises at a rental rate less than the minimum rent or additional rent at which Landlord is then offering to lease other space in the Building; and

(j) The proposed subtenant or assignee shall not be entitled, directly or indirectly, to diplomatic or sovereign immunity and shall be subject to the service of process in and the jurisdiction of the courts of New York State.

Except for any subletting by Tenant to Landlord or its designee pursuant to the provisions of this Article, each subletting pursuant to this Article shall be subject to all of the covenants, agreements, terms, provisions and conditions contained in this Lease. Notwithstanding any such subletting to Landlord or any such subletting to any other subtenant and/or acceptance of rent or additional rent by Landlord from any subtenant, Tenant shall and will remain fully liable for the payment for the minimum rent and additional rent due and to become due hereunder and for the performance of all the covenants, agreements, terms, provisions and conditions

contained in this Lease on the part of Tenant to be performed and all acts and omissions of any licensee or subtenant or anyone claiming under or through any subtenant which shall be in violation of any of the obligations of this Lease, and any such violation shall be deemed to be a violation by Tenant. Tenant further agrees that notwithstanding any such subletting, no other person claiming through or under Tenant (except as provided in Section 11.05) shall or will be made except upon compliance with and subject to the provisions of this Article. If Landlord shall decline to give its consent to any proposed assignment or sublease (provided landlord has not unreasonably withheld or delayed its consent), or if Landlord shall exercise its option under Section 11.02, Tenant shall indemnify, defend and hold harmless Landlord against and from any and all loss, liability, damages, costs and expenses (including reasonable counsel fees) resulting from any claims that may be made against Landlord by the proposed assignee or sublessee or by any brokers or other persons claiming a commission or similar compensation in connection with the proposed assignment or sublease. Notwithstanding the foregoing, Tenant, without Landlord's consent, may allow a portion of the Demised Premises to be occupied by a wholly owned subsidiary or an affiliate or related entity controlled by or under common control with Tenant, provided such occupancy shall not create any landlord and tenant relationship or privity as between Landlord and any such occupant and Tenant shall give Landlord prior reasonable notice of such proposed occupancy. Such occupancies shall not be counted towards the total allowed under Section 11.07(g), and Landlord has no rights of termination or recapture with respect to such occupancies.

Section 11.08. In the event that (a) Landlord fails to exercise its options under Section 11.02 and consents to a proposed assignment or sublease, and (b) Tenant fails to execute and deliver the assignment or sublease to which Landlord consented within ninety (90) days after the giving of such consent, then, Tenant shall again comply with all of the provisions and conditions of Section 11.02 before assigning this Lease or subletting all or part of the Demised Premises.

Section 11.09. With respect to each and every sublease or subletting authorized by Landlord under the provisions of this Lease, it is further agreed:

(a) No subletting shall be for a term ending later than one day prior to the expiration date of this Lease;

(b) No sublease shall be valid, and no subtenant shall take possession of the Premises or any part thereof, until an executed counterpart of such sublease has been delivered to Landlord;

(c) Each sublease shall provide that it is subject and subordinate to this Lease and to the matters to which this Lease is or shall be subordinate, and that in the event of termination, re-entry or dispossess by Landlord under this Lease Landlord may, at its option, take over all of the right, title and interest of Tenant, as sublessor, under such sublease, and such subtenant shall, at Landlord's option, attorn to Landlord pursuant to the then executory provisions of such sublease, except that Landlord shall not (i) be liable for any previous act or omission of Tenant under such sublease, (ii) be subject to any offset, not expressly provided in such sublease, which thereto accrued to such subtenant against Tenant, or (iii) be bound by any previous modification of such sublease or by any previous prepayment of more than one month's rent.

Section 11.10. If Landlord gives its consent to any assignment of this Lease or to any sublease, Tenant shall, in consideration therefor, pay to Landlord, as additional rent:

(a) in the case of an assignment of this Lease or an assignment by any sublease, an amount equal to one-half of all sums and other considerations paid to Tenant from the assignee for such assignment or paid to Tenant by any sublessee or other person claiming through or under Tenant for such assignment (including, but not limited to sums paid for the sale of Tenant's or sublessee's fixtures, leasehold improvements, less, in case of a sale thereof, the then net unamortized or undepreciated cost thereof determined on the basis of Tenant's or sublessee's federal income tax returns). The sums payable to Landlord under this Section 11.10(a) shall be paid to Landlord as and when paid by such assignee to Tenant; and

(b) in the case of a sublease, an amount equal to one-half of the rents and charges and other consideration payable under the sublease to Tenant by the subtenant or paid to Tenant by any such sublessee or other person claiming through or under Tenant in connection with such subletting which is in excess of all rent accruing during the term of the sublease in respect of the subleased space (at the rate per square foot payable by Tenant hereunder or such sublessee) pursuant to the terms of this Lease (including, but not limited to, sums paid for the sale or rental of Tenant's fixtures, leasehold improvements, less, in the case of the sale thereof, the then net unamortized or undepreciated cost thereof determined on the basis of Tenant's or sublessee's federal income tax returns). The sums

payable to Landlord under this Section 11.10(b) shall be paid to Landlord as and when paid by such subtenant to Tenant.

(c) For the purposes of computing the sums payable by Tenant to Landlord under subparagraphs (a) and (b) hereof, there shall be first excluded from the consideration payable to Tenant by any assignee or sublessee any transfer taxes, rent concession, reasonable attorneys' fees, reasonable brokerage commissions, advertising costs and fix-up costs paid by Tenant with respect to such assignment or subletting, but only to the extent any such sums are allocable to the period of this Lease (in the case of any assignment), or the term of any sublease.

Section 11.11. If Tenant or any subtenant is a corporation, partnership, limited liability company or other entity, the provisions of Section 11.01 shall apply to a transfer (by one or more transfers) of a majority of the stock, partnership, membership or other ownership interests or transfer of all or substantially all of the assets of Tenant or such subtenant, as the case may be, as if such transfer of a majority of the stock, partnership, membership or other ownership interests or all or substantially all of the assets of Tenant or such subtenant were an assignment of this Lease; but said provisions and the provisions of Sections 11.02 and 11.10 shall not apply to transactions with a corporation, partnership, limited liability company or other entity into or with which Tenant or such subtenant is merged or consolidated, or to which all or substantially all of the assets of Tenant are transferred, or to any corporation, partnership, limited liability company or other entity which controls or is controlled by Tenant or such subtenant or is under common control with Tenant or such subtenant, provided that in any of such events (i) the successor to Tenant or such subtenant has a net worth computed in accordance with generally accepted accounting principles at least equal to the greater of (1) the net worth of Tenant or such subtenant immediately prior to such merger, consolidation or transfer, or (2) the net worth of Tenant herein named on the date of this Lease or the net worth of such subtenant on the date of such sublease, and (ii) proof satisfactory to Landlord of such net worth shall have been delivered to Landlord at least ten (10) days prior to the effective date of any such transaction. Notwithstanding the foregoing, without Landlord's consent, subject to the provisions of Section 11.11 Tenant may assign this Lease, or subject to the provision of the last paragraph of Section 11.07 and Section 11.09 Tenant may sublet a part of the Demised Premises, to a controlled subsidiary or controlled affiliate of Tenant or of the Guarantor, or to the Guarantor of this Lease, provided a duly executed counterpart of such assignment together with the assumption by the assignee or duly executed counterpart of such sublease, as the case may be, is delivered to Landlord at least ten (10) days prior to its effective date. Such subleases shall not be counted towards the total allowed under Section 11.07(g) and Landlord has no rights of

termination or recapture with respect to the subleases or assignments permitted in this Section 11.11.

Section 11.12. Any assignment or transfer, whether made with Landlord's consent pursuant to Section 11.06 or without Landlord's consent pursuant to Section 11.10, shall be made only if, and shall not be effective until, the assignee shall execute, acknowledge and deliver to Landlord an agreement in form and substance reasonably satisfactory to Landlord whereby the assignee shall assume the obligations of this Lease on the part of Tenant to be performed or observed and whereby the assignee shall agree that the provisions in this Article 11 shall, notwithstanding such assignment or transfer, continue to be binding upon it in respect of all future assignments and transfers. The original named Tenant covenants that, notwithstanding any assignment or transfer, whether or not in violation of the provisions of this Lease, and notwithstanding the acceptance of minimum rent and/or additional rent by Landlord from an assignee, transferee, or any other party, the original named Tenant shall remain fully liable for the payment of the minimum rent and additional rent and for the other obligations of this Lease on the part of Tenant to be performed or observed.

Section 11.13. The joint and several liability of Tenant and any immediate or remote successor in interest of Tenant and the due performance of the obligations of this Lease on Tenant's part to be performed or observed shall not be discharged, released or impaired in any respect by any agreement or stipulation made by Landlord extending the time of, or modifying any of the obligations of, this Lease, or by any waiver or failure of Landlord to enforce any of the obligations of this Lease.

Section 11.14. The listing of any name ot her than that of Tenant, whether on the doors of the Demised Premises, or the Building directory, if any, or otherwise, shall not operate to vest any right or interest in this Lease or in the Demised Premises, nor shall it be deemed to be the consent of Landlord to any assignment or transfer of this Lease, to any sublease of the Demised Premises, or to the use or occupancy thereof by others. Landlord at its cost, shall provide Tenant up to thirty (30) listings in the main lobby for Tenant and permitted occupants and subtenants.

ARTICLE 12

Liability and Indemnity by Landlord and Tenant

Section 12.01. Each party shall indemnify the other against and save the other harmless from any liability to and claim by or on behalf of any person, firm, governmental authority, corporation or entity for personal injury, death or property damage, arising:

(a) (i) with respect to Tenant, from its use of the Demised Premises, or from any work whatsoever done or omitted to be done by Tenant, its employees, agents, contractors, customers, invitees or visitors, or from any accident thereat, and (ii) with respect to Landlord, from any work whatsoever done or omitted to be done in the Building by Landlord, its agents, contractors or employees; and

(b) from any breach or default by either party of and under any of the terms, covenants and conditions of this Lease on such party's part to be performed.

Each party also shall indemnify the other against and save the other harmless from all costs, reasonable counsel fees, expenses and penalties incurred by the other in connection with any such liability or claim other than such liability or claim incurred as a result of such party's negligence or willful misconduct.

If any action or proceeding shall be brought against either party in connection with any such liability or claim, the other party (the "Indemnitor"), on notice from the party against whom such action or proceeding was commenced (the "Indemitee"), shall defend such action or proceeding, at the Indemnitor's expense, by counsel reasonably satisfactory to the Indemnitee, or by the attorney for the Indemnitor's insurance carrier whose insurance policy covers the liability or claim.

Section 12.02. Landlord shall not be liable for any damage to property of Tenant or of others entrusted to employees of the Building, nor for the loss of or damage to any property of Tenant by theft or otherwise, except if due to the negligence or willful act of Landlord, its agents, contractors or employees. Landlord and its agents shall not be liable for any injury or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water, rain or snow or leaks from any part of the Building or from the pipes, appliances or plumbing works or from the roof, street or sub-surface or from any other place or by dampness or by any other cause of whatsoever nature, except if due to the negligence or willful act of Landlord, its agents, contractors or employees; nor shall Landlord be liable for

any such damage caused by other tenants or persons in the Building or caused by operations in construction of any public or quasi-public work. If, at any time any windows of the Demised Premises are permanently closed, darkened or bricked up by reason of the requirements of law or temporarily closed or darkened by reason of repairs, alterations or maintenance by Landlord, Landlord shall not be liable for any damage Tenant may sustain thereby and Tenant shall not be entitled to any compensation therefor nor abatement of rent nor shall the same release Tenant from its obligations hereunder nor constitute an eviction.

Tenant shall give immediate notice to Landlord upon its discovery of accidents in the Demised Premises.

Section 12.03. (a) If in this Lease it is provided that Landlord's consent or approval as to any matter will not be unreasonably withheld, and it is established by a court or body having final jurisdiction thereover that Landlord has been unreasonable, the only effect of such finding shall be that Landlord shall be deemed to have given its consent or approval; but Landlord shall not be liable to Tenant in any respect for money damages by reason of withholding its consent.

(b) In the event of any dispute under Section 11.07 relating to the reasonableness of the withholding of a consent or approval by Landlord, Tenant shall have the right to submit such dispute to binding arbitration under the Expedited Procedures provisions (Rules 53 through 57 and, to the extent applicable, Section 19, in the current edition) of the Commercial Arbitration rules of the American Arbitration Association ("AAA") provided, however, that with respect to any such arbitration: (i) the list of arbitrators referred to in Rule 54 shall be returned within five (5) business days from the date of mailing, (ii) the parties shall notify the AAA, by telephone, within four (4) business days of any objections to the arbitrator appointed and will have no right to object if the arbitrator so appointed was on the list submitted by the AAA and was not objected to in accordance with Rule 54, (iii) the Notice of Hearing referred to in Rule 55 shall be four (4) business days in advance of the hearing, and (iv) the hearing shall be held within seven (7) business days after the appointment of the arbitrator. The sole issue to be submitted to the arbitrator, which shall be included as part of his oath shall be the reasonableness of Landlord's determination to withhold consent or approval under the provisions of this Lease. The decision of the arbitrator shall be final and conclusive and the arbitrator shall not have any right or power to consider, determine or resolve any other issue or dispute between the parties, or

to alter, modify or amend any of the provisions of this Lease. The part subject to an adverse arbitral determination shall be responsible for all reasonable costs and fees of such arbitration.

ARTICLE 13

Moving of Heavy Equipment

Tenant shall not move any safe, heavy equipment or bulky matter in or out of the Building without Landlord's written consent, which shall not be unreasonably withheld. If the movement of such items requires special handling, Tenant agrees to employ only persons holding a Master Rigger's License to do said work and all such work shall be done in full compliance with the Administrative Code of the City of New York and other municipal requirements. All such movements shall be made during hours which will least interfere with the normal operations of the Building, and all damage caused by such movement shall be promptly repaired by Tenant at Tenant's expense.

ARTICLE 14

Condemnation

Section 14.01. In the event that the whole or more than ten (10%) percent of the Demised Premises shall be condemned or taken in any manner for any public or quasi-public use, this Lease and the term and estate hereby granted shall forthwith cease and terminate as of the date of vesting of title. In the event that ten (10%) percent or less of the Demised Premises shall be so condemned or taken, then, effective as of the date of vesting of title, the minimum rent and additional rent hereunder for such part shall be equitably abated and this Lease shall continue as to such part not so taken. In the event that only a part of the Building shall be so condemned or taken, then (a) if substantial structural alteration or reconstruction of the Building shall, in the opinion of Landlord, be necessary or appropriate as a result of such condemnation or taking (whether or not the Demised Premises be affected), Landlord may, at its option, terminate this Lease and the term and estate hereby granted as of the date of such vesting of title by notifying Tenant in writing of such termination within sixty (60) days following the date on which Landlord shall have received notice of the vesting of title, or (b) if Landlord does not elect to terminate this

Lease, as aforesaid, this Lease shall be and remain unaffected by such condemnation or taking, except that the minimum rent and additional rent shall be abated to the extent, if any, hereinbefore provided. In the event that only a part of the Demised Premises shall be so condemned or taken and this Lease and the term and estate hereby granted are not terminated as hereinbefore provided, Landlord, out of the portion of the award allocated for such purpose, will restore with reasonable diligence the remaining structural portions of the Demised Premises as nearly as practicable to the same condition as it was in prior to such condemnation or taking.

Section 14.02. In the event of termination in any of the cases hereinabove provided, this Lease and the term and estate hereby granted shall expire as of the date of such termination with the same effect as if that were the Expiration Date and the rent hereunder shall be apportioned as of such date.

Section 14.03. In the event of any condemnation or taking hereinabove mentioned of all or a part of the Building, Landlord shall be entitled to receive the entire award in the condemnation proceeding, including any award made for the value of the estate vested by this Lease in Tenant, and Tenant hereby expressly assigns to Landlord any and all right, title and interest of Tenant now or hereafter arising in or to any such award or any part thereof, and Tenant shall be entitled to receive no part of such award. Notwithstanding the foregoing, Tenant may make a separate claim for Tenant's moveable trade fixtures and moving expenses, provided the same shall not affect or reduce Landlord's award.

ARTICLE 15

Entry, Right to Change Public Portions of the Building

Section 15.01. Tenant shall permit Landlord to erect, use and maintain pipes and conduits in and through the walls, within the ceiling or below the floors of the Demised Premises. Landlord, or its agents or designee shall have the right, on prior written notice (except no notice in an emergency), to enter the Demised Premises for the purpose of making such repairs or alterations as Landlord shall desire, shall be required or shall have the right to make under the provisions of this Lease; and shall also have the right to enter the Demised Premises for the purpose of inspecting them or exhibiting them to prospective purchasers or lessees of the entire Building or to prospective mortgagees or to prospective assignees of any such mortgagees. Landlord shall, during the progress of any work in the Demised Premises, be allowed to take all material into and upon the Demised Premises that may be required for the repairs or alterations above mentioned without the same

constituting an eviction of Tenant in whole or in part and the rent reserved shall in no wise abate, except as otherwise provided in this Lease, while said repairs or alterations are being made. However, Landlord shall use reasonable efforts to make such repairs or alterations in a manner to minimize its interference with the normal conduct of Tenant's business, provided Landlord shall not be required to employ overtime or premium labor.

Section 15.02. During the twelve (12) months prior to the expiration of the term of this Lease, Landlord may exhibit the Demised Premises to prospective tenants.

Section 15.03. Landlord shall have the right at any time without thereby creating an actual or constructive eviction or incurring any liability to Tenant therefor, to change the arrangement or location of such of the following as are not contained within the Demised Premises: entrances, passageways, doors and doorways, corridors, elevators, stairs, toilets, and other like public service portions of the Building; and to put so-called "solar film" or other energy-saving installations on the inside and outside of the windows. All parts (except surfaces facing the interior of the Demised Premises) of all walls, windows and doors bounding the Demised Premises (including exterior Building walls, exterior core corridor walls, exterior doors and entrances), all space in or adjacent to the Demised Premises used for shafts, stacks, stairways, chutes, pipes, conduits, ducts, fan rooms, heating, air cooling, plumbing and other mechanical facilities, service closets and other Building facilities are not part of the Demised Premises and Landlord shall have the use thereof, as well as access thereto through the Demised Premises for the purposes of operation, maintenance, alteration and repair. However, Landlord shall use reasonable efforts to make such repairs or alterations in a manner to minimize its interference with the normal conduct of Tenant's business, provided Landlord shall not be required to employ overtime or premium labor.

Section 15.04. Landlord shall have the right at any time to name the Building as it desires and to change any and all such names at any time thereafter.

ARTICLE 16

Conditional Limitations, Etc.

Section 16.01. If at any time during the term of this Lease:

(a) Tenant or the guarantor of this Lease shall file a petition in bankruptcy or insolvency or for reorganization or arrangement or for the appointment of a receiver of all or a portion of Tenant's or such guarantor's property, or

(b) Any petition of the kind referred to in subdivision (a) of this Section shall be filed against Tenant or such guarantor and such petition shall not be vacated, discharged or withdrawn within ninety (90) days, or

(c) Tenant or such guarantor shall be adjudicated a bankrupt by any court, or

(d) Tenant or such guarantor shall make an assignment for the benefit of creditors, or

(e) a permanent receiver shall be appointed for the property of Tenant or such guarantor by order of a court of competent jurisdiction by reason of the insolvency of Tenant or such guarantor (except where such receiver shall be appointed in an involuntary proceeding, if he shall not be withdrawn within ninety (90) days after the date of his appointment),

then Landlord, at Landlord's option, may terminate this Lease on five (5) days' notice to Tenant, and upon such termination, Tenant shall quit and surrender the Demised Premises to Landlord.

Section 16.02 (a) If Tenant assumes this Lease and proposes to assign the same pursuant to the provisions of the Bankruptcy Code, 11 U.S.C. (S) 101 et seq. (the "Bankruptcy Code") to any person or entity who shall have made a bona fide offer to accept an assignment of this Lease on terms acceptable to Tenant, then notice of such proposed assignment, setting forth (i) the name and address of such person, (ii) all of the terms and conditions of such offer, and (iii) the adequate assurance to be provided Landlord to assure such person's future performance under the Lease, including, without limitation, the assurance referred to in section 365(b)(1) of the Bankruptcy Code, shall be given to Landlord by Tenant not later than twenty (20) days after receipt by Tenant but in no event later than ten (10) days prior to the date that Tenant shall make application to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption, and Landlord shall thereupon have the prior right and option, to be exercised by notice to Tenant given at any time prior to the effective date of such proposed assignment, to accept

an assignment of this Lease upon the same terms and conditions and for the same consideration, if any, as the bona fide offer made by such person, less any brokerage commissions which may be payable out of the consideration to be paid by such person for the assignment of this Lease.

(b) If this Lease is assigned to any person or entity pursuant to the provisions of the Bankruptcy Code, any and all monies or other considerations payable or otherwise delivered in connection with such assignment shall be paid or delivered to Landlord, shall be and remain the exclusive property of Landlord and shall not constitute property of Tenant or of the estate of Tenant within the meaning of the Bankruptcy Code. Any and all monies or other considerations constituting Landlord's Property under the preceding sentence not paid or delivered to Landlord shall be held in trust for the benefit of Landlord and shall be promptly paid to Landlord.

(c) Any person or entity to which this Lease is assigned pursuant to the provisions of the Bankruptcy Code, shall be deemed without further act or deed to have assumed all of the obligations arising under this Lease on and after the date of such assignment. Any such assignee shall upon demand execute and deliver to Landlord an instrument confirming such assumption.

(d) Nothing contained in this Section shall, in any way, constitute a waiver of the provisions of this Lease relating to assignment. Tenant shall not, by virtue of this Section, have any further rights relating to assignment other than those granted in the Bankruptcy Code.

(e) Notwithstanding anything in this Lease to the contrary, all amounts payable by Tenant to or on behalf of Landlord under this Lease, whether or not expressly denominated as rent, shall constitute rent for the purposes of Section 502(b)(6) of the Bankruptcy Code.

(f) The term "Tenant" as used in this Section includes any trustee, debtor in possession, receiver, custodian or other similar officer.

Section 16.03. If this Lease shall terminate pursuant to the provisions of Section 16.01:

(a) Landlord shall be entitled to recover from Tenant arrears in minimum rent and additional rent and, in addition thereto as liquidated damages, an amount equal to the difference between the minimum rent and additional rent for the unexpired portion of the term of this Lease which had been in force immediately prior to the termination effected under Section 16.01 of this Article and the fair and the reasonable rental value of the Demised Premises, on the date of termination, for the same period, both discounted at the rate of eight (8%) percent per annum to the date of termination; or

(b) Landlord shall be entitled to recover from Tenant arrears in minimum rent and additional rent and, in addition thereto as liquidated damages, an amount equal to the maximum allowed by statute or rule of law in effect at the time when and governing the proceedings in which such damages are to be proved, whether or not such amount be greater or less than the amount referred to in subdivision (a) of this Section.

Section 16.04. (a) If Tenant shall fail to make any payment of any minimum rent or additional rent when the same becomes due and payable, or if the Demised Premises become deserted, or if Tenant shall fail to cancel or discharge any mechanic's lien or other lien within the time period as provided in Section 17.02, and if any of the foregoing defaults shall continue for a period of seven (7) days after notice thereof by Landlord, or

(b) If Tenant shall be in default in the performance of any of the other terms, covenants and conditions of this Lease and such default shall not have been remedied within thirty (30) days after notice by Landlord to Tenant specifying such default and requiring it to be remedied; or where such default reasonably cannot be remedied within such period of thirty (30) days, if Tenant shall not have commenced the remedying thereof within such period of time and shall not be proceeding with due diligence to remedy it,

then Landlord, at Landlord's election, may terminate this Lease on five (5) days' notice to Tenant, and upon such termination Tenant shall quit and surrender the Demised Premises to Landlord.

Section 16.05. If this Lease shall terminate as provided in this Article or if Tenant shall be in default in the payment of minimum rent or additional rent when the same become due and payable, and such default shall continue for a period of seven (7) days after notice by Landlord to Tenant,

(a) Landlord may re-enter and resume possession of the Demised Premises and remove all persons and property therefrom either by summary dispossess proceedings or by a suitable action or proceeding, at law or in equity, or by force or otherwise, without being liable for any damages therefor, and

(b) Landlord may re-let the whole or any part of the Demised Premises for a period equal to, greater or less than the remainder of the then term of this Lease, at such rental and upon such terms and conditions as Landlord shall deem reasonable to any tenant it may deem suitable and for any use and purpose it may deem appropriate. Landlord shall not be liable in any respect for failure to re-let the Demised Premises or, in the event of such re-letting, for failure to collect the rent thereunder and any sums received by Landlord on a re-letting in excess of the rent reserved in this Lease shall belong to Landlord.

Section 16.06. If this Lease shall terminate as provided in this Article or by summary proceedings (except as to any termination under Section 16.01), Landlord shall be entitled to recover from Tenant as damages, in addition to arrears in minimum rent and additional rent,

(a) an amount equal to (i) all expenses incurred by Landlord in recovering possession of the Demised Premises and in connection with the reletting of the Demised Premises, including, without limitation, the cost of repairing, renovating or remodeling the Demised Premises, (ii) the cost of performing any work required to be done by Tenant under this Lease, (iii) the cost of placing the Demised Premises in the same condition as that in which Tenant is required to surrender them to Landlord under this Lease, and (iv) all brokers' commissions and legal fees incurred by Landlord in reletting the Demised Premises, which amounts set forth in this subdivision (a) shall be due and payable by Tenant to Landlord at such time or times as they shall have been incurred; and

(b) an amount equal to the deficiency between the minimum rent and additional rent which would have become due and payable had this Lease not terminated and the net amount, if any, of rent collected by Landlord on re-letting the Demised Premises. The amounts specified in this subdivision shall be due and payable by Tenant on the several days on which such minimum rent and additional rent would have become due and payable had this Lease not terminated. Tenant consents that Landlord shall be entitled to institute

separate suits or actions or proceedings for the recovery of such amount or amounts, and Tenant hereby waives the right to enforce or assert the rule against splitting a cause of action as a defense thereto.

Landlord, at its election, which shall be exercised by the service of a notice on Tenant, at any time after such termination of this Lease, may collect from Tenant and Tenant shall pay, in lieu of the sums becoming due, under the provisions of subdivision (b) of this Section, an amount equal to the difference between the minimum rent and additional rent which would have become due and payable had this Lease not terminated (from the date of the service of such notice to the end of the term of this Lease which had been in force immediately prior to any termination effected under this Article) and the then fair and reasonable rental value of the Demised Premises for the same period, both discounted to the date of the service of such notice at the rate of eight (8%) percent per annum.

Section 16.07. Tenant, for itself and for all persons claiming through or under it, hereby waives any and all rights which are or may be conferred upon Tenant by any present or future law to redeem the Demised Premises after a warrant to dispossess shall have been issued or after judgment in an action of ejectment shall have been made and entered.

Section 16.08. The words "re-enter" and "re-entry", as used in this Article, are not restricted to their technical legal meanings.

Section 16.09. Landlord shall not be required to give any notice of its intention to re-enter, except as otherwise provided in this Lease.

Section 16.10. In any action or proceeding brought by Landlord against Tenant, predicated on a default in the payment of minimum rent or additional rent, Tenant shall not have the right to and shall not interpose any set-off or counterclaim of any kind whatsoever, other than a claim which would be legally barred for failure to raise as a counterclaim in such action or proceeding. If Tenant has any claim, Tenant shall be entitled only to bring an independent action therefor; and if such independent action is brought by Tenant, Tenant shall not be entitled to and shall not consolidate it with any pending action or proceeding brought by Landlord against Tenant for a default in the payment of minimum rent or additional rent.

ARTICLE 17

Mechanic's Liens

Section 17.01. If, subject to and notwithstanding Landlord's consent as required under this Lease, Tenant shall cause any changes, alterations, additions, improvements, installations or repairs to be made to or at the Demised Premises or shall cause any labor to be performed or material to be furnished in connection therewith, neither Landlord nor the Demised Premises, under any circumstances, shall be liable (except for Landlord's payment obligations pursuant to Article 38) for the payment of any expense incurred or for the value of any work done or material furnished, and all such changes, alterations, additions, improvements, installations and repairs and labor and material shall be made, furnished and performed upon Tenant's credit alone and at Tenant's expense, and Tenant shall be solely and wholly responsible to contractors, laborers, and materialmen furnishing and performing such labor and material. Nothing contained in this Lease shall be deemed or construed in any way as constituting the consent or request of Landlord, express or implied, to any contractor, laborer or materialman to furnish or to perform any such labor or material.

Section 17.02. If, because of any act or omission (or alleged act or omission) of Tenant any mechanic's or other lien, charge or order for the payment of money shall be filed against the Demised Premises or the Building or Landlord's estate as tenant under any ground or underlying lease (whether or not such lien, charge or order is valid or enforceable as such), for work claimed to have been for, or materials furnished to, Tenant, Tenant, at Tenant's expense, shall cause it to be cancelled or discharged of record by bonding or otherwise within twenty (20) days after such filing, and Tenant shall indemnify Landlord against and save Landlord harmless from and shall pay all reasonable costs, expenses, losses, fines and penalties, including, without limitation, reasonable attorneys' fees, resulting therefrom.

ARTICLE 18

Landlord's and Tenant's Right to Perform Obligations

Section 18.01. If Tenant shall default in the performance of any of the terms or covenants and conditions of this Lease, Landlord, without being under any obligation to do so and without hereby waiving such default, may remedy such default for the account and at the expense of Tenant. Any payment made or

expense incurred by Landlord for such purpose (including, but not limited to, reasonable attorneys' fees) with interest at the maximum legal rate, shall be deemed to be additional rent hereunder and shall be paid by Tenant to Landlord on demand, or at Landlord's election, added to any subsequent installment or installments of minimum rent.

Section 18.02. If Landlord shall fail to perform any repair or maintenance obligation required to be performed by Landlord in the Demised Premises pursuant to the provisions of this Lease, then Tenant shall give Landlord written notice (the "Repair Notice") stating the repair or maintenance obligation which affects the Demised Premises. If Landlord fails to remedy the condition set forth in the Repair Notice within thirty (30) days after it was given, then to the extent such repair or maintenance may be performed by Tenant solely within the Demised Premises, Tenant may perform the same. Landlord shall reimburse Tenant for the reasonable, actual costs and expenses of performing the same, within twenty (20) after receipt from Tenant of paid receipts therefor, together with waivers of liens with respect thereto.

ARTICLE 19

Covenant of Quiet Enjoyment

Landlord covenants that upon Tenant paying the minimum rent and additional rent and observing and performing all the terms, covenants and conditions of this Lease on Tenant's part to be observed and performed, Tenant and all persons claiming through or under Tenant may peaceably and quietly enjoy the Demised Premises, subject nevertheless to the terms and conditions of this Lease, and provided, however, that no eviction of Tenant by reason of the foreclosure of any mortgage now or hereafter affecting the Demised Premises, whether such termination is by operation of law, by agreement or otherwise, shall be construed as a breach of this covenant nor shall any action be brought against Landlord by reason thereof.

ARTICLE 20

Excavation

In the event that construction is to be commenced or an excavation is made or authorized for building or other purposes upon land adjacent to the Building, Tenant shall, if necessary, afford to the person or persons causing or authorized to commence construction or cause such excavation or to engage in such other purpose, license to enter upon the Demised Premises for the purpose of doing such work as shall reasonably be necessary to protect or preserve the Building, from injury or damage and to support the Building and any new structure to be built by proper foundations, pinning and/or underpinning, or otherwise. However, Landlord shall cause reasonable efforts to be made to have such work performed in a manner to minimize any interference with the normal conduct of Tenant's business, provided overtime or premium labor shall not be required to be employed to perform such work.

ARTICLE 21

Services and Equipment

Section 21.01. Landlord shall, at its cost and expense:

(a) Provide operatorless passenger elevator service Mondays through Fridays from 8:00 A.M. to 6:00 P.M., holidays excepted. A passenger elevator will be available at all other times. A freight elevator shall be available Mondays through Fridays, holidays excepted, only from 8:00 to 6:00 P.M. The freight elevator shall be available on a "first come, first served" basis during the said days and hours and on a reservation "first come, first served" basis other than on said days and hours at Landlord's customary charges therefor.

(b) Maintain and repair the Building standard heating, ventilating and air conditioning system servicing the Demised Premises (the "HVAC System") installed by Landlord, except for those repairs which are the obligation of Tenant pursuant to Article 6 of this Lease. The HVAC System will be operated by Landlord as and when required by law, or for the comfortable occupancy of the Demised Premises (as determined by Landlord) throughout the year on Mondays through Fridays, holidays excepted, from 8:00 A.M. to 6:00 P.M.; provided that

Tenant shall draw and close the draperies or blinds for the windows of the Demised Premises whenever the HVAC system is in operation and the position of the sun so requires and shall, at all times, cooperate fully with Landlord and abide by all of the Rules and Regulations which Landlord may prescribe for the proper functioning of the HVAC System. Landlord agrees to operate the HVAC System servicing the Demised Premises in accordance with their design criteria unless energy and/or water conservation programs, guidelines or laws and/or requirements of public authorities, shall provide for any reduction in operations below said design criteria in which case such equipment shall be operated so as to provide reduced service in accordance therewith. Tenant expressly acknowledges that some or all windows are or may be hermetically sealed and will not open and Landlord makes no representation as to the habitability of the Demised Premises at any time the HVAC System is not in operation. Tenant hereby expressly waives any claims against Landlord arising out of the cessation of operation of the HVAC System, or the suitability of the Demised Premises when the same is not in operation, whether due to normal scheduling or the reasons set forth in Section 21.03. Said system is designed to be capable of manufacturing, within tolerances normal in first-class office buildings, inside space conditions averaging 78 degrees Fahrenheit dry bulb and 50% relative humidity when outside conditions are 95 degrees Fahrenheit dry bulb and 75 degrees Fahrenheit wet bulb, and a temperature of not lower than an average of 68 degrees Fahrenheit when outside temperature is 50 degrees Fahrenheit or lower. Landlord will not be responsible for the failure of the HVAC System if such failure results from the occupancy of the Demised Premises by more than an average of one (1) person for each one hundred (100) square feet in any separate room or area, and upon a combined lighting and standard electrical load not to exceed three (3) watts per usable square foot (excluding the Building HVAC), or if Tenant shall install and operate machines, incandescent lighting and appliances the total connected electrical load in excess of the Building's electrical specifications, as determined by Landlord's consulting engineers. If Tenant shall occupy the Demised Premises at an occupancy rate of greater than that for which the HVAC System was designed, or if the total connected electrical load is in excess of the Building's electrical specifications, as determined by Landlord's consulting engineers, or if Tenant's partitions shall be arranged in such a way as to interfere with the normal operation of the HVAC System, Landlord may elect to make changes to the HVAC System or the ducts through which it operates required by reason thereof, and the cost thereof shall be reimbursed by Tenant to Landlord, as additional rent,

within twenty (20) days after presentation of a bill therefor. Landlord, throughout the term, shall have free access to all mechanical installations of Landlord, including but not limited to air-cooling, fan, ventilating and machine rooms and electrical closets, and Tenant shall not construct partitions or other obstructions that may interfere with Landlord's free access thereto, or interfere with the moving of Landlord's equipment to and from the enclosures containing said installations. Neither Tenant nor any person or entity within Tenant's control shall at any time enter the said enclosures or tamper with, adjust, touch or otherwise in any manner affect said mechanical installations, except as set forth herein with respect to the thermostatic controls within the Demised Premises.

(c) Provide Building standard cleaning services in Tenant's office space and public portions of the Building, except no services shall be performed Saturdays, Sundays and holidays, in accordance with Schedule "D" annexed hereto and made part hereof. If, however, any additional cleaning of the Demised Premises is to be done by Tenant, it shall be done at Tenant's sole expense, in a manner reasonably satisfactory to Landlord and no one other than persons approved by Landlord shall be permitted to enter the Demised Premises or the Building for such purpose. Tenant, at its own cost, may utilize its own employees or outside contractors to perform additional cleaning services in the Demised Premises, provided such employees or outside contractors do not cause any labor disruption or dispute or violate Landlord's union contracts affecting the Building. However, such use of outside contractors shall be subject to the right of Landlord to match the costs chargeable by such outside contractors, in which event Landlord shall perform such services at such cost, to be paid by Tenant within twenty (20) days after being billed therefor. Tenant shall pay to Landlord the cost of removal of any of Tenant's refuse and rubbish from the Demised Premises and the Building (i) to the extent that the same, in any one day, exceeds the average daily amount of refuse and rubbish usually attendant upon the use of such Demised Premises as offices, as described and included in Landlord's cleaning contract for the Building or recommended by Landlord's cleaning contractor, and (ii) related to or deriving from the preparation or consumption of food or drink, excluding food or drink for normal business use. Bills for the same shall be rendered by Landlord to Tenant at such time as Landlord may elect and shall be due and payable as additional rent within twenty (20) days after the time rendered. Tenant, at Tenant's expense, shall cause the Demised Premises to be exterminated from time to time to the satisfaction of

Landlord and additionally shall cause all portions of the Demised Premises used for the storage, preparation, service or consumption of food or beverages to be cleaned daily in a manner reasonably satisfactory to Landlord, and to be treated against infestation by vermin, rodents or roaches, whenever there is evidence of any infestation. Tenant shall not permit any person to enter the Demised Premises or the Building for the purpose of providing such extermination services, unless such persons have been approved by Landlord. If so requested by Landlord, Tenant shall store any refuse generated by the consumption of food or beverages on the Demised Premises in a cold box or similar facility.

(d) Furnish hot and cold water for lavatory and drinking purposes. If Tenant requires, uses or consumes water for any other purposes, Landlord may install a meter or meters or other means to measure Tenant's water consumption, and Tenant shall reimburse Landlord for the cost of the meter or meters and the installation thereof, and shall pay for the maintenance of said meter equipment and/or pay Landlord's cost of other means of measuring such water consumption by Tenant. Tenant shall pay to Landlord on demand the cost of all water consumed as measured by said meter or meters or as otherwise measured, including sewer rents.

(e) If Tenant shall require and request any of the foregoing services at times other than above provided, and if such request is made at least twenty-four (24) hours prior to the time when such additional services are required, Landlord will provide them and Tenant shall pay to Landlord promptly thereafter the charges therefor at the then Building standard rate charged to other tenants in the Building.

Section 21.02. Holidays shall be deemed to mean all federal holidays, state holidays and Building Service Employees Union Contract holidays.

Section 21.03. Landlord reserves the right to interrupt, curtail or suspend the services required to be furnished by Landlord under this Lease when necessary by reason of accident, emergency, mechanical breakdown or when required by any law, order or regulation of any Federal, State, County or Municipal authority, or for any other cause beyond the control of Landlord. Landlord shall use due diligence to complete all required repairs or other necessary work as quickly as possible so that Tenant's inconvenience resulting therefrom may be for as short a period of time as circumstances will reasonably permit. Except as otherwise provided in this Lease, Tenant shall not be entitled to nor shall Tenant make claim for any

diminution or abatement of minimum rent or additional rent or other compensation, nor shall this Lease or any of the obligations of Tenant be affected or reduced by reason of such interruption, curtailment, suspension, work or inconvenience.

Section 21.04. Tenant shall reimburse Landlord promptly for the actual out-of-pocket cost to Landlord of removal from the Demised Premises and the Building of any refuse and rubbish of Tenant not covered by the Cleaning Specifications (Schedule D) and Tenant shall pay all bills therefor when rendered.

Section 21.05. If Tenant shall request Landlord to furnish any services in addition to those hereinabove provided or perform any work not required under this Lease, and Landlord agrees to furnish and/or perform the same, Tenant shall pay to Landlord promptly thereafter the charges therefor, which charges are deemed to be additional rent and payable as such.

Section 21.06. Landlord shall provide security in the Building lobby and Tenant shall have access to the Demised Premises twenty-four (24) hours per day, seven (7) days per week, subject to emergencies, police power and Article 34.

Section 21.07. Landlord represents that the Building facility equipment is Y2K ready and the Building shall be operated and maintained as a first-class building similar to other first-class buildings in the vicinity of the Building.

ARTICLE 22

Escalation

Section 22.01. Taxes. Tenant shall pay to Landlord, as additional rent, tax escalation in accordance with this Section:

(a) Definitions: For the purpose of this Section, the following definitions shall apply:

(i) The term "Tax Base Factor" shall mean the average of the real estate taxes for the Building Project for the periods from July 1, 1998 to June 30, 1999, and from July 1, 1999 to June 30, 2000, as finally determined.

(ii) The term "The Building Project" shall mean the parcel of Land described in Schedule B of this Lease with all improvements erected thereon.

(iii) The term "Comparative Tax Year" shall mean the New York City real estate tax year commencing on July 1, 2000 and each subsequent New York City real estate tax year. If the present use of July 1-June 30 New York City real estate tax year shall hereafter be changed, then such changed tax year shall be used with appropriate adjustment for the transition.

(iv) The term "Real Estate Taxes" shall mean the total of all taxes and special or other assessments and charges of any Special Business Improvement District levied, assessed or imposed at any time by any governmental authority: (a) upon or against the Building Project, and (b) in connection with the receipt of income or rents from the Building Project to the extent that same shall be in lieu of all or a portion of any of the aforesaid taxes or assessments, or additions or increases thereof. Income, franchise, transfer, inheritance, corporate, mortgage recording or capital stock taxes of Landlord, or penalties or interest thereon, shall be excluded from "Real Estate Taxes" for the purposes hereof. If, due to a future change in the method of taxation or in the taxing authority, or for any other reason, a franchise, income, transit, profit or other tax or governmental imposition, however designated, shall be levied against Landlord in substitution in whole or in part for the Real Estate Taxes, or in lieu of or addition to or increase of Real Estate Taxes, then such franchise, income, transit, profit or other tax or governmental imposition shall be included within "Real Estate Taxes." Tenant acknowledges that the Tax Escalation Payment (as hereinafter defined) constitutes a method by which Landlord is seeking to compensate for increases in expenses and that the Tax Escalation Payment shall be calculated and paid by Tenant to Landlord whether or not Real Estate Taxes have then been paid by Landlord.

(v) The term "the Percentage" for purposes of computing tax escalation, shall mean 3.429%.

(b) (i) In the event that the Real Estate Taxes payable for any Comparative Tax Year shall exceed the Tax Base Factor, Tenant shall pay to Landlord, as additional rent for such Comparative Tax Year, an amount for tax escalation ("Tax Escalation Payment")equal to the Percentage of the excess. Before or after the start of each Comparative Tax Year, Landlord shall furnish to Tenant a statement of the Tax Escalation Payment payable for such Comparative Tax Year, together with a copy of the tax bill. Tenant shall make its aforesaid Tax Escalation Payment to Landlord, in installments in the same manner and not later than thirty (30) days prior to the last date that Real Estate Taxes are payable by Landlord to the governmental authority. If a statement is furnished to Tenant after the commencement of the Comparative Tax Year in respect of which such statement is rendered, Tenant shall, within twenty (20) days thereafter, pay to Landlord an amount equal to those installments of the total Tax Escalation Payment then due. If, during the term of this Lease, Real Estate Taxes are required to be paid, in full or in monthly or other installments, on any other date or dates than as presently required, or if Landlord shall be required to make monthly deposits of Real Estate Taxes to the holder of any mortgage, then Tenant's Tax Escalation Payment(s) shall be correspondingly adjusted so that the same are due to Landlord in corresponding installments not later than thirty (30) days prior to the last date on which the applicable installment of such Real Estate Taxes shall be due and payable to the governmental authority or such mortgagee.

(ii) If in any tax certiorari proceeding regarding Real Estate Taxes payable for any Comparative Tax Year or in otherwise establishing such taxes, Landlord has incurred expenses for legal and/or consulting services rendered in applying for, negotiating or obtaining a reduction of the assessment upon which

the Real Estate Taxes are predicated, Tenant shall pay an amount equal to the Percentage of such expenses.

(iii) The statements of the Tax Escalation Payment to be furnished by Landlord as provided above shall constitute a final determination as between Landlord and Tenant of the Tax Escalation Payment for the periods represented thereby, except for mathematical error in computation.

(iv) In no event shall the fixed minimum rent under this Lease be reduced by virtue of this Section 22.01.

(v) Upon the date of any expiration or termination of this Lease, whether the same be the date hereinabove set forth for the expiration of the term or any prior or subsequent date, a proportionate share of the Tax Escalation Payment for the Comparative Tax Year during which such expiration or termination occurs shall immediately become due and payable by Tenant to Landlord, if it was not theretofore already billed and paid, or due and payable by Landlord to Tenant if the amount paid by Tenant exceeded such proportionate share. The said proportionate share shall be based upon the length of time that this Lease shall have been in existence during such Comparative Tax Year. Prior to or promptly after said expiration or termination, Landlord shall compute the Tax Escalation Payment due from or owed to Tenant, as aforesaid and Tenant shall promptly pay Landlord any amount unpaid. If Landlord shall receive a refund or a tax credit of any amount of Real Estate Taxes for any Comparative Tax Year for which Tenant has made a payment, Landlord shall pay to Tenant within fifteen (15) days of its receipt of such refund the Percentage of any such refund, less the Percentage of any legal fees and other expenses provided for in Section 22.01(b)(ii) to the extent the same have not theretofore been paid by Tenant.

(vi) Landlord's and Tenant's obligations to make the adjustments referred to in subdivision (v)

above shall survive any expiration or termination of this Lease.

(vii) Any delay or failure of Landlord in billing any Tax Escalation Payment hereinabove provided shall not constitute a waiver of or in any way impair the continuing obligation of Tenant to pay such Tax Escalation Payment hereunder.

Section 22.02. Porter's Wage Rate. Tenant shall pay to the Landlord, as additional rent, a porter's wage rate escalation in accordance with this Section:

(a) For the purpose of this Section, the following definitions shall apply:

(i) "Wage Rate" shall mean the minimum regular hourly rate of wages in effect as of January 1st of each year (whether paid by Landlord or any contractor employed by Landlord) computed as paid over a forty hour week to Porters in Class A office buildings pursuant to an Agreement between Realty Advisory Board on Labor Relations, Incorporated, or any successor thereto, and Local 32B-32J of the Building Service Employees International Union, AFL-CIO, or any successor thereto; and provided, however, that if there is no such agreement in effect prescribing a wage rate for Porters, computations and payments shall thereupon be made upon the basis of the regular hourly wage rate actually payable in effect as of January 1st of each year, and provided, however, that if in any year during the term, the regular employment of Porters shall occur on days or during the hours when overtime or other premium pay rates are in effect pursuant to such Agreement, then the term "hourly rate of wages" as used herein shall be deemed to mean the average hourly rate for the hours in a calendar week during which Porters are regularly employed (e.g., if pursuant to an agreement between Realty Advisory Board and the Local the regular employment of Porters for forty hours during a calendar week is at a regular hourly wage rate of $3.00 for the first thirty hours, and premium or overtime hourly wage rate of $4.50 for the remaining ten hours, then the hourly rate

of wages under this Article during such period shall be the total weekly rate of $135.00 divided by the total number of regular hours of employment, forty or $3.375). Notwithstanding the foregoing, if at any time such hourly wage rate is different for new hire and old hire Porters, then thereafter such hourly wage rate shall be based on the weighted average of the wage rates for the different classifications of Porters.

(ii) "Base Wage Rate" shall mean the average of the Wage Rates in effect on January 1, 1999 and January 1, 2000.

(iii) The term "Porters" shall mean that classification of non-supervisory employees employed in and about the Building who devote a major portion of their time to general cleaning, maintenance and miscellaneous services essentially of a non-technical and non-mechanical nature and are the type of employees who are presently included in the classification of "Class A-Others" in the Commercial Building Agreement between the Realty Advisory Board and the aforesaid Union.

(iv) The term "minimum regular hourly rate of wages" shall not include any payments for fringe benefits or adjustments of any kind.

(v) The term "Multiplication Factor" shall mean 30,000.

(b) If the Wage Rate for any calendar year during the term shall be increased above the Base Wage Rate, then Tenant shall pay, as additional rent, an amount equal to the product obtained by multiplying the Multiplication Factor by 100% of the number of cents (including any fraction of a cent) by which the Wage Rate is greater than the Base Wage Rate, such payment to be made in equal one-twelfth (1/12th) monthly installments commencing with the first monthly installment of minimum rent falling due on or after the effective date of such increase in Wage Rate (payable retroactive from said effective date) and continuing thereafter until a new adjustment shall have become effective in accordance with the provisions of this Article. Landlord shall give Tenant notice of each change in Wage Rate which

will be effective to create or change Tenant's obligation to pay additional rent pursuant to the provisions of this Section 22.02 and such notice shall contain Landlord's calculation in reasonable detail and certified as true by an authorized partner of Landlord or of its managing agent, of the annual rate of additional rent payable resulting from such increase in Wage Rate. Such amounts shall be prorated for any partial calendar years during the term.

(c) Every notice given by Landlord pursuant to Section 22(b) hereof shall be conclusive and binding upon Tenant, except for manifest error.

(d) The "Wage Rate" is intended to be a substitute comparative index of economic costs and does not necessarily reflect the actual costs of wages or other expenses of operating the Building. The Wage Rate shall be used whether or not the Building is a Class A office building and whether or not Porters are employed in the Building and without regard to whether such employees are members of the Union referred to in subsection (a) hereof.

ARTICLE 23

Electricity

Section 23.01.

(a) Landlord shall provide electricity to the Demised Premises on a submetering basis from the existing risers and switches on the floor. Tenant's consumption of electricity shall be measured by one independent time of day (or use) submeter furnished and installed by Landlord, at the cost of Tenant, and read by Landlord. If Tenant shall require electricity exceeding the available service capacity, any additional risers, feeders and similar electrical equipment which may be required, shall be installed by Landlord, at the expense of Tenant, to and for the use of Tenant in the Demised Premises during the term hereof. Any riser(s) shall terminate at a disconnect switch to be located at a point designated by Landlord in electrical closet(s) on the floor of the Demised Premises. Such disconnect switch shall be the sole source from which Tenant is to obtain electricity. Such submeter shall at all times be maintained by Tenant, at its expense, unless damaged due to the negligence of Landlord, its agents, employees or

contractors. Tenant covenants and agrees to purchase electric power from Landlord or Landlord's designated agent at charges, terms and rates set, from time to time, during the term of this Lease by Landlord but not more than those specified in the service classification in effect from time to time pursuant to which Landlord then purchases electric current from the Electric Service Provider or Alternate Service Provider (as said terms are hereinafter defined), as the case may be, plus a fee equal to five (5%) percent of such charges, representing agreed upon administrative and overhead costs to Landlord. Bills therefor shall be rendered monthly or at such other times as Landlord may elect together with copies of the submeter printouts showing the totalized demand for the meter and copies of the applicable public utility rate schedule pursuant to which Landlord is then purchasing electricity for the Building, and the amount, as computed from such meter, shall be deemed to be, and be paid as, additional rent, within ten (10) days thereafter, without any set-off or deduction. If any tax is imposed upon Landlord's receipt from the sale or resale of electric energy to Tenant by any federal, state or municipal authority, Tenant covenants and agrees that, where permitted by law, Tenant's pro rata share of such taxes shall be passed on to, and included in the bill of, and paid by, Tenant to Landlord.

(b) Landlord has advised Tenant that presently Con Edison ("Electric Service Provider") is the utility company selected by Landlord to provide electricity service for the Building. Notwithstanding the foregoing, if permitted by law, Landlord shall have the right at any time and from time to time during the term of this Lease to either contract for service from a different company or companies providing comparable electricity service at comparable or lower rates (each such company shall hereinafter be referred to as an "Alternate Service Provider") or continue to contract for service from the Electric Service Provider.

(c) Tenant shall cooperate with Landlord, the Electric Service Provider, and any Alternate Service Provider at all times and, as reasonably necessary, shall allow Landlord, Electric Service Provider, and any Alternate Service Provider reasonable access to the Building's electric lines, feeders, risers, wiring, and any other machinery within the Demised Premises.

Section 23.02. Landlord shall not be liable in any way for any loss, damage or expense that Tenant may sustain or incur by reason of or any failure,

change, interruption or defect in the supply or character of electric energy furnished to the Demised Premises by reason of any requirement, act or omission of the Electric Service Provider or Alternate Service Provider (as said terms are hereinafter defined) serving the Building with electricity and no such failure, change, interruption or defect shall constitute an act of constructive eviction, in whole or in part, or entitle Tenant to any abatement of minimum rent or additional rent or relieve Tenant of its obligations under this Lease. Tenant shall furnish and install, at its sole cost and expense, all lighting fixtures, tubes, lamps, bulbs, ballasts and outlets relating to Tenant's electrical equipment.

Section 23.03. Tenant's connected electrical load in the Demised Premises, including lighting, shall not at any time exceed the capacity of any of the electrical conductors and equipment in or servicing the Demised Premises which capacity Landlord represents to be six (6) watts per usable square foot (excluding the Building HVAC). In order to insure that such capacity is not exceeded and to avert possible adverse effect upon the Building electric service, Tenant shall not, without Landlord's prior consent in each instance, make any alteration or addition to the electric system of the Demised Premises existing on the Commencement Date, nor connect any additional fixtures, appliances or equipment that would exceed the electrical capacity of the Demised Premises represented by Landlord. Should Landlord grant such consent, all additional risers or other equipment required therefor shall be provided by Landlord and the cost thereof shall be paid by Tenant.

Section 23.04. Landlord reserves the right to discontinue furnishing electric energy at any time, whether or not Tenant is in default under this Lease, upon not less than thirty (30) days' notice to Tenant, provided Landlord discontinues furnishing electricity to all other tenants in the Building. If Landlord exercises such right of discontinuance, this Lease shall continue in full force and effect and shall be unaffected thereby, except only that, from and after the effective date of such discontinuance, Landlord shall not be obligated to furnish electric energy to Tenant. If Landlord so elects to discontinue furnishing electric energy to Tenant, Tenant shall arrange to obtain electric energy directly from the public utility company furnishing electric service to the Building. Notwithstanding the foregoing, Landlord shall not discontinue furnishing electric energy until Tenant is able to obtain such electric energy directly from said public utility. Such electric energy may be furnished to Tenant by means of the then existing Building system feeders, risers and wiring to the extent that they are available, suitable and safe for such purposes. All meters and additional panel boards, feeders, risers, wiring and other conductors and equipment which may be required to obtain electric energy directly from such public utility company, and which are to be located within the Demised Premises, shall be installed by Landlord at its expense if such discontinuance was voluntary, or installed by Landlord at Tenant's expense if such discontinuance was required by law or the

utility company. Thereafter, all of such equipment shall be maintained by Tenant at its expense.

ARTICLE 24

Broker

Landlord and Tenant covenant and represent that the sole brokers who negotiated and brought about this transaction were Cushman Realty Corporation, CRF Partners, Inc. and Cohen Brothers Realty Corporation. Landlord agrees to pay a commission therefor to Cushman Realty Corporation and Cohen Brothers Realty Corporation as per separate agreements and Landlord shall not be responsible for any separate payment to CRF Partners, Inc.. Landlord and Tenant agree to hold the other harmless against any claims for a brokerage commission arising out of a breach by the other of the representations contained in this Article.

ARTICLE 25

Subordination and Ground Lease

Section 25.01. This Lease is subject and subordinate to (a) all ground and underlying leases on the Land and/or Building now or hereafter existing, and (b) to all mortgages which may now or hereafter affect any such ground and underlying leases or the Land and/or the Building, and to all renewals, modifications, amendments, consolidations, replacements or extensions of any of the foregoing. This clause shall be self-operative and no further instrument of subordination shall be required. However, in confirmation of such subordination, Tenant, at any time and from time to time, shall execute promptly, and within fifteen (15) days of such request, any certificate and document that Landlord may reasonably request which reasonably evidences such subordination. Landlord, within forty-five (45) days from the date hereof, agrees to obtain from Credit Suisse First Boston Mortgage Capital, LLC, the holder of the existing mortgage which is a lien on the Building Project, an agreement (the "non-disturbance and attornment agreement") providing in substance that Tenant's possession of and rights in the Demised Premises and under this Lease shall remain undisturbed, so long as Tenant is not in default under the provisions of this Lease, after any notice and the expiration of any applicable periods of grace, and provided Tenant agrees in said instrument to attorn to such mortgagee as its landlord

under this Lease. If a fully executed and acknowledged original copy of such non-disturbance and attornment agreement is not delivered to Tenant within such forty-five (45) day period, Tenant, as its sole remedy for Landlord's failure to obtain the non-disturbance and attornment agreement, may by notice given within fifteen (15) days after the expiration of such forty-five (45) day period, terminate this Lease on a date specified in such notice which shall not be later than thirty (30) days after the date of said notice, unless prior to such termination date all such copies are delivered to Tenant or Tenant elects to rescind such notice. In the event of such termination, neither Landlord nor Tenant shall have any further liability to each other except that Landlord shall return to Tenant all moneys given to Landlord upon the execution of this Lease. Concurrently with the execution of this Lease, Tenant has executed a non-disturbance and attornment agreement with respect to such mortgagee. It is further agreed that this Lease shall not be subject and subordinate to and Tenant shall not be required to attorn to any mortgages or any ground or underlying leases which may hereafter affect the Building Project, unless the holder of each such mortgage or lessor under each such lease executes such non-disturbance and attornment agreement in the then customary form of such mortgagee or lessor.

Section 25.02. (a) The Tenant covenants and agrees that if by reason of a default under any underlying lease, or under any mortgage, such underlying lease and the leasehold estate of the Landlord in the Demised Premises is terminated, or the Land and/or the Building are foreclosed upon or transferred in lieu of a foreclosure, the Tenant will attorn to the then holder of the reversionary interest in the premises demised by this Lease or the foreclosure purchaser or transferee in lieu of foreclosure, and will recognize such holder, purchaser or transferee as the Tenant's Landlord under this Lease, unless, subject to any non-disturbance agreement, the lessor under such underlying lease or the holder of any such mortgage shall, in any proceeding to terminate such underlying lease or foreclose such mortgage, elects to terminate this Lease and the rights of Tenant hereunder provided, however, the holder of the reversionary interest or the foreclosure purchaser or transferee in lieu of foreclosure shall not be (i) liable for any act or omission or negligence of Landlord under this Lease; (ii) subject to any counterclaim, defense or offset, not expressly provided for in this Lease and asserted with reasonable promptness which theretofore shall have accrued to Tenant against Landlord; (iii) obligated to perform, undertake or complete any work in the Demised Premises or to prepare it for occupancy; (iv) bound by any previous modification or amendment of this Lease or by any previous prepayment of more than one (1) month's rent, unless such modification or prepayment shall have been approved in writing by the holder of such Mortgage; (v) obligated to repair the Demised Premises,

or the Building, or any part thereof, in the event of any damage beyond such repair as can reasonably be accomplished from the net proceeds of insurance actually made available to the then holder of the reversionary interest or the foreclosure purchaser or transferee in lieu of foreclosure; (vi) obligated to repair the Demised Premises or the Building, or any part thereof, in the event of partial condemnation of the Demised Premises or the Building; (vii) required to account for any security deposit of Tenant unless actually delivered to such holder, purchaser or transferee by Landlord; (viii) bound by any obligation to make any payment to Tenant or grant any credits, except for services, repairs, maintenance and restoration provided for under this Lease to be performed by Landlord after the date of attornment; or (ix) responsible for any monies owing by Landlord to Tenant. Nothing contained in this subparagraph shall be construed to impair any right otherwise exercisable by any such holder, purchaser or transferee. Tenant agrees to execute and deliver, at any time and from time to time, upon the request of the Landlord of or the lessor under any such underlying lease or the holder of any such mortgage any instrument which may be necessary or appropriate to evidence such attornment. The Tenant further waives the provisions of any statute or rule or law now or hereafter in effect which may give or purport to give Tenant any right of election to terminate this Lease or to surrender possession of the premises demised hereby in the event any proceeding is brought by the lessor under any underlying lease or the holder of any such mortgage to terminate the same, and agrees that, subject to any non-disturbance agreement, unless and until any such lessor or holder, in connection with any such proceeding, shall elect to terminate this Lease and the rights of Tenant hereunder, this Lease shall not be affected in any way whatsoever by any such proceeding.

(b) Upon Tenant's receipt of a written notice from the lessor under any underlying lease or the holder of any such mortgage to the effect that (i) the lessor of said underlying lease or the holder of any such mortgage is entitled to send a notice to the Landlord, as tenant under said underlying lease, terminating said lease, or such holder is entitled to performance by Tenant under the Lease, and (ii) the Tenant should pay the minimum rent and additional rent thereafter due and payable under this Lease to said lessor or the holder of any such mortgage at a place designated in such notice, Tenant shall pay such minimum rent and additional rent to said lessor under said underlying lease or the holder of any such mortgage at such designated place until such time as said lessor or holder shall notify Tenant that Landlord is no longer in default under said underlying lease

or such mortgage and that Tenant may resume paying all minimum rent and additional rent thereafter due and payable under this Lease to Landlord. Tenant shall have no liability to the Landlord for paying any minimum rent or additional rent to said lessor under the underlying lease or holder of any such mortgage or otherwise acting in accordance with the provisions of any notice sent to it under this paragraph and shall be relieved of its obligations to pay Landlord any minimum rent or additional rent under this Lease to the extent such payments are made to said lessor under the underlying lease.

Section 25.03. In the event of any act or omission by Landlord which would give Tenant the right to terminate this Lease or to claim a partial or total eviction, pursuant to the terms of this Lease, if any, Tenant will not exercise any such right until:

(a) it has given a written notice to cure (concurrently with any notice given to Landlord), regarding such act or omission to the holder of any mortgage and to the landlord of any ground or underlying lease, whose names and addresses shall previously have been furnished to Tenant, addressed to such holder and landlord at the last addresses so furnished, and

(b) a reasonable period of time (not to exceed the period in this Lease or the ground lease or the mortgage, as the case may be) for remedying such act or omission shall have elapsed following such giving of notice and the expiration of any grace period applicable thereto in favor of Landlord hereunder, during which such holder and landlord, or any of them, with reasonable diligence, following the giving of such notice, shall not have commenced and is or are not continuing to remedy such act or omission or to cause the same to be remedied.

Section 25.04. If, in connection with obtaining financing for the Building, or of Landlord's interest in any ground or underlying lease, a banking, insurance or other recognized institutional lender shall request modifications in this Lease as a condition to such financing, Tenant will not withhold, delay or defer its consent thereto and its execution and delivery of such modification agreement, provided that such modifications do not increase the obligations (including the monetary obligations) of Tenant hereunder or adversely affect the leasehold interest hereby created or Tenant's use and enjoyment of the Demised Premises or reduce the Building's services.

Section 25.05. Landlord represents that the only mortgage covering the Land and Building is the existing mortgage held by Credit Suisse First Boston Mortgage Capital, LLC, that there are no defaults thereunder by Landlord, and that there is no present ground or underlying lease covering the Land and Building.

ARTICLE 26

Estoppel Certificate

Landlord and Tenant shall at any time, and from time to time, within ten (10) business days after so requested by the other execute, acknowledge and deliver to the other , a statement addressed to the other or its designee or the holder of any mortgage encumbering the Land and/or Building (a) certifying that this Lease is unmodified and in full force and effect (or, if there have been modifications, that the same is in full force and effect as modified and stating the modifications), (b) stating the dates to which the minimum rent and additional rent have been paid, (c) stating whether or not there exists any default by the other under this Lease, and, if so, specifying each such default, and (d) such other information as may be required by Landlord, Tenant or any mortgagee, it being intended that any such statement may be relied upon by Landlord, Tenant, by any mortgagee or prospective mortgagee of any mortgage affecting the Building or the leasehold estate under any ground or underlying lease affecting the land described in Schedule B and/or Building and improvements thereon, or may be relied upon by the landlord under any such ground or underlying lease or a purchaser of Lessee's estate under any such ground or underlying lease or any interest therein, or any assignee of Tenant.

ARTICLE 27

Waiver of Jury Trial

Tenant hereby waives the right to trial by jury in any summary proceeding that may hereafter be instituted against it or in any action or proceeding that may be brought by Landlord on matters which are connected with this Lease, or any of its provisions or Tenant's use or occupancy of the Demised Premises, including any claims for injury or damage, or any emergency or other statutory remedy with respect thereto.

ARTICLE 28

Surrender of Premises

Section 28.01. Upon the expiration or other termination of the term of this Lease, Tenant shall quit and surrender the Demised Premises, vacant, broom clean, in good order and condition, ordinary wear and tear and damage by fire or other casualty excepted, and shall remove all its personal property therefrom. Tenant's obligation to observe or perform this covenant shall survive the expiration or other termination of the term of this Lease.

Section 28.02. In the event Tenant shall remain in possession of the Demised Premises after the expiration or other termination of the term of this Lease, such holding over shall not constitute a renewal or extension of this Lease. Landlord, may, at its option, elect to treat Tenant as one who is not removed at the end of the term, and thereupon be entitled to all of the remedies against Tenant provided by law in that situation or Landlord may elect to construe such holding over as a tenancy from month-to-month, subject to all of the terms and conditions of this Lease, except as to the duration thereof, and the minimum rent shall be due, in either of such events, at a monthly rental rate equal to two (2) times the monthly installment of minimum rent which would otherwise be payable for such month, together with any and all additional rent. Tenant shall also be responsible for and hereby indemnifies Landlord against any claims made by any succeeding tenant or prospective tenant founded upon Tenant's delay in surrendering the Demised Premises to Landlord.

ARTICLE 29

Rules and Regulations

Section 29.01. Tenant, its servants, employees, agents, visitors and licensees shall observe faithfully and comply with the rules and regulations set forth in Schedule "C" attached hereto and made a part hereof. Landlord shall have the right from time to time during the term of this Lease to make reasonable changes in and additions to the rules thus set forth provided such changes and additions are applicable to all other office tenants in the Building. All rules and regulations shall be enforced in a non-discriminatory manner.

Section 29.02. Any failure by Landlord to enforce any rules and regulations now or hereafter in effect, either against Tenant or any other tenant in the Building, shall not constitute a breach hereunder or waiver of any such rules and regulations.

ARTICLE 30

Successors and Assigns and Definitions

Section 30.01. The covenants, conditions and agreements contained in this Lease shall bind and enure to the benefit of Landlord and Tenant and their respective distributees, legal representatives, successors and, except as otherwise provided herein, their assigns.

Section 30.02. The term "Landlord" as used in this Lease, so far as the covenants and agreements on the part of Landlord are concerned shall be limited to mean and include only the owner or owners at the time in question of the tenant's estate under any ground or underlying lease covering the Land described in Schedule B hereto annexed and/or the fee title of Landlord covering the Land and/or the Building and improvements thereon. In the event of any assignment or assignments of such tenant's estate or transfer of such title, Landlord herein named (and in case of any subsequent assignment or transfer, the then assignor or transferor) shall be automatically freed and relieved from and after the date of such assignment or transfer of all personal liability as respects to performance of any of Landlord's covenants and agreements thereafter to be performed, and such assignee or transferee shall be bound by all of such covenants and agreements; it being intended that Landlord's covenants and agreements shall be binding on Landlord, its successors and assigns only during and in respect of their successive periods of such ownership.

However, in any event, the members in Landlord shall not have any personal liability or obligation by reason of any default by Landlord under any of Landlord's covenants and agreements in this Lease. In case of such default, Tenant will look only to Landlord's estate, as tenant, under such ground or underlying lease and/or its interest in the Land and/or Building, to recover any loss or damage resulting therefrom; and Tenant shall have no right to nor shall Tenant assert any claim against nor have recourse to Landlord's other property or assets to recover such loss or damage.

Section 30.03. All pronouns or any variation thereof shall be deemed to refer to masculine, feminine or neuter, singular or plural as the identity of the person or persons may require; and if Tenant shall consist of more than one (1) person, the obligations of such persons, as Tenant, under this Lease, shall be joint and several.

Section 30.04. The definitions contained in Schedule E annexed hereto are hereby made a part of this Lease.

ARTICLE 31

Notices

Any notice, statement, certificate, request, approval, consent or demand required or permitted to be given under this Lease shall be in writing sent by registered or certified mail (or reputable, commercial overnight courier service) return receipt requested, addressed, as the case may be, to Landlord, at 750 Lexington Avenue, New York, New York 10022, and to Tenant prior to its occupancy of the Demised Premises at 304 Park Avenue South, New York, New York 10016 Attention: Chief Financial Officer and after its occupancy at the Demised Premises with a copy to General Counsel, CMGI, Inc. 100 Brickstone Square, Andover, Massachusetts 01810, or to such other addresses as Landlord or Tenant respectively shall designate in the manner herein provided. Such notice, statement, certificate, request, approval, consent or demand shall be deemed to have been given on the date when mailed, as aforesaid, or on the date of delivery by overnight courier.

ARTICLE 32

No Waiver; Entire Agreement

Section 32.01. The specific remedies to which Landlord may resort under the provisions of this Lease are cumulative and are not intended to be exclusive of any other remedies or means of redress to which Landlord may be lawfully entitled in case of any breach or threatened breach by Landlord of any of the terms, covenants and conditions of this Lease. The failure of Landlord or Tenant to insist upon the strict performance of any of the terms, covenants and conditions of this Lease, or to exercise any right or remedy herein contained, shall not be

construed as a waiver or relinquishment for the future of such term, covenant, condition, right or remedy. A receipt by Landlord of minimum rent or additional rent with knowledge of the breach of any term, covenant or condition of this Lease shall not be deemed a waiver of such breach. This Lease may not be changed or terminated orally. In addition to the other remedies in this Lease provided, Landlord shall be entitled to seek to restrain by injunction, the violation or attempted or threatened violation of any of the terms, covenants and conditions of this Lease or to a decree, any court having jurisdiction in the matter, compelling performance of any such terms, covenants and conditions.

Section 32.02. No receipt of monies by Landlord from Tenant, after any re-entry or after the cancellation or termination of this Lease in any lawful manner, shall reinstate the Lease; and after the service of notice to terminate this Lease, or after commencement of any action, proceeding or other remedy, Landlord may demand, receive and collect any monies due, and apply them of account of Tenant's obligations under this Lease but without in any respect affecting such notice, action, proceeding or remedy, except that if a money judgment is being sought in any such action or proceeding, the amount of such judgment shall be reduced by such payment.

Section 32.03. If Tenant is in arrears in the payment of minimum rent or additional rent, Tenant waives its right, if any, to designate the items in arrears against which any payments made by Tenant are to be credited and Landlord may apply any of such payments to any such items in arrears as Landlord, in its sole discretion, shall determine, irrespective of any designation or request by Tenant as to the items against which any such payments shall be credited.

Section 32.04. No payment by Tenant nor receipt by Landlord of a lesser amount than may be required to be paid hereunder shall be deemed to be other than on account of any such payment, nor shall any endorsement or statement on any check or any letter accompanying any check tendered as payment be deemed an accord and satisfaction and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such payment due or pursue any other remedy in this Lease provided.

Section 32.05. This Lease and the Schedules annexed hereto constitute the entire agreement between Landlord and Tenant referable to the Demised Premises, and all prior negotiations and agreements are merged herein.

Section 32.06. If any term or provision of this Lease or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid

or unenforceable, shall not be affected thereby, and each term and provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

ARTICLE 33

Captions

The captions of Articles in this Lease are inserted only as a matter of convenience and for reference and they in no way define, limit or describe the scope of this Lease or the intent of any provision thereof.

ARTICLE 34

Inability to Perform

If the performance or observance by Landlord or Tenant of any of the terms, covenants and conditions of this Lease on the part of Landlord or Tenant to be performed shall be delayed by reason of unavoidable delays (as hereinafter defined), then the time for the performance or observance thereof shall be extended for the period of time as Landlord or Tenant shall have been so delayed, provided Tenant shall continue, notwithstanding unavoidable delays, to be obligated to pay minimum rent and additional rent without abatement.

Notwithstanding anything to the contrary contained in this Lease, if Landlord shall fail to provide services or perform work or repairs, as provided in this Lease (collectively, an "Interruption"), and such Interruption shall materially impair the customary operation of Tenant's business in all or any part of the Demised Premises (other than a de minimis part), and if (i) such Interruption shall continue for a period in excess of thirty (30) consecutive days following receipt by Landlord of notice from Tenant describing such Interruption and (ii) such Interruption shall not have been caused by an act or omission in violation of this Lease by or the negligence of Tenant, or of Tenant agents, servants, employees or contractors (an Interruption that satisfied all of the foregoing conditions being referred to hereinafter as a "Material

Interruption"), then Tenant shall be entitled to an abatement of the minimum rent and escalation rent payable under Article 22 (such abatement to be prorated if only a part of the Demised Premises shall be so affected by such Material Interruption),which shall begin on the 31/st/ consecutive day of such Material Interruption and shall end upon the date such Material Interruption has been terminated.

The words "unavoidable delays", as used in this Lease shall mean (a) the enactment of any law or issuance of any governmental order, rule or regulation (i) prohibiting or restricting performance of work of the character required to be performed by Landlord under this Lease, or (ii) establishing rationing or priorities in the use of materials, or (iii) restricting the use of labor, and (b) strikes, lockouts, acts of God, inability to obtain labor or materials, enemy action, civil commotion, fire, unavoidable casualty or other similar types of causes beyond the reasonable control of Landlord, other than financial inability.

ARTICLE 35

No Representations by Landlord

Neither Landlord nor any agent or employee of Landlord has made any representation whatsoever with respect to the Demised Premises except as expressly set forth in this Lease.

ARTICLE 36

Security Deposit

Section 36.01. Concurrently with the execution of this Lease, Tenant shall deposit with Landlord the sum of $195,000.00, by Letter of Credit as provided in Section 36.02, as security for the faithful performance and observance by Tenant of the terms, provisions and conditions of this Lease. Tenant agrees that, in the event that Tenant defaults in respect of any of the terms, provisions and conditions of this Lease (including the payment of minimum rent and additional rent), after any applicable notice and expiration of any applicable cure period, Landlord may notify the "Issuing Bank" (as such term is defined in Section 36.02) and thereupon receive all of the monies represented by the said Letter of Credit and use, apply, or retain the whole or any part of such proceeds, as the case may be, to the extent

required for the payment of any rent, additional rent, or any other sum as to which Tenant is in default, or for any sum that Landlord may expend or may be required to expend by reason of Tenant's default, in respect of any of the terms, covenants and conditions of this Lease (including any damages or deficiency accrued before or after summary proceedings or other re-entry by Landlord). In the event that Landlord applies or retains any portion or all of the proceeds of such Letter of Credit Tenant shall, within five (5) business days after demand by Landlord, restore the amount so applied or retained so that, at all times, the amount deposited shall be $195,000.00. If Tenant shall fail or refuse to make such additional deposit, Landlord shall have the same rights in law and in equity and under this Lease as it has with respect to a default by Tenant in the payment of minimum rent. In the event that Tenant shall fully and faithfully comply with all of the terms, provisions, covenants and conditions of this Lease, the cash security or Letter of Credit, as the case may be, shall be returned to Tenant within twenty (20) days after the expiration date and after delivery of possession of the entire Demised Premises to Landlord in the condition provided in this Lease for such delivery of possession.

Section 36.02. Such letter of credit (the "Letter of Credit") shall be a clean, irrevocable and unconditional Letter of Credit issued by and drawn upon any commercial bank (the "Issuing Bank") with offices for banking purposes in the City of New York or The Bank of Boston, and having a net worth reasonably acceptable to Landlord , which Letter of Credit shall have an initial term of not less than one year or thereafter having a term expiring not less than sixty (60) days following the expiration of the term of this Lease, shall permit multiple drawings, shall be transferable by the beneficiary at one or more occasions at no charge to the beneficiary and otherwise be in form and content satisfactory to Landlord, be for the account of Landlord and be in the amount of $195,000.00. Notwithstanding the foregoing, if at any time the net worth of the Issuing Bank is reasonably unacceptable to Landlord or its rating is downgraded from its current rating, and provided Tenant does not replace the existing Letter of Credit with a Letter of Credit meeting the criteria of Section 36.02 within the sooner of thirty (30) days following Tenant's receipt of Landlord's notice to Tenant of either of the foregoing events or the number of days remaining until the expiration date of the existing Letter of Credit, Landlord shall have the right, at any time thereafter, to draw down the entire proceeds pursuant to the terms of Section 36.01 as cash security pending the replacement of such Letter of Credit. The Letter of Credit shall provide that:

(a) the Issuing Bank shall pay to Landlord or its duly authorized representative an amount up to the face amount of the Letter of Credit upon presentation of the Letter of Credit and a sight draft, in the amount to be drawn, with a statement by Landlord that a default has occurred under the Lease.

(b) it shall be deemed automatically renewed, without amendment, for consecutive periods of one (1) year each thereafter during the term of this Lease, unless Issuing Bank sends written notice (hereinafter referred to as the Non-Renewal Notice) to Landlord by certified or registered mail, return receipt requested, not less than sixty (60) days next preceding the expiration date of the Letter of Credit that it elects not to have the Letter of Credit renewed, and it being agreed that the giving of such Non-Renewal Notice shall for the purpose of this Article 37 be deemed a default under this Lease, unless Tenant replaces the Letter of Credit with a substitute Letter of Credit meeting the criteria of this Section 36.02 or with a cash deposit at least thirty (30) days prior to the expiration date of the Letter of Credit.

(c) Landlord, subsequent to its receipt of a Non-Renewal Notice, and subsequent to the thirty-day period during which Tenant is required to replace the Letter of Credit pursuant to subdivision (b) above, shall have the right, exercisable by means of sight draft, to receive the monies represented by the Letter of Credit and hold such proceeds pursuant to the terms of Section 36.01 as cash security pending the replacement of such Letter of Credit; and

(d) upon Landlord's sale or assignment of its estate as Tenant under any ground or underlying lease, the Letter of Credit shall be transferred by Landlord, as provided in Section 36.03.

Section 36.03. In the event Landlord's estate as tenant under any ground or underlying Lease is sold or assigned, or the fee title of Landlord covering the Land and/or Building is transferrable or conveyed, Landlord shall transfer the Letter of Credit then held by Landlord to the vendee, transferee or assignee, and Landlord shall thereupon be released by Tenant from all liability for the return of such Letter of Credit. In such event, Tenant agrees to look solely to the new Landlord for the return of said Letter of Credit. It is agreed that the provisions hereof shall apply to every transfer or assignment made of the Letter of Credit to a new Landlord.

Section 36.04. Tenant covenants that it will not assign or encumber, or attempt to assign or encumber, the Letter of Credit deposited hereunder as security, and that neither Landlord nor its successors or assigns shall be bound by any such assignment, encumbrance, attempted assignment, or attempted encumbrance.

Section 36.05. The use of the security, as provided in this Article, shall not be deemed or construed as a waiver of Tenant's default or as a waiver of any other rights and remedies to which Landlord may be entitled under the provisions

of this Lease by reason of such default, it being intended that Landlord's rights to use the whole or any part of the security shall be in addition to but not in limitation of any such other rights and remedies; and Landlord may exercise any of such other rights and remedies independent of or in conjunction with its rights under this Article.

ARTICLE 37

Rent Control

In the event the minimum rent and/or additional rent or any part thereof provided to be paid by Tenant under the provisions of this Lease during the demised term shall become uncollectible or shall be reduced or required to be reduced or refunded by virtue of any federal, state, county or city law, order or regulation, or by any direction of a public officer or body pursuant to law, or the orders, rules, code or regulations of any organization or entity formed pursuant to law, Tenant shall enter into such agreement(s) and take such other steps (without additional expense or liability to Tenant) as Landlord may reasonably request and as may be legally permissible to permit Landlord to collect the maximum rents which from time to time during the continuance of such legal rent restriction may be legally permissible (and not in excess of the amounts reserved therefor under this Lease). Upon the termination of such legal rent restriction, (a) the minimum rent and/or additional rent shall become and thereafter be payable in accordance with the amounts reserved herein for the periods following such termination, and (b) Tenant shall pay to Landlord promptly upon being billed, to the maximum extent legally permissible, an amount equal to (i) minimum rent and/or additional rent which would have been paid pursuant to this Lease but for such legal rent restriction less (ii) the rents paid by Tenant during the period such legal rent restriction was in effect.

ARTICLE 38

Landlord's Contribution

Subject to the provisions of Article 5 of this Lease, and except for the work to be performed by Landlord pursuant to Section 2.02, Tenant agrees to perform the initial work and installations required to make the Demised Premises suitable for the conduct of Tenant's business. Tenant agrees to deliver to Landlord, for Landlord's approval the plans and specifications for Tenant's initial work within sixty (60) days following the Commencement Date (the "initial work"). Landlord

agrees to contribute up to the sum of $525,000.00 ("Landlord's Contribution") toward the cost of such work, which shall include hard and soft costs. Landlord shall pay to Tenant, from time to time, but not more often that once a month, ninety (90%) percent of the cost of the work requested by Tenant theretofore performed by the contractor, provided Tenant delivers to Landlord concurrently with its request, receipted bills of the contractor involved approved by Tenant, a certificate by Tenant's architect that such bills have been approved and the work or materials evidenced by such bills have been satisfactorily performed or delivered and a waiver of mechanic's lien signed by the contractor with respect to the amount paid as evidenced by the receipted bill, such payment to be made to Tenant within ten (10) days after receipt of Tenant's request together with the aforesaid documentation. Within ten (10) days after Landlord receives a certificate from Tenant's architect stating that Tenant's work has been substantially completed, that the same has been performed in compliance with all applicable Governmental Requirements and the approved plans and specifications and delivery to Landlord, if applicable, of the final "sign-off" letters and equipment use permits (as necessary) for all work performed from the applicable municipal authorities, Landlord shall pay to Tenant the aggregate of the ten (10%) percent sums retained by Landlord. Landlord shall have no obligation or responsibility to pay any cost exceeding the amount of Landlord's Contribution. If the amount Tenant expends for the cost exceeds the amount of Landlord's Contribution, Tenant shall be responsible for the payment to the contractors of the excess. If said amount is less than the amount of Landlord's Contribution, Landlord shall apply such difference to the payment of minimum rent as and when the same would otherwise become due and payable under this Lease. Tenant shall indemnify and hold Landlord harmless from and against any and all claims, costs and expenses in connection with such work exceeding the amount of Landlord's Contribution.

ARTICLE 39.

Roof Equipment

Tenant shall have the right to use its prorata share of the available area on the roof designated by Landlord for the purpose of locating and/or installing, at its own cost and expense, a satellite dish, antenna and/or telecommunications equipment (collectively "Equipment"). However, if Landlord thereafter is required to use additional area on the roof in connection with the operation of the Building, and no other area on the roof is then available for such purpose, Tenant's prorata share thereof shall be reduced accordingly and Tenant shall remove its Equipment from such area and repair any damage caused thereby. Tenant shall also have the right, subject to the provisions of Article 5, to install in the Building core area, risers, ducts, conduits or other facilities, necessary to connect such Equipment to the Demised

Premises or the Additional Space (as hereinafter defined) then leased by Tenant. All such Equipment and connecting facilities shall be installed and maintained in a manner not to disturb the other tenants in the Building, the operation of the Building systems therein, in compliance with all applicable Governmental Requirements, and subject to plans showing the type of Equipment and connecting facilities to be installed and its location and manner of installation, such plans to be approved by Landlord. Tenant shall cause the Equipment to be covered under Tenant's liability insurance policy. Tenant shall indemnify and hold Landlord harmless from and against any loss, claim, damage or expense in connection with or relating to the installation, maintenance and operation of such Equipment and connecting facilities. Tenant, at its own cost, shall repair any damage to the Building, roof and/or Demised Premises caused by such work, and shall at all times maintain and repair the Equipment and wiring, including any required replacements thereof.

ARTICLE 40

Additional Space

Section 40.01. So long as this Lease is then in full force and effect and Tenant is not then in default in performing any of the conditions of this Lease on its part to be performed, both at the time of Landlord's Availability Notice (as hereinafter defined) and on the Effective Date (as hereinafter defined) for the Additional Space (as hereinafter defined), at the time during the term of this Lease that Landlord becomes aware of the potential availability, after the first leasing thereof, of the entire 7/th/ and/or the entire 9/th/ floor in the Building (each such floor hereunder called the "Additional Space"), which Landlord anticipates will become available for lease and future occupancy by Tenant during the term of this Lease, Landlord shall then give Tenant notice thereof (the "Availability Notice"). Such notice shall also state the rentable square feet of the Additional Space (which for the purpose of this Article is agreed to be 30,000) and Landlord's reasonable estimation of the date when such Additional Space will be available for Tenant"s occupancy (the "Occupancy Date"). If the same is subject to the prior right of the then tenant thereof to renew the term thereof or of another existing tenant to lease the same (collectively, the "Prior Right"), Landlord shall include in its Availability Notice the existence of such Prior Right and the date by which the same must be exercised by the existing tenant having such Prior Right. Concurrently with giving the Availability Notice to Tenant, Landlord shall give to the existing tenant notice to exercise its Prior Right. Landlord thereafter shall notify Tenant of the exercise or non-exercise of such Prior Right. Tenant shall have the one time right to exercise its option to lease such Additional Space by giving Landlord notice of its election to do so (the "Exercise Notice"), within thirty (30) days from the date of its receipt of the Availability Notice, with TIME OF THE ESSENCE. However, if such Additional Space is subject to a Prior Right,

Tenant may exercise its option by giving the Exercise Notice within thirty (30) days from the date of its receipt of notice from Landlord of the non-exercise of such Prior Right, with TIME OF ESSENCE. If Landlord does not receive the Exercise Notice within the applicable thirty (30) day period, then Tenant shall have no further rights under this Article 40 with respect to the Additional Space set forth in the Availability Notice, and Landlord may lease such Additional Space to any other party upon such terms and conditions as Landlord may deem desirable.

Section 40.02. Tenant shall take possession of the Additional Space and Landlord shall deliver possession thereof to Tenant on the later of the Occupancy Date and the actual date on which Landlord shall have delivered such Additional Space to Tenant vacant (the "Effective Date"), and from and after the Effective Date such Additional Space shall automatically be deemed added to and made part of the Demised Premises upon all of the terms, covenants and conditions as are contained in this Lease (except those which by their terms are no longer applicable), except as follows:

(a) Tenant agrees to accept possession of the Additional Space in its then "As Is" condition and Landlord shall not be required to do any work therein to prepare the same for Tenant"s occupancy.

(b) The amounts of the minimum rent provided in Section 3.01 (a) shall be increased by the amount equal to the fair market annual rental value ("Rental Value") of the Additional Space as of the Effective Date, but not less than at the aggregate rate per square foot payable for minimum rent and additional rent payable under Article 22 of this Lease immediately prior to the Effective Date. In the event the parties fail to agree on such Rental Value within ninety (90) days prior to the Effective Date, such Rental Value shall be determined by arbitration in the manner as hereinafter provided in Article 42; and the determination of such arbitration shall be conclusive and binding on the parties. If for any reason such Rental Value shall not be determined prior to the commencement of the Effective Date, Tenant, in the meantime shall pay the monthly installments of minimum rent at the rate per square foot payable for minimum rent and said additional rent immediately prior to the Effective Date. If the Rental Value shall be greater than the amount paid by Tenant for the Additional Space following the Effective Date, Tenant forthwith after the arbitrators' decision, shall pay to Landlord the difference between the monthly installments actually paid and the monthly installments which should have been paid from the commencement of the Effective Date, and

thereafter Tenant shall pay the monthly installments of the new minimum rent.

(c) In Section 22.01(a), with respect to the Additional Space only, in subdivision (i) the "Tax Base Factor" shall mean the July 1 - June 30 fiscal year in which the Effective Date occurs; in subdivision (iii) the "Comparative Tax Year" shall mean the July 1 - June 30 fiscal year immediately following the Tax Base Factor; and in subdivision (v) the "Percentage" shall mean 3.429%.

(d) In Section 22.02(a), with respect to the Additional Space only, in subdivision (ii), the "Base Wage Rate" shall mean the Wage Rate in effect for the calendar year in which the Effective Date occurs; and in subdivision (v) the "Multiplication Factor" shall mean 30,000.

Section 40.03. Notwithstanding the provisions of Section 40.02, if Landlord is unable to give possession of the Additional Space on the Effective Date because of the holding-over of the tenant thereof, Landlord shall not be subject to any liability for failure to give possession on the Effective Date, but the Effective Date shall not be deemed to have occurred for any purpose whatsoever until the date that Landlord shall actually deliver possession of the Additional Space to Tenant. In any event, Landlord shall promptly commence and diligently prosecute holdover proceedings or such other legal proceedings as may be required in order to obtain prompt possession of the Additional Space as promptly thereafter as may be practical.

Section 40.04. Following the determination of the Effective Date, the minimum rent and the escalation rents of the Additional Space, Landlord and Tenant shall execute an agreement amending this Lease to reflect the foregoing, but the provisions of this Article 40 shall be effective with respect to the Additional Space effective from and after the Effective Date whether or not such an amendment is executed.

Section 40.05. Except as specifically amended in this Article 40, all of the terms, covenants and conditions of this Lease shall continue in full force and effect and unchanged.

ARTICLE 41

Option for Renewal Term

Section 41.01. So long as this Lease is then in full force and effect and Tenant is not then in default beyond the expiration of any applicable cure period, both at the time it exercises the Renewal Option (as hereinafter defined) and at the commencement of the Renewal Term (as hereinafter defined) under any of the terms, covenants and conditions hereunder on the part of Tenant to be performed, Tenant, at its option (the "Renewal Option"), shall have the right to extend the Expiration Date of this Lease for one additional period of five (5) years (the "Renewal Term"), provided Tenant gives Landlord notice of its exercise of its option at least twelve (12) months but not more than fifteen (15) months prior to the expiration of the initial term hereof, with TIME OF THE ESSENCE. If Landlord does not receive Tenant's exercise notice prior to such date, then Tenant shall have no further rights under this Article 41 and this Article shall be of no further force or effect. If the Demised Premises are subject to the right of another existing tenant to lease the same at any time during the Renewal Term, Landlord shall advise Tenant of the existence of such Prior Right and the date by which the same must be exercised by the existing tenant having such Prior Right. Landlord shall thereafter notify Tenant of the exercise or non-exercise of such Prior Right. Upon the exercise of such Prior Right, Tenant's exercise of the Renewal Option shall automatically be deemed of no force or effect and Tenant shall have no further rights under this Article 41. Upon the non-exercise of such Prior Right, Tenant's exercise of its Renewal Option shall remain in full force and effect and the following sections of this Article 41 shall be applicable.

Section 41.02. The Renewal Term shall be upon all of the same terms, covenants and conditions as are contained in this Lease, except as follows:

(a) Tenant shall have no further right to extend the term of this Lease.

(b) Landlord shall not be required to do any work in the Demised Premises or obligated to pay any commission and there shall be no rent abatement.

(c) (i) The minimum rent for the Renewal Term shall be an amount equal to of the fair market annual rental value of the Demised Premises as at the commencement of the Renewal Term (exclusive of the additional rent payable under Article 22 which shall continue to be payable as provided in said Article), but in

no event less than the amount of the minimum rent then payable during the last year of the initial term ("Renewal Rental Value"). In the event the parties fail to agree on such Renewal Rental Value within four (4) months prior to the Expiration Date of the initial term hereof, then such Renewal Rental Value shall be determined by arbitration in the manner as provided in Article 42, and the results of such arbitration shall be conclusive and binding on the parties.

(ii) If for any reason the Renewal Rental Value for the Renewal Term shall not be determined prior to the commencement of the Renewal Term, Tenant, in the meantime, shall pay the monthly installments of minimum rent at the then rate as provided in Section 3.01(a) including the additional rent then payable under Article 22. If the Renewal Rental Value as determined by arbitration shall be greater than the amount of the annual minimum rent (exclusive of additional rent under Article 22) then being payable, then within twenty (20) days after the arbitrators' decision, the difference between the monthly installments for minimum rent actually paid and the monthly installments for minimum rent which should have been paid from the commencement of the Renewal Term shall be determined and paid by Tenant to Landlord and thereafter Tenant shall pay the monthly installments of minimum rent at the new rate.

Section 41.03. Following the determination of the minimum rent, Landlord and Tenant shall execute an agreement amending this Lease to reflect the foregoing, but the provisions of this Article 41 shall be effective with respect to the Renewal Term effective from the commencement of the Renewal Term whether or not such an amendment is executed.

ARTICLE 42.

Arbitration

Section 42.01. The arbitration provided for in Articles 40 and 41 shall be settled by arbitration in the Borough of Manhattan, City, County and State of New York, conducted to the extent consistent with this Article 42 in accordance

with the rules then obtaining of the American Arbitration Association, or any successor body of similar function, governing commercial arbitration, except that the foregoing shall not be deemed or construed to require that such arbitration actually be conducted by or before the American Arbitration Association or any successor body of similar function. The arbitration shall be conducted before arbitrators selected as follows: The party desiring arbitration shall appoint a disinterested person complying with the provisions of Section 42.02 hereof as arbitrator on its behalf and give notice thereof to the other party who shall, within twenty (20) days thereafter, appoint a second disinterested person as arbitrator on its behalf and give written notice thereof to the first party. The arbitrators thus appointed shall, within twenty (20) days after the date of the appointment of the second arbitrator, appoint a third disinterested person, who shall be a person licensed by the State of New York (if such license is required by law) or otherwise qualified and having the necessary expertise, including at least ten (10) year's experience, in the matter or discipline which is the primary subject or is primarily involved in such arbitration. If the arbitrators thus appointed shall fail to appoint such third disinterested person within said twenty (20) day period, then either party may, by application to the presiding Justice of Appellate Division of the Supreme Court of the State of New York for the First Judicial Department, which application shall be made within fifteen (15) days after the end of said twenty (20) day period, seek to appoint such third disinterested person, such appointment being made not later than thirty (30) days after the date of said application. Upon such appointment, such person shall be the third arbitrator as if appointed by the original two arbitrators. The decision of the majority of the arbitrators shall be final, non-appealable, conclusive and binding on all parties and judgment upon the award may be entered in any court having jurisdiction. If a party who shall have the right pursuant to the foregoing, to appoint an arbitrator, fails or neglects to do so, then and in such event the other party shall select the arbitrator not so selected by the first party, and upon such selection, such arbitrator shall be deemed to have been selected by the first party. The expenses of arbitration shall be shared equally by Landlord and Tenant, unless this Lease expressly provides otherwise, but each party shall pay and be separately responsible for its own counsel and witness fees and disbursements, unless this Lease expressly provides otherwise. Landlord and Tenant agree to sign all documents and to do all other things reasonably necessary to submit any such matter to arbitration and further agree to, and hereby do, waive any and all rights they or either of them may at any time have to revoke their agreement hereunder to submit to arbitration and to abide by the decision rendered thereunder and agree that a judgment or order may be entered in any court of competent jurisdiction based on an arbitration award (including the granting of injunctive relief).

Section 42.02. The arbitrators shall have the right to retain and consult experts and competent authorities skilled in the matters under arbitration, but any such consultation shall be made in the presence of both parties, with full right on

their part to cross-examine such experts and authorities. The arbitrators shall render their decision and award upon the concurrence of at least two (2) of their number, not later than sixty (60) days after appointment of the third arbitrator. Their decision and award shall be in writing and counterpart copies thereof shall be delivered to each of the parties. In rendering their decision and award, the arbitrators shall have no power to modify or in any manner alter or reform any of the provisions of this Lease, and the jurisdiction of the arbitrators is limited accordingly.

IN WITNESS WHEREOF, Landlord and Tenant have duly executed this Lease as of the day and year first above written.

622 BUILDING COMPANY LLC,
By: 622 Building Corp.,
its managing member

By: /s/ Charles Steven Cohen

Charles Steven Cohen, President
Landlord

iCAST, INC.

By: /s/ Andrew J. Hajducky

Tenant

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

On the 16 day of August, 1999, before me personally came Charles Steven Cohen, to me known, who, being by me duly sworn, did depose and say that he resides at 750 Lexington Avenue, New York, New York 10022; that he is the President of 622 Building Corp., the corporation described in and which executed the foregoing instrument as the managing member of 622 Building Company LLC, a limited liability company; and that he signed his name thereto by authority of the members of said limited liability company.

/s/ Harris Bornstein

Notary Public

[STAMP AFFIXED HERE]

STATE OF Massachusetts)
: ss.:
COUNTY OF Essex)

On the 16/th/ day of August, 1999, before me personally came Andrew J. Hajducky, to me known, who, being by me duly sworn, did depose and say that he resides at ; that he is the of iCAST, INC., the corporation described in and which executed the foregoing instrument; and that he signed his name thereto by order of the board of directors of said corporation.

/s/ Meaghann M. Jackson

Notary Public

[STAMP AFFIXED HERE]

SCHEDULE A

Floor Plan

[FLOOR PLAN APPEARS HERE]

SCHEDULE B

Description of Land

All that certain plot, piece or parcel of land, situate, lying and being in the Borough of Manhattan, County of New York, City and State of New York, bounded and described as follows:

BEGINNING at the corner formed by the intersection of the northerly side of 40th Street with the westerly side of 3rd Avenue;

RUNNING THENCE northerly along the westerly side of 3rd Avenue, 74 feet 3/4 of an inch;

THENCE westerly parallel with northerly side of 40th Street, 100 feet;

THENCE northerly parallel with the westerly side of 3rd Avenue, 123 feet 5 1/4 inches to the southerly side of 41st Street;

RUNNING THENCE westerly along the southerly side of 41st Street, 228 feet 4 inches to a point distant 91 feet 8 inches east of the easterly side of Lexington Avenue;

THENCE southerly parallel with the westerly side of 3rd Avenue, 80 feet;

THENCE westerly parallel with the southerly side of 41st Street, 16 feet 8 inches;

THENCE southerly parallel with the westerly side of 3rd Avenue, 18 feet 9 inches;

THENCE easterly parallel with the southerly side of 41st Street, 50 feet;

THENCE southerly parallel with the westerly side of 3rd Avenue, 23 feet 9 inches;

THENCE easterly parallel with the southerly side of 41st Street, 45 feet;

THENCE southerly and parallel with the westerly side of 3rd Avenue, 75 feet to the northerly side of 40th Street; and

THENCE easterly along the northerly side of 40th Street, 250 feet to the point or place of BEGINNING.

SCHEDULE C

Rules and Regulations

1. The rights of tenants in the entrances, corridors, elevators and escalators of the Building are limited to ingress to and egress from the tenants' premises for the tenants and their employees, licensees, guests, customers and invitees, and no tenant shall use, or permit the use of, the entrances, corridors, escalators or elevators for any other purpose. No tenant shall invite to the tenant's premises, or permit the visit of, persons in such numbers or under such conditions as to interfere with the use and enjoyment of any of the plazas, entrances, corridors, escalators, elevators and other facilities of the Building by other tenants. Fire exits and stairways are for emergency use only, and they shall not be used for any other purposes by the tenants, their employees, licensees or invitees. No tenant shall encumber or obstruct, or permit the encumbrance or obstruction of any of the sidewalks, plazas, entrances, corridors, escalators, elevators, fire exits or stairways of the Building. The Landlord reserves the right to control and operate the public portions of the Building and the public facilities, as well as facilities, furnished for the common use of the tenants, in such manner as it deems best for the benefit of the tenants generally, so long as the same does not materially unreasonably interfere with Tenant's use and occupancy of the Demised Premises. Landlord further reserves the right, at any time, to install a message/package center in an area in the Building designated by Landlord and reasonably accessible to and for the common use of tenant's, and the tenants shall comply with the procedures for the same set forth by the Landlord.

2. The reasonable cost of repairing any damage to the public portions of the Building or the public facilities or to any facilities used in common with other tenants, caused by a tenant or the employees, licensees or invitees of the tenant, shall be paid by such tenant.

3. The Landlord may refuse admission to the Building outside of ordinary business hours to any person not known to the watchman in charge or not having a pass issued by the Landlord or not properly identified, and may require all persons admitted to or leaving the Building outside of ordinary business hours to register. Each tenant shall be responsible for all persons for whom he requests such permission and shall be liable to the Landlord for all acts of such persons. Any person whose presence in the Building at any time shall, in the judgment of the Landlord, be prejudicial to the safety, character, reputation and interests of the Building or its tenants may be denied access to the Building or may be rejected therefrom. In case of invasion, riot, public excitement or other commotion the Landlord may prevent all access to the Building during the continuance of the same,

by closing the doors or otherwise, for the safety of the tenants and protection of property in the Building. The Landlord may require any person leaving the Building with any package or other object to exhibit a pass from the tenant from whose premises the package or object is being removed, but the establishment and enforcement of such requirement shall not impose any responsibility on the Landlord for the protection of any tenant against the removal of property from the premises of the tenant. The Landlord shall, in no way, be liable to any tenant for damages or loss arising from the admission, exclusion or ejection of any person to or from the tenant's premises or the Building under the provisions of this rule.

4. No tenant shall obtain or accept for use in its premises towel, barbering, boot blacking, floor polishing, lighting maintenance, cleaning or other similar services from any persons not authorized by the Landlord in writing to furnish such services, provided always that the charges for such services by persons authorized by the Landlord are comparable to the industry charge. Such services shall be furnished only at such hours, in such places within the tenant's premises and under such reasonable regulations as may be fixed by the Landlord.

5. No awnings or other projections over or around the windows shall be installed by any tenant, and only such window blinds as are supplied or permitted by the Landlord shall be used in a tenant's premises.

6. There shall not be used in any space, or in the public halls of the Building, either by the Tenant or by jobbers or others, in the delivery or receipt of merchandise, any hand trucks, except those equipped with rubber tires and side guards.

7. All entrance doors in each tenant's premises shall be left locked when the tenant's premises are not in use. Entrance doors shall not be left open at any time. All windows in each tenant's premises shall be kept closed at all times and all blinds therein above the ground floor shall be lowered when and as reasonably required because of the position of the sun, during the operation of the Building air conditioning system to cool or ventilate the tenant's premises.

8. No noise, including the playing of any musical instruments, radio or television, which, in the judgment of the Landlord, might disturb other tenants in the Building shall be made or permitted by any tenant. Nothing shall be done or permitted in any tenant's premises, and nothing shall be brought into or kept in any tenant's premises, which would impair or interfere with any of the Building services or the proper and economic heating, cleaning or other servicing of the Building or the premises, or the use or enjoyment by any other tenant of any other premises, nor shall there be installed by any tenant any ventilating, air conditioning, electrical or other equipment of any kind which, in the judgment of the Landlord, might cause any

such impairment or interference. Landlord hereby acknowledges that Tenant's initial build-out does not violate this provision. No dangerous, flammable, combustible or explosive object or material shall be brought into the Building by any tenant or with the permission of any tenant.

9. Tenant shall not permit any cooking or food odors emanating within the Demised Premises to seep into other portions of the Building.

10. No acids, vapor or other materials shall be discharged or permitted to be discharged into the waste lines, vents or flues of the Building which may damage them. The water and wash closets and other plumbing fixtures in or serving any tenant's premises shall not be used for any purpose other than the purpose for which they were designed or constructed, and no sweepings, rubbish, rags, acids or other foreign substances shall be deposited therein. All damages resulting from any misuse of the fixtures shall be borne by the tenant who, or whose servants, employees, agents, visitors or licensees, shall have caused the same.

11. No signs, advertisement, notice or other lettering shall be exhibited, inscribed, painted or affixed by any tenant on any part of the outside or inside the premises or the Building without the prior written consent of the Landlord. In the event of the violation of the foregoing by any tenant, Landlord may remove the same without any liability, and may charge the expense incurred by such removal to the tenant or tenants violating this rule. Interior signs and lettering on doors and elevators shall be inscribed, painted, or affixed for each tenant by Landlord at the expense of such tenant, (the charge not to exceed that which a reputable outside contractor would charge), and shall be of a size, color and style reasonably acceptable to Landlord. Landlord shall have the right to prohibit any advertising by any tenant which impairs the reputation of the building or its desirability as a building for offices, and upon written notice from Landlord, Tenant shall refrain from or discontinue such advertising.

12. No additional locks or bolts of any kind shall be placed upon any of the doors or windows in any tenant's premises and no lock on any door therein shall be changed or altered in any respect. Upon the termination of a tenant's lease, all keys of the tenant's premises and toilet rooms shall be delivered to the Landlord.

13. No tenant shall mark, paint, drill into or in any way deface any part of the Building or the premises demised to such tenant. Except as otherwise provided with respect to Tenant's initial build-out, no boring, cutting or stringing of wires shall be permitted, except with the prior written consent of Landlord, which will not be unreasonably withheld or delayed, and as Landlord may reasonably direct. No tenant shall install any resilient tile or similar floor covering in the premises demised to such tenant except in a manner approved by Landlord.

14. No tenant shall use or occupy, or permit any portion of the premises demised to such tenant to be used or occupied, as an office for a public stenographer or typist, or as a barber or manicure shop, or as an employment bureau. No tenant or occupant shall engage or pay any employees in the Building, except those actually working for such tenant or occupant in the Building, nor advertise for laborers giving an address at the Building.

15. No premises shall be used, or permitted to be used, at any time, as a store for the sale or display of goods, wares or merchandise of any kind, or as a restaurant, shop, booth, bootblack or other stand, or for the conduct of any business or occupation which predominantly involves direct patronage of the general public in the premises demised to such tenant, or for manufacturing or for other similar purposes.

16. The requirements of tenants will be attended only upon application at the office of the Building. Employees of Landlord shall not perform any work or do anything outside of the regular duties, unless under special instructions from the office of the Landlord.

17. Each tenant shall, at its expense, provide artificial light in the premises demised to such tenant for Landlord's agents, contractors and employees while performing janitorial or other cleaning services and making repairs or alterations in said premises.

18. The tenant's employees shall not loiter around the hallways, stairways, elevators, front, roof or any other part of the Building used in common by the occupants thereof.

19. If the premises demised to any tenant become infested with vermin, such tenant, at its sole cost and expense, shall cause its premises to be exterminated, from time to time, to the satisfaction of Landlord and shall employ such exterminators therefor as shall be approved by Landlord.

20. No bicycle or other vehicle and no animals shall be allowed in the showrooms, offices, halls, corridors or any other parts of the Building.

21. If there is any conflict between these rules and regulations and the provisions of the Lease, the provisions of the Lease shall govern.

SCHEDULE D

Cleaning Specifications

for

622 Third Avenue, New York, New York

Landlord will perform cleaning services in the Demised Premises and related areas as follows:

NIGHTLY

Empty and wipe clean all ash trays.

Empty and wipe clean all waste receptacles.

Wipe clean all areas within hand high reach; including but not limited to window sills, wall ledgers, chairs, desks, tables, baseboards, file cabinets, convector enclosures, pictures and all manner of office furniture.

Wipe clean all glass top desks and tables.

Sweep with treated cloths all composition tile flooring.

Carpet sweep all carpeted areas, and vacuum clean weekly.

LAVATORIES WITHIN PREMISES (Nightly or as otherwise designated)

Wash and dry all bowls, seats urinals, washbasins and mirrors.

Wash and wipe dry all metal work.

Insert toilet tissue, toweling and soap in dispensers; materials to be supplied by Tenant.

Empty paper towel and sanitary napkin disposal receptacles and remove to designated area.

Sweep and wash floors.

Wipe clean all sills, partitions and ledges.

Wipe clean exterior of waste cans and dispensing units.

Wash both partitions monthly.

Wash tile walls monthly.

Wash and dry interior of waste cans and sanitary disposal containers weekly. Machine scrub flooring monthly.

Dust exterior of light fixtures monthly.

FLOOR MAINTENANCE

High Dusting Public Areas.

High dust all walls, ledges, pictures, anemostats, registers, grilles, etc., not reached in normal nightly cleaning quarterly.

WINDOW CLEANING SERVICES

Clean all exterior windows, inside and out periodically during the year, as Landlord deems necessary.

RUBBISH REMOVAL SERVICES

Remove all ordinary dry rubbish and paper only from the office premises of the Demised Premises daily, Monday through Friday, holidays excepted.

SCHEDULE E

Definitions

(a) The term mortgage shall include an indenture of mortgage and deed of trust to a trustee to secure an issue of bonds, and the term mortgagee shall include such a trustee.

(b) The terms include, including and such as shall each be construed as if followed by phrase "without being limited to".

(c) The term obligations of this lease, and words of like import, shall mean the covenants to pay rent and additional rent under this lease and all of the other covenants and conditions contained in this lease. Any provision in this lease that one party or the other or both shall do or not do or shall cause or permit or not cause or permit a particular act, condition, or circumstance shall be deemed to mean that such party so covenants or both parties so covenant, as the case may be.

(d) The term Tenant's obligations hereunder, and words of like import, and the term Landlord's obligations hereunder, and words of like import, shall mean the obligations of this lease which are to be performed or observed by Tenant, or by Landlord, as the case may be. Reference to performance of either party's obligations under this lease shall be construed as "performance and observance".

(e) Reference to Tenant being or not being in default hereunder, or words of like import, shall mean that Tenant is in default (beyond any applicable notice and cure periods) in the performance of one or more of Tenant's obligations hereunder, or that Tenant is not in default (beyond any applicable notice and cure periods) in the performance of any of Tenant's obligations hereunder, or that a condition of the character described in Section 25.01 has occurred and continues or has not occurred or does not continue, as the case may be.

(f) References to Landlord as having no liability to Tenant or being without liability to Tenant, shall mean that Tenant is not entitled to terminate this lease, or to claim actual or constructive eviction, partial or total, or to receive any abatement or diminution of rent, or to be relieved in any manner of any of its other obligations hereunder, or to be compensated for loss or injury suffered or to enforce any other kind of liability whatsoever against Landlord under or with respect to this lease or with respect to Tenant's use or occupancy of the Demised Premises.

(g) The term laws and/or requirements of public authorities and words
of like import shall mean laws and ordinances of any or all of the Federal, state, city, county and borough governments and rules, regulations, orders and/or directives of any or all departments, subdivisions, bureaus, agencies or offices thereof, or of any other governmental, public or quasi-public authorities, having jurisdiction in the premises, and/or the direction of any public officer pursuant to law.

(h) The term requirements of insurance bodies and words of like import shall mean rules, regulations, orders and other requirements of the New York Board of Fire Underwriters and/or the New York Fire Insurance Rating Organization and/or any other similar body performing the same or similar functions and having jurisdiction or cognizance of the Building and/or the Demised Premises.

(i) The term repair shall be deemed to include restoration and replacement as may be necessary to achieve and/or maintain good working order and condition.

(j) Reference to termination of this lease includes expiration or earlier termination of the term of this lease or cancellation of this lease pursuant to any of provisions of this lease or to law. Upon a termination of this lease, the term and estate granted by this lease shall end at noon of the date of termination as if such date were the date of expiration of the term of this lease and neither party shall have any further obligation or liability to the other after such termination (i) except as shall be expressly provided for in this lease, or (ii) except for such obligation as by its nature or under the circumstances can only be, or by the provisions of this lease, may be, performed after such termination, and, in any event, unless expressly otherwise provided in this lease, any liability for a payment which shall have accrued to or with respect to any period ending at the time of termination shall survive the termination of this lease.

(k) The term Tenant shall mean Tenant herein named or any assignee or other successor in interest (immediate or remote) of Tenant herein named, while such Tenant or such assignee or other successor in interest, as the case may be, is in possession of the Demised Premises as owner of the Tenant's estate and interest granted by this lease and also, if Tenant is not an individual or a corporation, all of the persons, firms and corporations then comprising Tenant.

(l) Words and phrases used in the singular shall be deemed to include the plural and vice versa, and nouns and pronouns used in any particular gender shall be deemed to include any other gender.

EXHIBIT 10.6

CABOT INDUSTRIAL PROPERTIES, L.P.
INDUSTRIAL REAL ESTATE LEASE
MULTI-TENANT NET FORM

TABLE OF CONTENTS

ARTICLE ONE: BASIC TERMS

The following terms used in this Lease shall have the meanings set forth below.

1.01	DATE OF LEASE:	September 1, 1998
1.02	LANDLORD (LEGAL ENTITY):	Cabot Industrial Properties, L.P.
1.03	TENANT (LEGAL ENTITY):	SalesLink Corporation, a Delaware corporation
1.04	TENANT'S GUARANTOR:	CMG Information Services, Inc.
1.05	ADDRESS OF PROPERTY:	6112 West 73rd Street, Bedford Park, Illinois
1.06	APPROXIMATE SIZE OF PROPERTY:	232,872 rentable square feet
1.07	APPROXIMATE SIZE OF PREMISES:	80,239 rentable square feet
1.08	TENANT'S INITIAL PRORATA SHARE:	34.46%
1.09	LEASE TERM:	One hundred twenty (120) full calendar months
1.10	LEASE COMMENCEMENT DATE:	March 1, 1999
1.11	LEASE EXPIRATION DATE:	February 28, 2009
1.12	PERMITTED USES:	General office and warehouse use, provided any such use shall be compliant with applicable zoning laws and the terms of this Lease
1.13	BROKER(S):	Darwin Realty & Development, Midwest Commercial Real Estate
1.14	INITIAL SECURITY DEPOSIT:	$125,000.00 Letter of Credit, subject to adjustment as described in Section 17.16
1.15	PARKING SPACES ALLOCATED TO TENANT:	Those certain spaces located in Area 1 as generally shown on Exhibit A-1 attached hereto

Period	Annual Base Rent	Monthly Installment
March 1, 1999 - February 29, 2000	$254,357.63	$21,196.47
March 1, 2000 - February 28, 2001	$261,352.46	$21,779.37

1.16 BASE RENT:

Period	Annual Base Rent	Monthly Installment
March 1, 2001 - February 28, 2002	$268,539.66	$22,378.30
March 1, 2002 - February 28, 2003	$275,924.50	$22,993.71
March 1, 2003 - February 29, 2004	$283,512.42	$23,626.03
March 1, 2004 - February 28, 2005	$291,309.01	$24,275.75
March 1, 2005 - February 28, 2006	$299,320.01	$24,943.33
March 1, 2006 - February 28, 2007	$307,551.31	$25,629.28
March 1, 2007 - February 29, 2008	$316,008.97	$26,334.08
March 1, 2008 - February 28, 2009	$324,699.22	$27,058.27

1.17	OTHER CHARGES PAYABLE BY TENANT:	(i) Real Property Taxes (Article Five); (ii) Utilities (Article Six); (iii) Insurance Premiums (Article Seven); (iv) CAM Expenses (Article Eight);
1.18	ADDRESS OF LANDLORD FOR NOTICES:	c/o Cabot Industrial Trust Two Center Plaza - Suite 200 Boston, MA 02108-1906 Attention: Mr. Bradley McGill
1.19	ADDRESS OF TENANT FOR NOTICES:	SalesLink Corporation 6112 West 73rd Street Bedford Park, Illinois Attention: Mr. Keith Litterick
	With a copy to:	SalesLink Corporation 25 Drydock Avenue Boston, MA 02210 Attention: Mr. Richard F. Torre
	And a copy of all default notices to:	Palmer & Dodge LLP One Beacon Street Boston, MA 02108 Attention: William Williams, II, Esq.
1.20	EXHIBITS:	A: The Property A-1: Tenant's Parking Spaces B: The Premises

C: Rules & Regulations
D: Letter of Credit
E: Memorandum of Acceptance of

ARTICLE TWO: PREMISES
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2.01 PREMISES. The Premises are described in Exhibit B and are a part of the Property, which is described in Exhibit A. The Property includes all the land, building(s), and all other improvements located on the land including the common areas described in Article Eight, and all easements and appurtenant rights related to Tenant's use of the Premises as provided in this Lease.

ARTICLE THREE: LEASE TERM
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3.01 LEASE OF PREMISES FOR LEASE TERM. Landlord leases the Premises to Tenant and Tenant leases the Premises from Landlord for the Lease Term. The Lease Term shall be the period stated in Article One and shall begin on the Lease Commencement Date set forth in Article One. Notwithstanding the provisions of Article 1.10 above, Landlord agrees to grant to Tenant possession of the office portion of the Premises no later than October 1, 1998 and to grant to Tenant possession of the warehouse portion of the Premises no later than December 1, 1998. Upon written request of Tenant, Landlord agrees to use diligent efforts to accelerate the respective date of possession of the office and warehouse portions of the Premises, subject to Landlord's ability to cause the current occupant of any portion of such space to timely surrender such space in accordance with such occupant's current agreement with Landlord.

3.02 DELAY IN COMMENCEMENT. Landlord shall not be liable to Tenant if Landlord shall not deliver possession of all portions of the Premises to Tenant by March 1, 1999. Landlord's non-delivery of all portions of the Premises to Tenant on or before that date shall not affect this Lease or the obligations of Tenant under this Lease, except that the Lease Commencement Date shall be postponed by the number of days in the period commencing from and after December 1, 1998 to the date possession of all portions of the Premises shall be delivered to Tenant, and the Expiration Date shall be extended to the last day of the 120th full calendar month following such deferred Lease Commencement Date. Immediately prior to the Lease Commencement Date, Landlord and Tenant shall execute an amendment to this Lease setting forth the Lease Commencement Date and Expiration Date of this Lease. Failure to execute such amendment shall not affect the Lease Commencement Date and Expiration Date of this Lease. Notwithstanding the foregoing, in the event Landlord has not delivered possession of all portions of the Premises to Tenant on or before March 1, 1999, Tenant may, upon written notice to Landlord, terminate this Lease, and thereupon this Lease shall terminate, and all deposits (including the Letter of Credit) shall be returned to Tenant as soon as practicable thereafter.

3.03 EARLY OCCUPANCY. If Tenant shall occupy the Premises prior to the Lease Commencement Date, Tenant's occupancy of the Premises shall be subject to all of the provisions of this Lease. Early occupancy of the Premises shall not advance the Expiration Date of this Lease. Notwithstanding the foregoing, Tenant shall not be obligated to pay any Base Rent prior to the Lease Commencement Date, but Tenant shall be obligated to pay Additional Rent pursuant to Section 4.02 during the ninety-day period preceding the Lease Commencement Date.

3.04 HOLDING OVER. Tenant shall vacate the Premises upon the Expiration Date or earlier termination of this Lease. Tenant shall reimburse Landlord for and indemnify Landlord against all reasonably foreseeable damages, costs, liabilities and expenses, including attorneys' fees, which Landlord shall incur on account of Tenant's delay in so vacating the Premises, except to the extent any such delay arises out of any act or omission of Landlord and anyone for whose acts the Landlord is responsible. If Tenant shall not vacate the Premises upon the Expiration Date or earlier termination of this Lease, the Base Rent shall be increased to 200% of the Base Rent then in effect and Tenant's obligation to pay Additional Rent shall continue, but nothing herein shall limit any of Landlord's rights or Tenant's

obligations arising from Tenant's failure to vacate the Premises, including, without limitation, Landlord's right to repossess the Premises and remove Tenant therefrom at any time after the Expiration Date or earlier termination of this Lease and Tenant's obligation to reimburse and indemnify Landlord as provided in the preceding sentence.

ARTICLE FOUR: RENT

4.01 BASE RENT. Commencing on the Lease Commencement Date, and on the first day of each month thereafter during the Lease Term, Tenant shall pay to Landlord the Base Rent as described in Section 1.15 in lawful money of the United States, in advance and without offset, deduction, or prior demand. The Base Rent shall be payable at Landlord's address or at such other place or to such other person as Landlord may designate in writing from time to time. The amount of Base Rent due for partial months shall be prorated accordingly.

4.02 ADDITIONAL RENT. Commencing on the Lease Commencement Date, all sums payable by Tenant under this Lease other than Base Rent shall thereafter be payable to Landlord and be deemed "Additional Rent;" the term "Rent" shall mean Base Rent and Additional Rent. Landlord shall estimate in advance (which estimate shall be in writing and forwarded to Tenant in advance) and charge to Tenant the following costs, to be paid on a monthly basis throughout the Lease Term: (i) all Real Property Taxes for which Tenant is liable under Section 5.01 and 5.02 of the Lease, (ii) all utility costs (if utilities are not separately metered) for which Tenant is liable under Section 6.01 of the Lease, (iii) all insurance premiums for which Tenant is liable under Sections 7.01 and 7.06 of the Lease, (iv) all CAM Expenses for which Tenant is liable under Section 8.04 of the Lease. Collectively, the aforementioned Real Property Taxes, insurance, utility, and CAM Expenses shall be referred to as the "Total Operating Costs." Landlord may adjust its estimates of Total Operating Costs at any time based upon Landlord's experience and reasonable anticipation of costs. Such adjustments shall be effective as of the next Rent payment date after written notice to Tenant. Within 120 days after the end of each fiscal year (which shall be December 31st for this Lease) during the Lease Term, Landlord shall deliver to Tenant a statement prepared in accordance with generally accepted accounting principles setting forth, in reasonable detail, the Total Operating Costs paid or incurred by Landlord during the preceding fiscal year and Tenant's Pro Rata Share of such expenses. Within thirty (30) days after Tenant's receipt of such statement and invoices and other documentation in support thereof, there shall be an adjustment between Landlord and Tenant, with payment to or credit given by Landlord (as the case may be) in order that Landlord shall receive the entire amount of Tenant's share of such costs and expenses for such period. In addition to its obligation to pay Base Rent and its Pro Rata Share of Total Operating Costs, Tenant is required hereunder to pay directly to suppliers, vendors, carriers, contractors, etc. certain insurance premiums, utility costs, personal property taxes, maintenance and repair costs and other expenses, collectively "Additional Expenses." If Landlord pays for any Additional Expenses in accordance with the terms of this Lease, Tenant's obligation to reimburse such costs shall be an Additional Rent obligation payable in full with the next monthly Rent payment. Unless this Lease provides otherwise, Tenant shall pay all Additional Rent then due with the next monthly installment of Base Rent.

4.03 LATE CHARGE. Tenant hereby acknowledges that late payment by Tenant to Landlord of Rent and other amounts due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed on Landlord by the terms of any loan secured by the Building. Accordingly, if any installment of Rent or any other sums due from Tenant shall not be received by Landlord within five days following the due date, Tenant shall pay to

Landlord a late charge equal to five percent of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant. Acceptance of such late charge by Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder.

4.04 INTEREST. Any Rent or other amount due to Landlord, if not paid within five days after due, shall bear interest from the date due until paid at the rate of 10% per annum, provided that interest shall not be payable on late charges incurred by Tenant nor on any amounts upon which late charges are paid by Tenant to the extent such interest would cause the total interest to be in excess of that legally permitted. Payment of interest shall not excuse or cure any default hereunder by Tenant.

4.05 TENANT'S PRO RATA SHARE. Tenant's Pro Rata Share shall be calculated by dividing the rentable square foot area of the Premises, as set forth in Section 1.07, by the rentable square foot area of the Property, as set forth in Section 1.06, which is leased or held for lease by tenants, as of the date on which the computation shall be made. Tenant's initial Pro Rata Share is set forth in Section 1.08 and is subject to adjustment based on the aforementioned formula. Landlord agrees to use the same measurement method for all tenant space in the Property.

ARTICLE FIVE: PROPERTY TAXES
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5.01 REAL PROPERTY TAXES. Tenant shall pay Tenant's Pro Rata Share of Real Property Taxes on the Property payable during the Lease Term. Tenant shall make such payments to Landlord in accordance with Section 4.02. If Landlord shall receive a refund of any Real Property Taxes with respect to which Tenant shall have paid Tenant's Pro Rata Share, Landlord shall refund to Tenant Tenant's Pro Rata Share of such refund after deducting therefrom the costs and expenses reasonably incurred in connection therewith.

5.02 DEFINITION OF "REAL PROPERTY TAXES." "Real Property Taxes" shall mean taxes, assessments (special, betterment, or otherwise), levies, fees, rent taxes, excises, impositions, charges water and sewer rents and charges, and all other government levies and charges, general and special, ordinary and extraordinary, foreseen and unforeseen, which are imposed or levied upon or assessed against the Property or any Rent or other sums payable by any tenants or occupants thereof to the extent any of the foregoing are not included in CAM Expenses pursuant to Article Eight below. Real Property Taxes shall include Landlord's costs and expenses reasonably incurred in contesting any Real Property Taxes. If at any time during the term the present system of ad valorem taxation of real property shall be changed so that in lieu of the whole or any part of the ad valorem tax on real property, or in lieu of increases therein, there shall be assessed on Landlord a capital levy or other tax on the gross rents received with respect to the Property or a federal, state, county, municipal, or other local income, franchise, excise or similar tax, assessment, levy, or charge (distinct from any now in effect) measured by or based, in whole or in part, upon gross rents, then all of such taxes, assessments, levies, or charges, to the extent so measured or based ("Substitute Taxes"), shall be deemed to be a Real Property Taxes.

5.03 PERSONAL PROPERTY TAXES. Tenant shall pay directly all taxes charged against trade fixtures, furnishings, equipment, inventory, or any other personal property belonging to Tenant. Tenant shall use its best efforts to have personal property taxed separately from the Property. If any of Tenant's personal property shall be taxed with the Property, Tenant shall pay Landlord the taxes for such personal property within fifteen (15) days after Tenant receives a written statement from Landlord for such personal property taxes.

ARTICLE SIX: UTILITIES

6.01 UTILITIES. Tenant shall promptly pay, directly to the appropriate supplier, the cost of all natural gas, heat, cooling energy, light, power, sewer service, telephone, water, refuse disposal and other utilities and services supplied to the Premises, allocable to the Lease Term together with any related installation or connection charges or deposits (collectively "Utility Costs"). If any services or utilities are jointly metered with other premises, Landlord shall make a reasonable determination of Tenant's proportionate share of the such Utility Costs and Tenant shall pay such share to Landlord in accordance with Section 4.02. Landlord shall not be liable for damages, consequential or otherwise, nor shall there be any rent abatement arising out of any curtailment or interruption whatsoever in utility services. Utilities serving the Common Areas (as defined in Article Eight) exclusively shall be accounted for as described in Article Eight. Notwithstanding the foregoing, in the event any such interruption or discontinuance in the furnishing of the foregoing services pursuant to this Article 6 was within the reasonable control of Landlord to prevent or correct and continues beyond five (5) consecutive business days after written notice to Landlord and materially and adversely affects Tenant's ability to conduct its business in the Premises, or any portion thereof, and on account thereof Tenant ceases doing business in the Premises, or such portion thereof, Base Rent and rent adjustments shall thereafter equitably abate for so long as and to the extent Tenant's ability to conduct its business in the Premises or such portion thereof is so affected.

ARTICLE SEVEN: INSURANCE

7.01 LIABILITY INSURANCE. From the time Tenant shall first enter the Premises, throughout the Lease Term and thereafter as long as Tenant shall remain in the Premises (collectively, "the Occupancy Period"), Tenant shall maintain in effect commercial general liability insurance insuring Tenant against liability for bodily injury, property damage (including loss of use of property) and personal injury at the Premises, including contractual liability. Such insurance shall name Landlord, its property manager, any mortgagee of which Landlord gives Tenant written notice, and Cabot Partners Limited Partnership, as additional insureds. The initial amount of such insurance shall be Three Million Dollars ($3,000,000) per occurrence and shall be subject to reasonable periodic increases specified by Landlord based upon inflation, increased liability awards, recommendation of Landlord's professional insurance advisers, and other relevant factors. The liability insurance obtained by Tenant under this Section 7.01 shall (i) be primary; and (ii) insure Tenant's obligations to Landlord under Section 7.09. The amount and coverage of such insurance shall not limit Tenant's liability nor relieve Tenant of any other obligation under this Lease. Landlord may also obtain commercial general liability insurance in an amount and with coverage determined by Landlord insuring Landlord against liability with respect to the Premises and the Property. The policy obtained by Landlord shall not provide primary insurance, shall not be contributory and shall be excess over any insurance maintained by Tenant.

7.02 WORKER'S COMPENSATION INSURANCE. During the Occupancy Period, Tenant shall maintain in effect Worker's Compensation Insurance (including Employers' Liability Insurance) in the statutory amount covering all employees of Tenant employed or performing services at the Premises, in order to provide the statutory benefits required by the laws of the state in which the Premises are located.

7.03 AUTOMOBILE LIABILITY INSURANCE. During the Occupancy Period, Tenant shall maintain in effect Automobile Liability Insurance, including but not limited to, passenger liability, on all owned, non-owned, and hired vehicles used in connection with the Premises, with a combined single limit per occurrence of not less than One Million Dollars ($1,000,000) per vehicle for injuries or death of one or more persons or loss or damage to property.

7.04 PERSONAL PROPERTY INSURANCE. During the Occupancy Period, Tenant shall maintain in effect Personal Property Insurance covering leasehold improvements paid for by Tenant and Tenant's personal property and fixtures from time to time in, on, or at the Premises, in an amount not less than 100% of the full replacement cost, without deduction for depreciation, providing protection against events protected under "All Risk Coverage," as well as against sprinkler damage, vandalism, and malicious mischief. Any proceeds from the Personal Property Insurance shall be used for the repair or replacement of the property damaged or destroyed, unless this Lease is terminated under an applicable provision herein. If the Premises are not repaired or restored following damage or destruction in accordance with other provisions herein, Landlord shall receive any proceeds from the Personal Property Insurance allocable to Tenant's leasehold improvements.

7.05 [Intentionally Deleted]

7.06 PROPERTY AND RENTAL INCOME INSURANCE. During the Lease Term, Landlord shall maintain in effect all risk insurance covering loss of or damage to the Property in the amount of its full replacement value with such endorsements and deductibles as Landlord shall reasonably determine from time to time and which are customarily held by owners of property similar to the Property. Landlord shall have the right to obtain flood, earthquake, and such other insurance as Landlord shall reasonably determine from time to time or shall be required by any lender holding a security interest in the Property. Landlord shall not obtain insurance for Tenant's fixtures or equipment or building improvements installed by Tenant. During the Lease Term, Landlord shall also maintain a rental income insurance policy, with loss payable to Landlord, in an amount equal to one (1) year's Base Rent, plus estimated Real Property Taxes, CAM Expenses, Utility Costs and insurance premiums for one (1) year. Tenant shall be liable for the payment of any deductible amount under Landlord's insurance maintained pursuant to this Article Seven, in an amount not to exceed Twenty-Five Thousand Dollars ($25,000). Tenant shall not do or permit anything to be done which shall invalidate any such insurance.

7.07 PAYMENT OF INSURANCE PREMIUMS. Landlord shall pay the premiums of the insurance policies maintained by Landlord under Section 7.06 and Section 7.01 (if applicable), and Tenant shall reimburse Landlord for Tenant's Pro Rata Share of such premiums in accordance with Section 4.02. Tenant shall pay directly the premiums of the insurance policies maintained by Tenant under Sections 7.01, 7.02, 7.03, 7.04, and 7.05.

7.08 GENERAL INSURANCE PROVISIONS.

7.08 (a) Any insurance which Tenant shall be required to maintain under this Lease shall include a provision which requires the insurance carrier to give Landlord not less than thirty (30) days' written notice prior to any cancellation or modification of such coverage.

7.08 (b) Prior to the earlier of Tenant's entry into the Premises or the Lease Commencement Date, Tenant shall deliver to Landlord an insurance company certificate that Tenant maintains the insurance required by Sections 7.01, 7.02, 7.03, 7.04 and 7.05 and not less than thirty (30) days prior to the expiration or termination of any such insurance, Tenant shall deliver to Landlord renewal certificates therefor. Tenant shall provide Landlord with copies of the policies promptly upon request from time to time. If Tenant shall fail to deliver any certificate or renewal certificate to Landlord required under this Lease within the prescribed time period or if any such policy shall be canceled or modified during the Lease Term without Landlord's consent, Landlord may obtain such insurance, in which case Tenant shall

reimburse Landlord, as Additional Rent, for the cost of such insurance within ten (10) days after receipt of a statement of the cost of such insurance.

7.08 (c) Tenant shall maintain all insurance required under this Lease with companies having a "General Policy Rating" of A -; X or better, as set forth in the most current issue of the Best Key Rating Guide.

7.08 (d) Landlord and Tenant, on behalf of themselves and their insurers, each hereby waive any and all rights of recovery against the other, or against the officers, partners, employees, agents, or representatives of the other, for loss of or damage to its property or the property of others under its control, if such loss or damage shall be covered by any insurance policy in force (whether or not described in this Lease) at the time of such loss or damage, or required to be carried under this Article Seven. All property insurance carried by either party shall contain a waiver of subrogation against the other party to the extent such right shall have been waived by the insured party prior to the occurrence of loss or injury.

7.09 INDEMNITY. Tenant shall hold Landlord, its agents, employees, officers, directors, partners and shareholders ("lndemnitees") harmless from and defend Indemnitees from and against all claims, liabilities, judgments, demands, causes of action, losses, damages, costs and expenses including reasonable attorney's fees for damage to any property or injury to or death of any person arising in or from (i) the use or occupancy of the Premises by Tenant or persons claiming under Tenant, except to the extent caused by the negligence or willful misconduct of Landlord, its agents, employees or contractors, or (ii) arising from the negligence or willful misconduct of Tenant, its employees, agents, contractors, or invitees in, upon or about the Property except as such arises out of the act or omission of Landlord or any Indemnitee, or (iii) arising out of any breach or default by Tenant under this Lease. The foregoing shall include reasonable investigation costs and all the costs and expenses incurred by Landlord from the first notice that any claim or demand is to be made or may be made. The provisions of this Section 7.09 shall survive the expiration or termination of this Lease with respect to any damage, injury, or death occurring prior to such time.

Landlord shall hold Tenant, its agents, employees, officers, directors, partners and shareholders ("Indemnitees") harmless from and defend Indemnitees from and against all claims, liabilities, judgements, demands, causes of action, losses, damages, costs and expenses including reasonable attorney's fees for damage to any property or injury to or death of any person arising in or from (i) the use or occupancy of the Building by Landlord or persons claiming under Landlord, except such to the extent caused by the negligence or willful misconduct of Tenant, its agents, employees or contractors, or (ii) arising from the negligence or willful misconduct of Landlord, its employees, agents, contractors, or Invitees in, upon or about the Property except as such arises out of the act or omission of Tenant or any Indemnitee, or (iii) arising out of any breach or default by Landlord under this Lease. The foregoing shall include reasonable investigation costs and all the costs and expenses incurred by Tenant from the first notice that any claim or demand is to be made or may be made. The provisions of this Section 7.09 shall survive the expiration or termination of this Lease with respect to any damage, injury, or death occurring prior to such time.

ARTICLE EIGHT: COMMON AREAS
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8.01 COMMON AREAS. As used in this Lease, "Common Areas" shall mean all areas within the Property which are available for the common use of tenants of the Property and which are not leased or held for the exclusive use of Tenant or other tenants, including, but not limited to, parking areas, driveways,

sidewalks, access roads, landscaping, and planted areas. Landlord, from time to time, and with prior written notice to Tenant, may change the size, location, nature, and use of any of the Common Areas, convert Common Areas into leaseable areas, construct additional parking facilities (including parking structures) in the Common Areas, and increase or decrease Common Area land or facilities; provided, however, that the amount of CAM Expenses shall be proportionately adjusted by Landlord to account for such change or conversion. Such activities and changes are permitted if they do not materially affect Tenant's use of the Premises or the operation of its business therein, and such changes to the Common Areas shall not unreasonably affect accessibility of the Premises, nor shall any such changes decrease the number of parking spaces available to Tenant.

8.02 USE OF COMMON AREAS. Tenant shall have the non-exclusive right (in common with other tenants and all others to whom Landlord has granted or may grant such rights) to use the Common Areas for the purposes intended, subject to such reasonable rules and regulations ("Rules and Regulations") as Landlord may establish or modify from time to time and as initially set forth in Exhibit "C" and after notice to Tenant of any changes thereto provided, however, Landlord agrees not to selectively enforce in a discriminatory manner against Tenant but not other tenants in the Building any of the rules and regulations described in this Section 8.02. Tenant shall abide by all such Rules and Regulations and shall use its best efforts to cause others who use the Common Areas with Tenant's express or implied permission to abide by Landlord's Rules and Regulations. At any time, Landlord may close only upon prior reasonable notice (except in an emergency) and provided such closing is only temporary any Common Areas to perform any acts in the Common Areas as, in Landlord's reasonable judgment, are desirable to maintain or improve the Property. Tenant shall not interfere with the rights of Landlord, other tenants, or any other person entitled to use the Common Areas. In the event of conflict with the terms of this Lease, the terms of this Lease shall prevail over the Rules and Regulations.

8.03 VEHICLE PARKING. Tenant shall be entitled to use the number of vehicle parking spaces in the Property allocated to Tenant in Section 1.14 without paying any additional rent. Tenant's parking shall not be reserved and shall be limited to vehicles no larger than standard size automobiles or pickup utility vehicles. Tenant shall not cause large trucks or other large vehicles to be parked within the Property or on the adjacent public streets except in accordance with the Rules and Regulations. Vehicles shall be parked only in striped parking spaces and not in driveways, other locations not specifically designated for parking. Handicapped spaces shall only be used by those legally permitted to use them. Tenant shall not park at any time more vehicles in the parking area than the number set forth in Section 1.14.

8.04 COMMON AREA MAINTENANCE. Subject to Articles Eleven and Twelve, Landlord shall maintain the Property (other than the Premises) and the Common Areas in good order, condition, and repair. Common Area Maintenance expenses ("CAM Expenses") are all costs and expenses associated with the operation and maintenance of the Common Areas and the repair and maintenance of the heating, ventilation, air conditioning, plumbing, electrical, utility, and safety systems for the Property (to the extent not performed by Tenant), including, but not limited to, the following: gardening and landscaping; snow removal; utility, water and sewage services for the Common Area; maintenance of signs (other than tenants' signs); worker's compensation insurance; personal property taxes; rental or lease payments paid by Landlord for rented or leased personal property used in the operation or maintenance of the Common Areas; fees for required licenses and permits; routine maintenance and repair of roof membrane, flashings, gutters, downspouts, roof drains, skylights and waterproofing; maintenance of paving (including sweeping, striping, repairing, resurfacing, and repaving); general maintenance; painting; lighting; cleaning; refuse removal; security and similar items; reserves for roof replacement, exterior painting and other appropriate reserves; and a property management fee (not to exceed five percent (5%) of the gross rents of the Property for the calendar year). Landlord may cause any or all of such services to be provided by third parties and the cost of such services shall be included in CAM

Expenses; provided, however, that Landlord shall include in the statement prepared pursuant to Section 4.02 hereof the full-time/part-time employment status of the individual(s) providing management services to the Property. With respect to any CAM Expenses which are included for the benefit of the Property and other property, Landlord shall make a reasonable allocation of such cost between the Property and such other property. CAM Expenses shall not include: (a) the cost of capital repairs and replacements, provided, however, that the annual depreciation (based on the useful life of the item under generally accepted accounting principles) of any such capital repair or replacement to the Common Areas or any common heating, ventilating, air-conditioning, plumbing, electrical, utility and safety systems serving the Property shall be included in the CAM Expenses each year during the term of this Lease; and (b) the cost of capital improvements, provided, however, that the annual depreciation (based on the useful life of the item under generally accepted accounting principles) of any capital improvement undertaken to reduce CAM Expenses or made in order to comply with legal requirements shall be included in CAM Expenses each year during the term of this Lease.

8.05 TENANT'S PAYMENT OF CAM EXPENSE. Tenant shall pay Tenant's Pro Rata Share of all CAM Expenses in accordance with Section 4.02.

ARTICLE NINE: USE OF PREMISES
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9.01 PERMITTED USES. Tenant may use the Premises only for the Permitted Uses set forth in Section 1.11 above. Landlord hereby represents that the Permitted Uses are permitted as of right under the applicable zoning laws and other laws, rules and regulations.

9.02 MANNER OF USE. Tenant shall not cause or permit the Premises to be used in any way which shall constitute a violation of any law, ordinance, restrictive covenants, governmental regulation or order, which shall annoy or interfere with the rights of tenants of the Property, or which shall constitute a nuisance or waste. Tenant shall obtain and pay for all permits, including a certificate of occupancy and shall promptly take all actions necessary to comply with all applicable statutes, ordinances, notes, regulations, orders and requirements regulating the use by Tenant of the Premises, including the Occupational Safety and Health Act.

9.03 HAZARDOUS MATERIALS. As used in this Lease, the term "Hazardous Material" shall mean any flammable items, explosives, radioactive materials, oil, hazardous or toxic substances, material or waste or related materials, including any substances defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials" or "toxic substances" now or subsequently regulated under any applicable federal, state or local laws or regulations, including without limitation petroleum-based products, paints, solvents, lead, cyanide, DDT, printing inks, acids, pesticides, ammonia compounds and other chemical products, asbestos, PCBs and similar compounds, and including any different products and materials which are subsequently found to have adverse effects on the environment or the health and safety of persons. Tenant shall not cause or permit any Hazardous Material to be generated, produced, brought upon, used, stored, treated or disposed of in or about the Property by Tenant, its agents, employees, contractors, sublessees or invitees without (a) the prior written consent of Landlord, and (b) complying with all applicable Federal, State and Local laws or ordinances pertaining to the transportation, storage, use or disposal of such Hazardous Materials, including but not limited to obtaining proper permits. Landlord shall be entitled to take into account such other factors or facts as Landlord may reasonably determine to be relevant in determining whether to grant or withhold consent to Tenant's proposed activity with respect to Hazardous Material. In no event, however, shall Landlord be required to consent to the installation or use of any storage tanks on the Property. Landlord hereby represents to Tenant that, as of the date of this Lease, to Landlord's best

knowledge (without having conducted any investigation) the Premises are free of any "Hazardous Materials" as such term is defined herein. Landlord hereby consents to Tenant's use of small amounts of cleaning solvents, copy and printer toner and other materials customarily used in the operation of business offices and in the course of Tenant's operations at the Premises, so long as Tenant complies fully with all applicable laws, rules and regulations relating thereto.

If Tenant's transportation, storage, use or disposal of Hazardous Materials on the Premises results in the contamination of the soil or surface or ground water or loss or damage to person(s) or property, then Tenant agrees to: (a) notify Landlord immediately upon Tenant's obtaining actual knowledge of any contamination, claim of contamination, loss or damage, (b) after consultation with the Landlord, clean up the contamination in full compliance with all applicable statutes, regulations and standards and (c) indemnify, defend and hold Landlord harmless from and against any claims, suits, causes of action, costs and fees, including reasonable attorney's fees and costs, arising from or connected with any such contamination, claim of contamination, loss or damage to the extent caused by Tenant and its activities in or on the Premises. Tenant agrees to fully cooperate with Landlord and provide such documents, affidavits and information as may be reasonably requested by Landlord (i) to comply with any environmental law, (ii) to comply with the request of any lender, purchaser or tenant, and/or (iii) for any other reason deemed reasonably necessary by Landlord. Tenant shall notify Landlord promptly upon Tenant's obtaining actual knowledge of any spill or other release of any Hazardous Material at, in, on, under or about the Premises which is required to be reported to a governmental authority under any environmental law, will promptly forward to Landlord copies of any notices received by Tenant relating to alleged violations of any environmental law and will promptly pay when due any fine or assessment against Landlord, Tenant or the Premises relating to any violation by Tenant of an environmental law during the term of this Lease. If a lien is filed against the Premises by any governmental authority resulting from the need to expend or the actual expending of monies arising from an act or omission, whether intentional or unintentional, of Tenant, its agents, employees or invitees, or for which Tenant is responsible, resulting in the releasing, spilling, leaking, leaching, pumping, emitting, pouring, emptying or dumping of any Hazardous Material into the waters or onto land located within or without the State where the Premises is located, then Tenant shall, within thirty (30) days from the date that Tenant is first given notice that such lien has been placed against the Premises (or within such shorter period of time as may be specified by Landlord if such governmental authority has commenced steps to cause the Premises to be sold pursuant to such lien) either (i) pay the claim and remove the lien, or (ii) furnish a cash deposit, bond, or such other security with respect thereto as is satisfactory in all respects to Landlord and is sufficient to effect a complete discharge of such lien on the Premises. The provisions of this Section 9.03 shall survive the expiration or earlier termination of this Lease.

9.04 SIGNS AND AUCTIONS. Tenant shall not place any signs on the Property without Landlord's prior written consent, which consent shall not be unreasonably withheld for outdoor signage that identifies Tenant as the occupant of the Premises, provided such signage complies with applicable law. Tenant shall not conduct or permit any auctions or sheriff's sales at the Property.

9.05 LANDLORD'S ACCESS. Landlord or its agents may enter the Premises at all reasonable times to show the Premises to potential buyers, investors or tenants or other parties; to do any other act or to inspect and conduct tests in order to monitor Tenant's compliance with all applicable environmental laws and all laws governing the presence and use of Hazardous Material; or for any other purpose Landlord deems reasonably necessary. Landlord shall give Tenant at least two days' prior written notice (except in the event of an emergency) of such entry, and such entry by Landlord shall not interfere with Tenant's business operations or cause damage to Tenant's personal property. Landlord shall repair any damage to Tenant or its personal property as a result of such entry. Within the final six months of the Lease Term, Landlord may place customary "For Sale" or "For Lease" signs on the Premises.

ARTICLE TEN: CONDITION AND MAINTENANCE OF PREMISES

10.01 EXISTING CONDITIONS. Tenant shall accept the Property and the Premises in their condition as of the execution of the Lease, subject to all recorded matters, laws, ordinances, and governmental regulations and orders. Except as provided herein, Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representation as to the condition of the Property or the suitability of the Property for Tenant's intended use. Tenant represents and warrants that Tenant has made its own inspection of and inquiry regarding the condition of the Property and is not relying on any representations of Landlord or any Broker with respect thereto. Tenant agrees to execute promptly a memorandum of Acceptance of Premises in the form set forth in Exhibit "E" to this Lease.

10.02 EXEMPTION OF LANDLORD FROM LIABILITY. Tenant shall insure its personal property under an all risk full replacement cost property insurance policy. Landlord shall not be liable for any damage or injury to the person, business (or any loss of income therefrom), goods, wares, merchandise or other property of Tenant, Tenant's employees, invitees, customers or any other person or about the Property, whether such damage or injury is caused by or results from: (a) fire, steam, electricity, water, gas or rain; (b) the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures or any other cause; (c) conditions arising in or about Property, or from other sources or places; or (d) any act or omission of any other tenant of the Property. The provisions of this Section 10.02 shall not, however, exempt Landlord from liability for Landlord's negligence or willful misconduct.

10.03 LANDLORD'S OBLIGATIONS. Subject to the provisions of Article Eleven (Damage or Destruction) and Article Twelve (Condemnation) (and except that Tenant shall be obligated to reimburse Landlord for the costs of any damage caused by any act or omission of Tenant, or Tenant's employees, agents, contractors or invitees), Landlord shall keep the foundation, roof, building systems (other than the heating, ventilating and air conditioning system), structural supports and exterior walls of the improvements on the Property, the sidewalks, paved parking lots, etc. in good order, condition and repair. However, Landlord shall not be obligated to maintain or repair windows, doors, plate glass or the surfaces of walls. Tenant shall promptly report in writing to Landlord any defective condition known to it which Landlord is required to repair. Tenant hereby waives the benefit of any present or future law which provides Tenant the right to repair the Premises or Property at Landlord's expense or to terminate this Lease because of the condition of the Property or Premises.

10.04 TENANT'S OBLIGATIONS

10.04 (a) REPAIR AND MAINTENANCE. Except as provided in Section 10.03, Article Eleven (Damage or Destruction) and Article Twelve (Condemnation), Tenant shall keep all portions of the Premises (including systems and equipment) and the heating, ventilating and air conditioning system in good order, condition and repair (including repainting and refinishing, as needed). If any portion of the Premises or any system or equipment in the Premises which Tenant shall be obligated to repair cannot be fully repaired or restored, Tenant shall promptly notify Landlord, and Landlord shall at Tenant's expense replace such portion of the Premises or system or equipment, except that if the benefit of such replacement extends beyond the Lease Term, Tenant shall only be obligated to pay a proportionate share thereof attributable to the period then remaining in the Term of its Lease. Tenant shall maintain a preventive maintenance contract providing for the regular inspection and maintenance of the heating and air conditioning system by a heating and air conditioning contractor, such contract and such contractor to be approved by Landlord, which approval shall not be unreasonably withheld. Landlord shall have the

right, upon written notice to Tenant, to undertake the responsibility for maintenance of the heating and air conditioning system at Tenant's expense. Landlord shall, at Tenant's expense, repair any damage to the portions of the Property Landlord shall be required to maintain to the extent caused by Tenant's negligent acts or omissions and not related to Landlord's negligent acts or omissions.

10.04 (b) TENANT'S EXPENSE. Tenant shall fulfill all of Tenant's obligations under this Section 10.04 at Tenant's sole expense. If Tenant shall fail to maintain, repair or replace the Premises as required by this Section 10.04, Landlord may, upon ten (10) days' prior notice to Tenant (except that no notice shall be required in the case of an emergency), enter the Premises and perform such maintenance or repair (including replacement, as needed) on behalf of Tenant. In such case, Tenant shall reimburse Landlord for all costs reasonably incurred in performing such maintenance, repair or replacement as part of Additional Rent.

10.05 ALTERATIONS, ADDITIONS, AND IMPROVEMENTS

10.05 (a) TENANT'S WORK. Tenant shall not make any installations, alterations, additions, or improvements in or to the Premises, including, without limitation, any apertures in the walls, partitions, ceilings or floors, without on each occasion obtaining the prior consent of Landlord, not to be unreasonably withheld for non-structural alterations. Any such work so approved by Landlord shall be performed only in accordance with plans and specifications therefor approved by Landlord. Tenant shall procure at Tenant's sole expense all necessary permits and licenses before undertaking any work on the Premises and shall perform all such work in a good and workmanlike manner employing materials of good quality and so as to conform with all applicable zoning, building, fire, health and other codes, regulations, ordinances and laws and with all applicable insurance requirements. If requested by Landlord, Tenant shall furnish to Landlord prior to commencement of any such work a bond or other security acceptable to Landlord assuring that any work by Tenant will be completed in accordance with the approved plans and specifications and that all subcontractors will be paid. Tenant shall employ for such work only contractors approved by Landlord, which approval shall not be unreasonably withheld, and shall require all contractors employed by Tenant to carry worker's compensation insurance in accordance with statutory requirements and commercial general liability insurance covering such contractors on or about the Premises with a combined single limit not less than $3,000,000 and shall submit certificates evidencing such coverage to Landlord prior to the commencement of such work. Tenant shall indemnify and hold harmless Landlord from all injury, loss, claims or damage to any person or property occasioned by or growing out of such work and not arising from Landlord's acts or omissions. Landlord may inspect the work of Tenant at reasonable times and give to Tenant written notice of observed defects. Upon completion of any such work, Tenant shall provide Landlord with "as built" plans, copies of all construction contracts and proof of payment for all labor and materials.

10.05 (b) NO LIENS. Tenant shall pay when due all claims for labor and material furnished to the Premises and shall at all times keep the Property free from liens for labor and materials. Tenant shall give Landlord at least ten (10) days' prior written notice of the commencement of any work on the Premises if Landlord's consent to such work is required. Landlord may record and post notices of non-responsibility on the Premises.

10.06 CONDITION UPON TERMINATION. Upon the expiration or termination of this Lease, Tenant shall surrender the Premises to Landlord broom clean and in the condition which Tenant shall have been required to maintain the Premises under this Lease, reasonable wear and tear, damage by casualty or taking and damages caused by any failure of Landlord to perform its obligations and improvements left in accordance with this Section 10.06 excepted. Tenant shall not be obligated to repair any damage

which Landlord is required to repair under Article Eleven (Damage or Destruction). Landlord may require Tenant to remove any alterations, additions or improvements (whether or not made with Landlord's consent) prior to the expiration of the Lease and to restore the Premises to their prior condition, all at Tenant's expense; provided, however, that with respect to any alterations, additions or improvements which require Landlord's approval, at the time of such approval Landlord shall specify if any of the same shall not be required to be removed by Tenant and shall become Landlord's property and shall be surrendered to Landlord upon the expiration or earlier termination of the Lease, except that Tenant may remove any of Tenant's machinery or equipment which can be removed without damage to the Property. Landlord agrees that Tenant's Work related to its initial build-out need not be removed upon the expiration or earlier termination of this Lease. Tenant shall repair, at Tenant's expense, any damage to the Property caused by the removal of any such machinery or equipment. In no event, however, shall Tenant remove any of the following materials or equipment (which shall be deemed Landlord's property), without Landlord's prior written consent; unless the same shall have been installed by Tenant at its expense: any power wiring or wiring panels; lighting or lighting fixtures; wall coverings; drapes, blinds or other window coverings; carpets or other floor coverings; heaters, air conditioners or any other heating or air conditioning equipment; fencing or security gates; or other similar building operating equipment.

ARTICLE ELEVEN: DAMAGE OR DESTRUCTION
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11.01 DAMAGE TO PREMISES

11.01 (a) If the Premises shall be destroyed or rendered untenantable, either wholly or in part, by fire or other casualty ("Casualty"), Tenant shall immediately notify Landlord in writing upon the occurrence of such Casualty. In the event of any Casualty destroying or rendering untenantable more than fifty percent of the Premises, Landlord may elect either to (i) repair the damage caused by such casualty as soon as reasonably possible, in which case this Lease shall remain in full force and effect, or (ii) terminate this Lease as of the date the casualty occurred. If such damage occurs during the last year of the Term, Tenant may also elect to terminate this Lease as of the date the casualty occurred. Landlord shall notify Tenant within thirty (30) days after receipt of notice of the occurrence of the casualty whether Landlord elects to repair the damage or terminate this Lease. In the event of any Casualty destroying or rendering untenantable less than fifty percent of the Premises, Landlord shall repair the damage caused by such casualty as soon as reasonably possible. If Landlord shall elect to repair the damage, Tenant shall pay Landlord the portion of the "deductible amount" (if any) under Landlord's insurance allocable to the damage to the Premises and, if the damage shall have been due to an act or omission of Tenant, or Tenant's employees, agents, contractors or invitees, the difference between the actual cost of repair and any insurance proceeds received by Landlord.

11.01(b) If the casualty to the Premises shall occur during the last six (6) months of the Lease Term and the damage shall be estimated by Landlord to require more than thirty (30) days to repair, either Landlord or Tenant may elect to terminate this Lease as of the date the casualty shall have occurred, regardless of the sufficiency of any insurance proceeds. The party electing to terminate this Lease shall give written notification to the other party of such election within ten (10) days after Tenant's notice to Landlord of the occurrence of the casualty.

11.01(c) Notwithstanding the foregoing, in the event Landlord is unable to substantially complete such restoration work within 180 days following any such casualty, Tenant shall notify Landlord in writing of Tenant's intent to thereafter terminate this Lease and Landlord shall thereafter have an additional 30 day period within which to substantially complete such work; and in the event Landlord fails to substantially complete such work by the end of such extended 30-day period, Tenant shall thereafter have the right to terminate this Lease upon

delivery of written notice to Landlord of such termination prior to the earlier of (a) the date of such substantial completion of Landlord's work or (b) fifteen days following expiration of such extended 30-day period.

11.02 TEMPORARY REDUCTION OF RENT. If the Property shall be destroyed or damaged by casualty and Landlord shall determine to repair or restore the Property pursuant to the provisions of this Article Eleven, any Rent payable during the period of such damage, repair and/or restoration shall be reduced according to the degree, if any, to which Tenant's use of the Premises shall be impaired. Such reduction shall not exceed the sum of one year's payment of Base Rent, insurance premiums and Real Property Taxes. Except for such possible reduction in Base Rent, insurance premiums and Real Property Taxes, Tenant shall not be entitled to any compensation, reduction or reimbursement from Landlord as a result of any damage, destruction, repair, or restoration of the Property.

11.03 WAIVER. Tenant waives the protection of any statute, code or judicial decision which shall grant a tenant the right to terminate a lease in the event of the damage or destruction of the leased property and the provisions of this Article Eleven shall govern the rights and obligations of Landlord and Tenant in the event of any damage or destruction of or to the Property.

ARTICLE TWELVE: CONDEMNATION
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12.01 CONDEMNATION. If more than twenty percent (20%) of the floor area of the Premises or more than twenty-five percent (25%) of the parking on the Property, shall be taken by eminent domain either Landlord or Tenant may terminate this Lease as of the date the condemning authority takes title or possession, by delivering notice to the other within ten (10) days after receipt of written notice of such taking (or in the absence of such notice, within ten (10) days after the condemning authority shall take title or possession). If neither Landlord nor Tenant shall terminate this Lease, this Lease shall remain in effect as to the portion of the Premises not taken, except that the Base Rent shall be reduced in proportion to the reduction in the floor area of the Premises. If this Lease shall be terminated, any condemnation award or payment shall be distributed to the Landlord. Tenant shall have no claim against Landlord for the value of the unexpired lease term or otherwise.

ARTICLE THIRTEEN: ASSIGNMENT AND SUBLETTING
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13.01 LANDLORD'S CONSENT REQUIRED. No portion of the Premises or of Tenant's interest in this Lease shall be acquired by any other person or entity, whether by sale, assignment, mortgage, sublease, transfer, operation of law, or act of Tenant, without Landlord's prior written consent, except as provided in Section 13.02 below. Landlord shall have the right to grant or withhold its consent as provided in Section 13.04 below. Any attempted transfer without consent shall be void and shall constitute a non curable breach of this Lease.

13.02 NO RELEASE OF TENANT. No assignment or transfer shall release Tenant or change Tenant's primary liability to pay the Rent and to perform all other obligations of Tenant under this Lease. Landlord's acceptance of Rent from any other person shall not be a waiver of any provision of this Article Thirteen. Consent to one transfer shall not be deemed a consent to any subsequent transfer or a waiver of the obligation to obtain consent on subsequent occasions. If Tenant's assignee or transferee shall default under this Lease, Landlord may proceed directly against Tenant without pursuing remedies against the assignee or transferee. Landlord may consent to subsequent assignments or modifications of this Lease by Tenant's transferee without notifying Tenant or obtaining its consent, and such action shall not release Tenant from any of its obligations or liabilities under this Lease as so assigned or modified.

13.03 OFFER TO TERMINATE. If Tenant shall desire to assign this Lease or sublease all or any part of the Premises, Tenant shall offer to Landlord in writing, the right to terminate this Lease as of the date specified in the offer. If Landlord shall elect in writing to accept the offer to terminate within twenty (20) days after receipt of notice of the offer, and Tenant does not within ten (10) days following receipt of Landlord's written notice of such acceptance notify Landlord in writing of Tenant's withdrawal of its intent to assign or sublease, this Lease shall terminate as of the date specified in such offer and all the terms and provisions of this Lease governing termination shall apply. If Landlord shall not so elect, Tenant shall then comply with the provisions of this Article Thirteen applicable to such assignment of sublease.

13.04 LANDLORD'S CONSENT. Tenant's request for consent under Section 13.01 shall set forth the details of the proposed sublease, assignment or transfer, including the name, business and financial condition of the prospective transferee, financial details of the proposed transaction (e.g., the term of and the rent and security deposit payable under any proposed assignment or sublease), and any other information Landlord deems relevant. Landlord shall have the right to withhold consent, reasonably exercised, or to grant consent, based on the following factors: (i) the business of the proposed assignee or subtenant and the proposed use of the Premises; (ii) the net worth and financial condition of the proposed assignee or subtenant; (iii) Tenant's compliance with all of its obligations under this Lease; and (iv) such other factors as Landlord may reasonably deem relevant. If Tenant shall assign or sublease, the following shall apply: Tenant shall pay to Landlord as Additional Rent fifty percent (50%) of the Profit (defined below) on such transaction (such amount being Landlord's share) as and when received by Tenant, unless Landlord shall give notice to Tenant and the assignee or subtenant that Landlord's Share shall be paid by the assignee or subtenant to Landlord directly. Profit shall mean (a) all rent and all fees and other consideration paid for or in respect of the assignment or sublease, including fees under any collateral agreements less (b) the rent and other sums payable under this Lease (in the case of a sublease of less than all of the Premises, allocable to the subleased premises) and all costs and expenses directly incurred by Tenant in connection with the execution and performance of such assignment or sublease for reasonable real estate broker's commissions and reasonable costs of renovation or construction of tenant improvements required under such assignment or sublease. Tenant shall be entitled to recover such reasonable costs and expenses before Tenant shall be obligated to pay Landlord's Share to Landlord. Tenant shall provide Landlord a written statement certifying all amounts to be paid from any assignment or sublease of the Premises within thirty (30) days after the transaction shall be signed and from time to time thereafter on Landlord's request, and Landlord may inspect Tenant's books and records to verify the accuracy of such statement. On written request, Tenant shall promptly furnish to Landlord copies of all the transaction documentation, all of which shall be certified by Tenant to be complete, true and correct.

13.05 TENANT'S AFFILIATE. Notwithstanding anything in this Section 13 to the contrary, Tenant may assign this Lease or sublet all or any portion of the Premises without the prior written consent of Landlord to Tenant's Affiliate (as hereinafter defined) provided that: (a) Tenant is not at such time, and such Affiliate on the effective date of such assignment or sublease will not be, in monetary or material non-monetary default hereunder; (b) such Affiliate shall execute an instrument in writing assuming by assignment the terms of this Lease or acknowledging that such sublease is subject and subordinate to all of the terms and conditions of this Lease, and Tenant shall deliver the same to Landlord; and (c) all documents and information required hereunder shall be delivered by Tenant to Landlord at least fifteen (15) days prior to the effective date of such assignment or sublease; and (d) in the case of an assignment, such Affiliate has a net worth at least equal to or greater than that of Tenant prior to the effective date of such assignment. For purposes of this Section 13, the term "Affiliate" shall mean (i) any entity resulting from a merger or business combination with Tenant; or (ii) any entity succeeding to the business or substantially all of the assets of Tenant; or (iii) the parent of Tenant or any Affiliate of such parent.

ARTICLE FOURTEEN: DEFAULTS AND REMEDIES
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14.01 COVENANTS AND CONDITIONS. Tenant's performance of each of Tenant's obligations under this Lease is a condition as well as a covenant. Tenant's right to continue in possession of the Premises is conditioned upon such performance. Time is of the essence in the performance by Tenant of all covenants and conditions.

14.02 DEFAULTS. Each of the following shall be an event of default under this Lease:

14.02 (a) Tenant shall abandon or vacate the Premises and fail to pay Rent as required under this Lease;

14.02 (b) Tenant shall fail to pay Rent or any other sum payable under this Lease within ten (10) days after Tenant's receipt of written notice from Landlord regarding such non-payment;

14.02 (c) Tenant shall fail to perform any of Tenant's other obligations under this Lease and such failure shall continue for a period of thirty (30) days after written notice from Landlord; provided that if more than thirty (30) days shall be required to complete such performance, Tenant shall not be in default if Tenant shall commence such performance within the thirty (30) day period and shall thereafter diligently pursue its completion.

14.02 (d) (i) Tenant shall make a general assignment or general arrangement for the benefit of creditors; (ii) a petition for adjudication of bankruptcy or for reorganization or rearrangement shall be filed by or against Tenant and shall not be dismissed within sixty (60) days; (iii) a trustee or receiver shall be appointed to take possession of substantially all of Tenant's assets located at the Premises or Tenant's interest in this Lease and possession shall be subjected to attachment, execution or other judicial seizure which shall not be discharged within sixty (60) days. If a court of competent jurisdiction shall determine that any of the acts described in this subsection (d) is not a default under this Lease, and a trustee shall be appointed to take possession (or if Tenant shall remain a debtor in possession) and such trustee or Tenant shall assign, sublease, or transfer Tenant's interest hereunder, then Landlord shall receive, as Additional Rent, the excess, if any, of the rent (or any other consideration) paid in connection with such assignment, transfer or sublease over the rent payable by Tenant under this Lease.

14.03 REMEDIES. On the occurrence of an event of default by Tenant beyond the expiration of all applicable notice, grace and cure periods, Landlord may, at any time thereafter, with or without notice or demand (except as provided in Section 14.02) and without limiting Landlord in the exercise of any right or remedy which Landlord may have:

14.03 (a) Terminate this Lease by written notice to Tenant or by entry, at Landlord's option. Tenant shall then immediately quit and surrender the Premises to Landlord, but Tenant shall remain liable as hereinafter provided. Following termination, without prejudice to other remedies Landlord may have by reason of Tenant's default or of such termination, Landlord may (i) peaceably reenter the Premises upon voluntary surrender by Tenant or remove Tenant therefrom and any other persons occupying the Premises, using such legal proceedings as may be available; (ii) repossess the Premises or relet the Premises or any part thereof for such term (which may be for a term extending beyond the Lease Term), at such rental and upon such other terms and conditions as Landlord in Landlord's sole discretion shall determine, with the right to make alterations and repairs to the Premises; and (iii) remove all personal property therefrom. Following termination, Landlord shall have all the rights and remedies of a landlord provided at law and in equity and shall use reasonable efforts to re-let the Premises. The

amount of damages Tenant shall pay to Landlord following termination shall include all Rent unpaid up to the termination of this Lease, costs and expenses incurred by Landlord due to such Event of Default and, in addition, Tenant shall pay to Landlord as damages, at the election of Landlord (if Landlord shall elect subsection (y) below, it may cease such election at any time), either (x) the discounted present value (at the then Federal Reserve Bank discount rate) of the aggregate Rent and other charges due during the period commencing with such termination and ending on the expiration date of this Lease, or (y) amounts equal to the Rent and other charges which would have been payable by Tenant had this Lease or Tenant's right to possession not been so terminated, payable upon the due dates therefor specified herein following such termination and until the expiration date of this Lease, provided, however, that if Landlord shall re-let the Premises during such period, Landlord shall credit Tenant with the net rents received by Landlord from such re-letting, such net rents to be determined by first deducting from the gross rents as and when received by Landlord from such re-letting the expenses reasonably incurred or paid by Landlord in terminating this Lease, and the reasonable expenses of re-letting, including, without limitation, altering and preparing the Premises for new tenants, brokers' commissions, reasonable legal fees and all other similar and dissimilar expenses properly and reasonably chargeable against the Premises and the rental therefrom, it being understood that any such reletting may be for a period equal to or shorter or longer than the remaining Lease Term; and provided, further, that (i) in the no event shall Tenant be entitled to receive any excess of such net rents over the sums payable by Tenant to Landlord hereunder and (ii) in no event shall Tenant be entitled in any suit for the collection of damages pursuant to this subsection (y) to a credit in respect of any net rents from a re-letting except to the extent that such net rents are actually received by Landlord prior to the commencement of such suit. If the Premises or any part thereof should be re-let in combination with other space, then proper apportionment on a square foot area basis shall be made of the rent received from such re-letting and of the reasonable expenses of re-letting. In calculating the Rent and other charges under subsection (x) above, there shall be included, in addition to the Rent other considerations agreed to be paid or performed by Tenant, on the assumption that all such considerations would have remained constant (except as herein otherwise provided) for the balance of the full Term hereby granted. Landlord shall use reasonable efforts to re-let the Premises or any part thereof for such rent and on such terms as it shall determine (including the right to re-let the Premises for a greater or lesser term than the Lease Term, the right to re-let the Premises as part of a larger area and the right to change the character or use made of the Premises). Suit or suits for the recovery of such damages, or any installments thereof, may be brought by Landlord from time to time at its election, and nothing contained herein shall be deemed to require Landlord to postpone suit until the date when the Term of this Lease would have expired if it had not been terminated hereunder. In lieu of any other damages or indemnity and in lieu of full recovery by Landlord of all sums payable under the foregoing provisions of this Section 14.03(a), Landlord may, by written notice to Tenant, at any time after this Lease shall be terminated under this Article Fourteen or shall be otherwise terminated for breach of any obligation of Tenant and before such full recovery, elect to recover, and Tenant shall thereupon pay, as liquidated damages, an amount equal to the aggregate of the Base Rent and Additional Rent due for the twelve (12) months ended immediately prior to such termination plus the amount of Base Rent and Additional Rent of any kind accrued and unpaid at the time of termination.

14.03 (b) Maintain Tenant's right to possession, in which case this Lease shall continue in effect whether or not Tenant has abandoned the Premises. In such event, Landlord shall be entitled to enforce all of Landlord's rights and remedies under this Lease, including the right to recover the rent as it becomes due.

14.03 (c) Pursue any other remedy now or hereafter available to Landlord under the laws or judicial decisions of the state in which the Property is located.

14.04 REPAYMENT OF "FREE" RENT. [Intentionally Deleted]

14.05 AUTOMATIC TERMINATION; DAMAGES. Notwithstanding any other term or provision hereof to the contrary, this Lease shall terminate on the occurrence of any act which affirms the Landlord's intention to terminate the Lease as provided in Section 14.03 hereof, including the filing of an unlawful detainer action against Tenant. On any termination, Landlord's damages for default shall include all costs and fees, including reasonable attorneys' fees that Landlord shall incur in connection with the filing, commencement, pursuing and/or defending of any action in any bankruptcy court or other court with respect to the Lease, the obtaining of relief from any stay in bankruptcy restraining any action to evict Tenant; or the pursuing of any action with respect to Landlord's right to possession of the Premises. All such damages suffered (apart from Base Rent and other Rent payable hereunder) shall constitute pecuniary damages which shall be reimbursed to Landlord prior to assumption of the Lease by Tenant or any successor to Tenant in any bankruptcy or other proceedings.

14.06 CUMULATIVE REMEDIES. Except as otherwise expressly provided herein, any and all rights and remedies which Landlord and Tenant may have under this Lease and at law and equity shall be cumulative and shall not be deemed inconsistent with each other, and any two or more of all such rights and remedies may be exercised at the same time to the greatest extent permitted by law.

ARTICLE FIFTEEN: PROTECTION OF LENDERS
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15.01 SUBORDINATION. Landlord represents that there is no mortgage encumbering the Property or the Premises as of the date of execution hereof. Landlord shall have the right to subordinate this Lease to any future ground lease, deed of trust or mortgage encumbering the Property, any advances made on the security thereof and any renewals, modifications, consolidations, replacements or extensions thereof, whenever made or recorded, provided that Landlord shall obtain from such ground lessor, mortgagee or other financing entity an agreement in the form customarily issued by such party and reasonably acceptable to Tenant whereby such party agrees not to disturb Tenant's use and possession of the Premises in the event of such party's foreclosure, deed in lieu of foreclosure or exercise of any of its rights at law or in equity. Tenant shall cooperate with Landlord and any lender which shall acquire a security interest in the Property or the Lease. Tenant shall execute such further documents and assurances as such lender may require, provided that Tenant's obligations under this Lease shall not be increased in any material way (the performance of ministerial acts shall not be deemed material), and Tenant shall not be deprived of its rights under this Lease. If any ground lessor, beneficiary or mortgagee elects to have this Lease prior to the lien of its ground lease, deed of trust or mortgage and gives written notice thereof to Tenant, this Lease shall be deemed prior to such ground lease, deed of trust or mortgage whether this Lease is dated prior or subsequent to the date of said ground lease, deed of trust or mortgage or the date of recording thereof.

15.02 ATTORNMENT. If Landlord's interest in the Property is acquired by any ground lessor, beneficiary under a deed of trust, mortgagee, or purchaser at a foreclosure sale, Tenant shall attorn to the transferee of or successor to Landlord's interest in the Property and recognize such transferee or successor as Landlord under this Lease so long as Tenant is permitted to remain in possession under the terms of this Lease. Tenant waives the protection of any statute or rule of law which shall give Tenant any right to terminate this Lease or surrender possession of the Premises upon the transfer of Landlord's interest.

15.03 SIGNING OF DOCUMENTS. Tenant shall sign and deliver any instrument or documents necessary or appropriate to evidence any such attornment, non-disturbance and subordination or agreement to do so, which agreement shall be reviewed and approved in advance by Tenant and its counsel.

15.04 ESTOPPEL CERTIFICATES. Within ten (10) days after Landlord's request, Tenant shall execute, acknowledge and deliver to Landlord a written statement certifying: (i) that none of the terms or provisions of this Lease have been changed (or if they have been changed, stating how they have been changed); (ii) that this Lease has not been canceled or terminated; (iii) the last date of payment of the Base Rent and other charges and the time period covered by such payment; (iv) that Landlord is not in default under this Lease (or if Landlord is claimed to be in default, setting forth such default in reasonable detail); and (v) such other information with respect to Tenant or this Lease as Landlord may reasonably request or which any prospective purchaser or encumbrancer of the Property may require. Landlord may deliver any such statement by Tenant to any prospective purchaser or encumbrancer of the Property, and such purchaser or encumbrancer may rely conclusively upon such statement as true and correct. If Tenant shall not deliver such statement to Landlord within such ten (10) day period, Landlord, and any prospective purchaser or encumbrancer, may conclusively presume and rely upon the following facts: (i) that the terms and provisions of this Lease have not been changed except as otherwise represented by Landlord; (ii) that this Lease has not been canceled or terminated except as otherwise represented by Landlord; (iii) that not more than one month's Base Rent or other charges have been paid in advance; and (iv) that Landlord is not in default under this Lease. In such event, Tenant shall be estopped from denying the truth of such facts.

ARTICLE SIXTEEN: LEGAL COSTS
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16.01 LEGAL PROCEEDINGS. In any suit or proceeding brought or commenced by either party against the other to enforce, protect or defend its rights or remedies hereunder, the prevailing party therein shall be entitled to recover from the non-prevailing party all court costs and reasonable attorneys' fees incurred by the prevailing party with respect to such suit or proceeding, which amount may be included in and made a part of any judgment entered therein.

16.02 LANDLORD'S CONSENT. Tenant shall pay Landlord's reasonable fees and expenses, including, without limitation, legal, engineering and other consultants' fees and expenses, incurred in connection with Tenant's request for Landlord's consent under Article Thirteen (Assignment and Subletting) or in connection with any other act by Tenant which requires Landlord's consent or approval under this Lease.

ARTICLE SEVENTEEN: MISCELLANEOUS PROVISIONS
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17.01 NON-DISCRIMINATION. Tenant agrees that it will not permit any discrimination against, or segregation of, any person or group of persons on the basis of race, color, sex, creed, national origin or ancestry in the leasing, subleasing, transferring, occupancy, tenure or use of the Premises or any portion thereof.

17.02 LANDLORD'S LIABILITY; CERTAIN DUTIES.

17.02 (a) BIND AND INURE; LIMITATION OF LANDLORD'S LIABILITY. The obligations of this Lease shall run with the land, and this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. No owner of the Property shall be liable under this Lease except for breaches of Landlord's obligations occurring while owner of the Property. The obligations of Landlord shall be binding upon the assets of Landlord which comprise the Property (including rent, insurance proceeds, condemnation awards) but not upon other assets of Landlord. No individual partner, trustee, stockholder, officer, director, employee, or beneficiary of Landlord shall be personally liable under this Lease and Tenant shall look solely to Landlord's interest in the Property in pursuit of its remedies upon an event of default hereunder, and the general assets of Landlord and its partners,

trustees, stockholders, officers, employees or beneficiaries of Landlord shall not be subject to levy, execution or other enforcement procedure for the satisfaction of the remedies of Tenant.

17.02 (b) NOTICE. Tenant shall give notice of any failure by Landlord to perform any of its obligations under this Lease to Landlord and to any ground lessor, mortgagee or beneficiary under any deed of trust encumbering the Property whose name and address shall have been furnished in writing to Tenant. Landlord shall not be in default under this Lease unless Landlord (or such ground lessor, mortgagee or beneficiary) shall fall to cure such non-performance within thirty (30) days after receipt of Tenant's notice. However, if such non-performance shall reasonably require more than thirty (30) days to cure, Landlord shall not be in default if such cure shall be commenced within such thirty (30) day period and thereafter diligently pursued to completion.

17.03 SEVERABILITY. A determination by a court of competent jurisdiction that any provision of this Lease or any part thereof is illegal or unenforceable shall not cancel or invalidate the remainder of such provision of this Lease, which shall remain in full force and effect.

17.04 INTERPRETATION. The captions of the Articles or Sections of this Lease are not a part of the terms or provisions of this Lease. Whenever required by the context of this Lease, the singular shall include the plural and the plural shall include the singular. The masculine, feminine and neuter genders shall each include the other, in any provision relating to the conduct, acts or omissions of Tenant, the term "Tenant" shall include Tenant's agents, employees, contractors, invitees, successors or others using the Premises with Tenant's expressed or implied permission.

17.05 INCORPORATION OF PRIOR AGREEMENTS; MODIFICATIONS. This Lease is the only agreement between the parties pertaining to the lease of the Premises and no other agreements shall be effective. All amendments to this Lease shall be in writing and signed by all parties. Any other attempted amendment shall be void.

17.06 NOTICES. All notices, requests and other communications required or permitted under this Lease shall be in writing and shall be personally delivered or sent by certified mail, return receipt requested, postage prepaid or by a national overnight delivery service which maintains delivery records. Notices to Tenant shall be delivered to the address specified in Section 1.18 above, except that upon Tenant's taking possession of the Premises, the Premises shall be Tenant's address for notice purposes. Notices to Landlord shall be delivered to the address specified in Section 1.17 above. All notices shall be effective upon delivery (or refusal to accept delivery). Either party may change its notice address upon written notice to the other party.

17.07 WAIVERS. All waivers shall be in writing and signed by the waiving party. Landlord's failure to enforce any provision of this Lease or its acceptance of Rent shall not be a waiver and shall not prevent Landlord from enforcing that provision or any other provision of this Lease in the future. No statement on a payment check from Tenant or in a letter accompanying a payment check shall be binding on Landlord. Landlord may, with or without notice to Tenant, negotiate such check without being bound by to the conditions of such statement.

17.08 NO RECORDATION. Tenant shall not record this Lease. Either Landlord or Tenant may require that a notice, short form or memorandum of this Lease executed by both parties be recorded. The party requiring such recording shall pay all transfer taxes and recording fees.

17.09 BINDING EFFECT; CHOICE OF LAW. This Lease shall bind any party who shall legally acquire any rights or interest in this Lease from Landlord or Tenant, provided that Landlord shall have no obligation to Tenant's successor unless the rights or interests of Tenant's successor are acquired in accordance with the terms of this Lease. The laws of the state in which the Property is located shall govern this Lease.

17.10 CORPORATE AUTHORITY; PARTNERSHIP AUTHORITY. If Tenant is a corporation, each person signing this Lease on behalf of Tenant represents and warrants that (s)he has full authority to do so and that this Lease binds the corporation. Within thirty (30) days after this Lease is signed, Tenant shall deliver to Landlord a certified copy of a resolution of Tenant's Board of Directors authorizing the execution of this Lease or other evidence of such authority reasonably acceptable to Landlord, and Landlord shall deliver to Tenant a certified copy of a resolution of Landlord's Board of Directors authorizing the execution of this Lease or other evidence of such authority reasonably acceptable to Tenant. If Tenant is a partnership, each person or entity signing this Lease for Tenant represents and warrants that he or it is a general partner of the partnership, that he or it has full authority to sign for the partnership and that this Lease binds the partnership and all general partners of the partnership. Tenant shall give prompt notice to Landlord of any general partner's withdrawal or addition from time to time. Within thirty (30) days after this Lease is signed, Tenant shall deliver to Landlord a copy of Tenant's recorded statement of partnership or certificate of limited partnership.

17.11 JOINT AND SEVERAL LIABILITY. All parties signing this Lease as Tenant shall be jointly and severally liable for all obligations of Tenant.

17.12 FORCE MAJEURE. If Landlord or Tenant cannot perform any of its obligations due to events beyond such party's reasonable control, the time provided for performing such obligations shall be extended by a period of time equal to the duration of such events. Events beyond a party's reasonable control include, but are not limited to, acts of God, war, civil commotion, labor disputes, strikes, fire, flood or other casualty, shortages of labor or material, government regulation or restriction and weather conditions.

17.13 EXECUTION OF LEASE. This Lease may be executed in counterparts and, when all counterpart documents are executed, the counterparts shall constitute a single binding instrument. Landlord's delivery of this Lease to Tenant shall not be deemed to be an offer to lease and shall not be binding upon either party until executed and delivered by both parties.

17.14 SURVIVAL. All representations and warranties of Landlord and Tenant shall survive the termination of this Lease.

17.15 EXAMINATION OF LEASE. Submission of this Lease to Tenant shall not constitute an option to lease, and this Lease shall not be effective until execution and delivery by both Landlord and Tenant.

17.16 SECURITY DEPOSIT.

A. As security for the full and prompt performance by Tenant of all of Tenant's obligations hereunder, Tenant has upon execution of this Lease provided to Landlord an unconditional irrevocable letter of credit in favor of Landlord from a bank approved by Landlord, which approval shall not be unreasonably withheld, in the form attached hereto as Exhibit D (the "Letter of Credit"), which provides for security in the amount of $125,000.00 through the period ending February 29, 2000; such Letter of Credit provides for automatic reductions thereafter (i) to the sum of $100,000.00 effective March 1, 2000 through the period ending February 28, 2001, (ii) to the sum of $75,000.00 effective March 1, 2001 through the period ending February 28, 2002, (iii) to the sum of $50,000.00 effective March 1, 2002 through the period ending

February 28, 2003, and (iv) to the sum of $25,000.00 March 1, 2004 through the period ending February 28, 2009. Tenant agrees that, in the event of any default by Tenant under this Lease beyond the expiration of applicable grace, notice and cure periods, Landlord shall have the right to draw down on the Letter of Credit in an amount necessary to cure such default ("the Cure Amount") and Tenant agrees that within ten (10) days after such initial draw of the Cure Amount, Tenant shall replenish the Cure Amount and shall cause the Letter of Credit to be amended in a manner that it is restored to the full amount available thereunder prior to such draw by Landlord. Tenant further agrees that, in addition to all of the rights and remedies provided to Landlord pursuant to Article 14 hereof, whether or not this Lease or Tenant's right to possession hereunder has been terminated, (a) in the event Tenant is in default under any of the terms, covenants and conditions of this Lease beyond the expiration of applicable grace, notice and cure periods, or (b) in the event Tenant has filed (or there has been filed against Tenant) a petition for bankruptcy protection or other protection from its creditors under any applicable and available law which has not been dismissed or discharged, then Landlord may at once and without any notice whatsoever to Tenant (including, without any notice as provided in Article 14 hereof) be entitled to draw down on the entire amount of the Letter of Credit then available to Landlord and apply such resulting sums toward (i) reimbursement to Landlord for all of Landlord's then unamortized costs incurred in leasing to Tenant the Premises demised by this Lease, and (ii) reimbursement to Landlord for any other damages suffered by Landlord as a result of such default. Landlord agrees to reimburse Tenant for all fees incurred by Tenant in obtaining and maintaining such Letter of Credit, so long as such fees do not exceed on an annual basis an amount equal to one and one half (1 1/2%) of the then face amount of such Letter of Credit.

B. The foregoing Letter of Credit shall provide for an original expiration date of February 29, 2000 and shall be automatically extended without amendment for additional successive one-year periods from the original expiration date or any future expiration date thereof, unless sixty days prior to any such expiration date the bank sends to Landlord by certified/registered mail, return receipt requested or overnight courier written advice that the bank has elected not to consider the Letter of Credit renewed for any such additional one-year period. In the event such bank so advises Landlord that such Letter of Credit will not be so renewed, Landlord shall promptly thereafter notify Tenant thereof in writing, and Tenant shall obtain a substitute Letter of Credit from a bank reasonably approved by Landlord meeting all of the terms and conditions described in Paragraph A. above, which substitute Letter of Credit ("Substitute Letter of Credit") shall be reasonably satisfactory to Landlord and delivered to Landlord no later than thirty (30) days prior to the expiration date of the Letter of Credit then in effect. In the event Tenant fails to deliver such Substitute Letter of Credit to Landlord at least thirty (30) days prior to the expiration date of the Letter of Credit then in effect, Landlord shall in such instance have the right without further notice to Tenant (including, without any notice as provided in Article 14 hereof) to immediately draw down on the entire amount of the Letter of Credit then available to Landlord; in such instance Landlord shall retain such resulting sum as a cash security deposit and Landlord shall have the right to use such cash security deposit to the same extent that Landlord would be entitled to draw down on the Letter of Credit pursuant to the terms of Paragraph A. above and Tenant shall replenish such cash security deposit in the same manner as required for the Letter of Credit. Landlord shall not, unless required by law, keep the security deposit separate from its general funds or pay interest thereon to Tenant. No trust relationship is created herein between Landlord and Tenant with respect to the security deposit, and the security deposit may be commingled with other funds of Landlord. As between Landlord and Tenant only, all draws under the Letter of Credit (or cash security deposit, as the case may be) and rights of Landlord to apply the proceeds of any such draw or draft shall be subject to the provisions of this Lease.

C. Upon expiration of the Term of this Lease, whether by expiration or lapse of time or otherwise, and so long as Tenant is not then in default hereunder and after Tenant shall have vacated

the Premises in the manner required by this Lease, Landlord agrees to return to Tenant the Letter of Credit (or cash security deposit, as the case may be) then in Landlord's possession.

17.17 LIMITATION OF WARRANTIES. Landlord and Tenant expressly agree that there are and shall be no implied warranties of merchantability, habitability, suitability, fitness for a particular purpose or of any other kind arising out of this Lease, and there are no warranties which extend beyond those expressly set forth in this Lease. Without limiting the generality of the foregoing, Tenant expressly acknowledges that Landlord has made no warranties or representations concerning any Hazardous Materials or other environmental matters affecting any part of the Property and Landlord hereby expressly disclaims and Tenant waives any express or implied warranties with respect to any such matters.

17.18 NO OTHER BROKERS. Tenant and Landlord represent and warrant to the other that the brokers named in Section 1.12 above are the only agents, brokers, finders or other parties with whom each party has dealt who may be entitled to any commission or fee with respect to this Lease or the Premises or the Property. Each party agrees to indemnify and hold the other harmless from any claim, demand, cost or liability, including, without limitation, reasonable attorneys' fees and expenses, asserted by any party other than the brokers named in Section 1.12.

ARTICLE EIGHTEEN: TENANT IMPROVEMENT ALLOWANCE
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18.01 TENANT IMPROVEMENT ALLOWANCE. Within fifteen (15) days following presentation to Landlord of invoices and receipts and final lien waivers, Landlord agrees to pay to Tenant or credit against invoices therefor an allowance (the "Tenant Improvement Allowance") in an amount not to exceed the sum of Two Hundred Forty-five Thousand and No/100 Dollars ($245,000.00) to be applied toward payment or reimbursement of costs incurred in connection with any improvements Tenant desires to perform in the office and warehouse portions of the Premises in preparation for its initial occupancy thereof, including without limitation payment of costs associated with architectural, engineering, permitting, construction and construction management costs, and computer and telecommunications cabling costs. All such work shall be subject to, and performed in accordance with the conditions set forth in Section 10.05 hereof. Tenant expressly covenants and agrees that, in the event the current occupant of the warehouse portion of the Premises remains in occupancy of such space during the time Tenant commences any improvement work in the office portion of the Premises, Tenant will perform such work in a manner that does not unreasonably interfere with or disrupt the use of the warehouse portion of the Premises. If, in the course of performing the initial improvement work, Tenant becomes aware of any Hazardous Materials existing in the Premises prior to the Commencement Date in violation of existing applicable laws, Landlord agrees that Landlord shall be responsible for the cost of remedying any such violation to the extent required by any governmental authority.

The foregoing Tenant Improvement Allowance is for Tenant personally and may not be applied or used for the benefit of any subtenant approved by Landlord nor will such Allowance inure to the benefit of any permitted assignee of Tenant. It shall be a condition to the application of such Tenant Improvement Allowance that Tenant not be in default under any of the terms, covenants and conditions of this Lease beyond the expiration of applicable notice, grace and cure periods at any time such Allowance is requested. The Tenant Improvement Allowance is applicable only in connection with improvements to be made to the Premises and payment of the above-described referral fee. It shall be a condition of Landlord's obligation to pay Tenant any portion of such Allowance that Tenant provide Landlord with contractor's affidavits and final waivers of lien from those persons entitled to lien rights against the Premises covering all labor and materials expended and used, and invoices reasonably

acceptable to Landlord establishing the actual cost of and full payment for all items purchased with such Allowance. Funds may be drawn against the Tenant Improvement Allowance for a period of six (6) months after the Lease Commencement Date.

Signed on _____, 19____ LANDLORD

at _____ CABOT INDUSTRIAL PROPERTIES,
L.P., a Delaware limited partnership

By: CABOT INDUSTRIAL TRUST, a Maryland real estate investment trust, its General Partner

By:

Name: _____

Title: _____

Signed on _____, 19____ TENANT

at _____ SALESLINK CORPORATION, a Delaware corporation

By:

Its:

EXHIBIT "A" - THE PROPERTY

[Site Plan appears here]

SITE PLAN

EXHIBIT "A-1"

Parking Area

[Site plan appears here]

EXHIBIT "B" - THE PREMISES

[Floor Plan appears here]

EXHIBIT "C" - RULES AND REGULATIONS

1. No advertisements, pictures or signs of any sort shall be displayed on or outside the Premises without the prior written consent of Landlord. This prohibition shall include any portable signs or vehicles placed within the parking lot, common areas or on streets adjacent thereto for the purpose of advertising or display. Landlord shall have the right to remove any such unapproved item without notice and at Tenant's expense.

2. Tenant shall not park or store motor vehicles, trailers or containers outside the Premises after the conclusion of normal daily business activity except in approved areas specifically designated by Landlord, acting reasonably.

3. Tenant shall not use any method of heating or air-conditioning other than that supplied by Landlord without the prior written consent of Landlord.

4. All window coverings and window films or coatings installed by Tenant and visible from outside of the building require the prior written approval of Landlord. Except for dock shelters and seals as may be expressly permitted by Landlord, no awnings or other projections shall be attached to the outside walls of the building.

5. Tenant shall not use, keep or permit to be used or kept any foul or noxious gas or substance on, in or around the Premises unless approved by Landlord. Tenant shall not use, keep or permit to be used or kept any flammable or combustible materials without proper governmental and approvals.

6. Tenant shall not use, keep or permit to be used or kept food or other edible materials in or around the Premises in such a manner as to attract rodents, vermin or other pests. Tenant shall not permit cooking in or about the Premises other than in microwave ovens.

7. Tenant shall not use or permit the use of the Premises for lodging or sleeping, for public assembly, or for any illegal or immoral purpose.

8. Tenant shall not alter any lock or install any new locks or bolts on any door at the Premises without the prior written consent of Landlord. Tenant agrees not to make any duplicate keys without the prior consent of Landlord.

9. Tenant shall park motor vehicles only in those general parking areas as designated by Landlord except for active loading and unloading. During loading and unloading of vehicles or containers, Tenant shall not unreasonably interfere with traffic flow within the industrial park and loading and unloading areas of other tenants.

10. Storage of propane tanks, whether interior or exterior, shall be in secure and protected storage enclosures approved by the local fire department and, if exterior, shall be located in areas specifically designated by Landlord. Safety equipment, including eye wash stations and approved neutralizing agents, shall be provided in areas used for the maintenance and charging of lead-acid batteries. Tenant shall protect electrical panels and building mechanical equipment from damage from forklift trucks.

11. Tenant shall not disturb, solicit or canvas any occupant of the Building or industrial park and shall cooperate to prevent same.

12. No person shall go on the roof of the Property without Landlord's permission except to perform obligations under its lease.

13. No animals (other than seeing eye dogs) or birds of any kind may be brought into or kept in or about the Premises.

14. Machinery, equipment and apparatus belonging to Tenant which cause noise or vibration that may be transmitted to the structure of the Building to such a degree as to be objectionable to Landlord or other tenants or to cause harm to the Building shall be placed and maintained by Tenant, at Tenant's expense, on vibration eliminators or other devices sufficient to eliminate the transmission of such noise and vibration. Tenant shall cease using any such machinery which causes objectionable noise and vibration which cannot be sufficiently mitigated.

15. All goods, including material used to store goods, delivered to the Premises of Tenant shall be immediately moved into the Premises and shall not be left in parking or exterior loading areas overnight.

16. Tractor trailers which must be unhooked or parked with dolly wheels beyond the concrete loading areas must use steel plates or wood blocks of sufficient size to prevent damage to the asphalt paving surfaces. No parking or storing of such trailers will be permitted in the auto parking areas of the industrial park or on streets adjacent thereto.

17. Forklifts which operate on asphalt paving areas shall not have solid rubber tires and shall use only tires that do not damage the asphalt.

18. Tenant shall be responsible for the safe storage and removal of all pallets. Pallets shall be stored behind screened enclosures at locations approved by the Landlord. If pallets are stored within the Premises, storage shall comply with safe practices as described in Factory Mutual Loss Prevention Data Sheet 8-24.

19. Tenant shall be responsible for the safe storage and removal of all trash and refuse. All such trash and refuse shall be contained in suitable receptacles stored behind screened enclosures at locations approved by Landlord. Landlord reserves the right to remove, at Tenant's expense and without further notice, any trash or refuse left elsewhere outside of the Premises or in the industrial park.

20. Tenant shall not store or permit the storage or placement of goods or merchandise in or around the common areas surrounding the Premises. No displays or sales of merchandise shall be allowed in the parking lots or other common areas.

21. Tenant shall appoint an Emergency Coordinator who shall be responsible for assuring notification of the local fire department in the event of an emergency, assuring that sprinkler valves are kept open and implementing the Factory Mutual "Red Tag Alert" system including weekly visual inspection of all sprinkler system valves on or within the Premises.

Landlord

Tenant

EXHIBIT D

IRREVOCABLE LETTER OF CREDIT
NO.

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BENEFICIARY:
- -----------

Cabot Industrial Properties, L.P.
c/o Cabot Partners
Two Center Plaza
Suite 200
Boston, Massachusetts 02108-1906

Attn:

EXPIRATION DATE: December 1, 1999
- ---------------

ACCOUNT PARTY:

SalesLink Corporation Inc.

AMOUNT: Not to exceed $125,000.00

Gentlemen:

We hereby establish our unconditional and irrevocable Letter of Credit in your favor for the account of Prime Graphics, Inc. for a sum not exceeding U.S. $125,000.00 available by your sight draft drawn on us. Unless a draft has previously been delivered to us hereunder, this Letter of Credit shall automatically be reduced to the sum of $100,000.00 effective March 1, 2000 through the period ending February 28, 2001, (ii) to the sum of $75,000.00 effective March 1, 2001 through the period ending February 28, 2002, (iii) to the sum of $50,000.00 effective March 1, 2002 through the period ending February 28, 2003, and (iv) to the sum of $25,000.00 March 1, 2004 through the period ending February 28, 2009.

This draft must be marked: "Drawn under Irrevocable Letter of Credit No. _____ dated ".

We hereby agree with the drawers, endorsers and bona fide holders of the draft drawn and negotiated in compliance with the terms of this credit, that said draft will be duly honored by 3:00 P.M. on the day presented if received at this office on or before 11:00 AM.

It is a condition of this Letter of Credit that it shall be deemed automatically extended without amendment for additional successive one year periods from the expiration hereof, or any future expiration date, unless 60 days prior to any expiration date we notify you by certified mail, return receipt requested or overnight courier that we elect not to consider this Letter of Credit renewed for any such additional period.

This Letter of Credit is transferable, assignable, retransferable and reassignable and may be successively transferred or assigned. Partial drawings and reductions are permitted.

We hereby engage with you that documents presented in conformity with the terms of this Letter of Credit will be duly honored by us.

Except so far as otherwise expressly stated this documentary credit is subject to uniform customs and practice for documentary credits, 1993 revision, ICC Publication No. 500, excluding Article 17.

Name of Bank

BY:

EXHIBIT "E"
ACCEPTANCE OF PREMISES MEMORANDUM

DATE: _____

LANDLORD: _____

TENANT: _____

BUILDING: _____

RE: Lease dated _____ (the "Lease")

1. Tenant agrees that the Work and Landlord's Work in the Premises has been substantially completed in accordance with the requirements of the Lease, except the "punch list items" which are listed on Schedule 1 attached hereto.

2. We hereby confirm that the Lease Commencement Date is _____, 19__ and we hereby confirm that the expiration date of the Term of the Lease is _____, 19__.

3. Terms which are defined in the Lease shall have the same meanings when used in this Agreement.

SIGNED:

LANDLORD:	TENANT:
By: _____	By: _____
Title: _____	Title: _____

EXHIBIT 10.7

[AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION LOGO APPEARS HERE]
AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION

STANDARD INDUSTRIAL/COMMERCIAL SINGLE-TENANT LEASE - NET
(Do not use this form for Multi-Tenant Property)

1. BASIC PROVISIONS ("BASIC PROVISIONS")

1.1 PARTIES: This Lease ("LEASE"), dated for reference purposes only, June 30, 1995, is made by and between Windy Pacific Partners ("LESSOR") and Pacific Mailing Corporation ("LESSEE"), (collectively the "PARTIES," or individually a "PARTY").

1.2 PREMISES: That certain real property, including all improvements therein or to be provided by Lessor under the terms of this Lease, and commonly known by the street address of Lot #2, Dumbarton Business Center, Newark located in the County of Alameda, State of California and generally described as (describe briefly the nature of the property) that certain real property described on Exhibit A attached hereto.

("PREMISES"). (See Paragraph 2 for further provisions.)

1.3 TERM: fifteen (15) years and -0- months ("ORIGINAL TERM") commencing see paragraph 49 ("COMMENCEMENT DATE") and ending ("EXPIRATION DATE"). (See Paragraph 3 for further provisions.)

1.4 EARLY POSSESSION: N/A ("EARLY POSSESSION DATE"). (See Paragraphs 3.2 and 3.3 for further provisions.)

1.5 BASE RENT: $ per month ("BASE RENT"), payable on the day of each month commencing see paragraph 50.

(see Paragraph 4 for further provisions.)

[_] If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted.

1.6 BASE RENT PAID UPON EXECUTION: $ see paragraph 51 as Base Rent for the period

.

1.7 SECURITY DEPOSIT: See paragraph 51 ("SECURITY DEPOSIT"). (See Paragraph 5 for further provisions.)

1.8 PERMITTED USE: manufacturing and warehouse use (See Paragraph 6 for further provisions.)

1.9 INSURING PARTY: Lessor is the "INSURING PARTY" unless otherwise stated herein. (See Paragraph 8 for further provisions.)

1.10 REAL ESTATE BROKERS: The following real estate brokers (collectively, the "BROKERS") and brokerage relationships exist in this transaction and are consented to by the Parties (check applicable boxes):

BT Commercial represents

[X] Lessor exclusively ("LESSOR'S BROKER"); [_] both Lessor and Lessee, and

Cornish & Carey Commercial represents

[_] Lessee exclusively ("LESSEE'S BROKER"); [X] both Lessee and Lessor. (See Paragraph 15 for further provisions.)

1.11 GUARANTOR: The obligations of the Lessee under this Lease are to be guaranteed by N/A
("GUARANTOR"). (See Paragraph 37 for further provisions.)

1.12 ADDENDA. Attached hereto is an Addendum or Addenda consisting of Paragraphs 49 through 60 and Exhibits A and B all of which constitute a part of this Lease.

- ---------------------------------

2. PREMISES.

2.1 LETTING. Lessor hereby leases to Lessee and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of square footage set forth in this Lease, or that may have been used in calculating rental, is an approximation which Lessor and Lessee agree is reasonable and the rental based thereon is not subject to revision whether or not the actual square footage is more or less.

2.2 CONDITION. Lessor shall deliver the Premises to Lessee clean and free of debris on the Commencement Date and warrants to Lessee that the existing plumbing, fire sprinkler system, lighting, air conditioning, heating, and loading doors, if any, in the Premises, other than those constructed by Lessee, shall be in good operating condition on the Commencement Date. If a non-compliance with said warranty exists as of the Commencement Date, Lessor shall, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specifically the nature and extent of such non-compliance, rectify same at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within thirty (30) days after the Commencement Date, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense.

2.3 COMPLIANCE WITH COVENANT'S RESTRICTIONS AND BUILDING CODE. Lessor warrants to Lessee that the improvements on the Premises comply with all applicable covenants or restriction of record and applicable building codes, regulations and ordinances in effect on the Commencement Date. Said warranty does not apply to the use to which Lessee will put the Premises or to any Alterations or Utility Installations (as defined in Paragraph 7.3(a)) made or to be made by Lessee. If the Premises do not comply with said warranty, Lessor shall, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within six (6) months following the Commencement Date, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense.

2.4 ACCEPTANCE OF PREMISES. Lessee hereby acknowledges: (a) that it has been advised by the Brokers to satisfy itself with respect to the condition of the Premises (including but not limited to the electrical and fire sprinkler systems, security environmental aspects, compliance with Applicable Law as defined in Paragraph 6.3) and the present and future suitability of the Premises for Lessee's intended use, (b) that Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefor as the same relate to Lessee's occupancy of the Premises and/or the term of this Lease, and (c) that neither Lessor, nor any of Lessor's agents, has made any oral or written representations or warranties with respect to the said matters other than as set forth in this Lease.

2.5 LESSEE PRIOR OWNER/OCCUPANT. The warranties made by Lessor in this Paragraph 2 shall be of no force or effect if immediately prior to the date set forth in Paragraph 1.1 Lessee was the owner or occupant of the Premises. In such event, Lessee shall, at Lessee's sole cost and expense, correct any non-compliance of the Premises with said warranties.

3. TERM.

3.1 TERM. The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3.

3.2 EARLY POSSESSION. If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such early possession. All other terms of this Lease, however, (including but not limited to the obligations to pay Real Property Taxes and insurance premiums and to maintain the Premises) shall be in effect during such period. Any such early possession shall not affect nor advance the Expiration Date of the Original Term.

3.3 DELAY IN POSSESSION. If for any reason Lessor cannot deliver possession of the Premises to Lessee as agreed herein by the Early Possession Date, if one is specified in Paragraph 1.4, or, if no Early Possession Date is specified, by the Commencement Date, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease, or the obligations of Lessee hereunder, or extend the term hereof, but in such case, Lessee shall not, except as otherwise provided herein, be obligated to pay rent or perform any other obligation of Lessee under the terms of this Lease until Lessor delivers possession of the Premises to Lessee. If possession of the Premises is not delivered to Lessee within sixty (60) days after the Commencement Date, Lessee may, at its option, by notice in writing to Lessor within ten (10) days thereafter, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder; provided, however, that if such written notice by Lessee is not received by Lessor within said ten (10) day period, Lessee's right to cancel this Lease shall terminate and be of no further force or effect. Except as may be otherwise provided, and regardless of when the term actually commences, if possession is not tendered to Lessee when required by this Lease and Lessee does not terminate this Lease, as aforesaid, the period free of the obligation to pay Base Rent, if any, that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts, changes or omissions of Lessee.

4. RENT.

4.1 BASE RENT. Lessee shall cause payment of Base Rent and other rent or charges, as the same may be adjusted from time to time, to be received by Lessor in lawful money of the United States, without offset or deduction, on or before the day on which it is due under the terms of this Lease. Base Rent and all other rent and charges for any period during the term hereof which is for less than one (1) full calendar month shall be prorated based upon the actual number of days of the calendar month involved. Payment of Base Rent and other charges shall be made to Lessor at its address stated herein or to such other persons or at such other addresses as Lessor may from time to time designate in writing to Lessee.

5. SECURITY DEPOSIT. Lessee shall deposit with Lessor upon execution hereof the Security Deposit set forth in Paragraph 1.7 as security for Lessee' faithful performance of Lessee's obligations under this Lease. It Lessee fails to pay Base Rent or other rent or charges due hereunder, or otherwise Defaults under this Lease (as defined in Paragraph 13.1), Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount due Lessor or to reimburse or compensate Lessor for any liability, cost, expense, loss or damage (including attorneys' fees) which Lessee may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of said Security Deposit. Lessee shall within ten (10) days after written request therefor deposit moneys with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. Any time the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional moneys with Lessor sufficient to maintain the same ratio between the Security Deposit and the Base Rent as those amounts are specified in the Basic Provisions. Lessor shall not be required to keep all or any part of the Security Deposit separate from its general accounts. Lessor shall, at the expiration or earlier termination of the term hereof and after Lessee has vacated the Premises, return to Lessee (or, at Lessor's option, to the last assignee, if any, of Lessee's interest herein), that portion of the Security Deposit not used or applied by Lessor. Unless otherwise expressly agreed in writing by Lessor, no part of the Security Deposit shall be considered to be held in trust, to bear interest or other increment for its use, or to be prepayment for any moneys to be paid by Lessee under this Lease.

6. USE.

6.1 USE. Lessee shall use and occupy the Premises only for the purposes set forth in Paragraph 1.8, or any other use which is comparable thereto and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that creates waste or a nuisance, or that disturbs owners and/or occupants of, or causes damage to, neighboring premises or properties. Lessor hereby agrees to not unreasonably withhold or delay its consent to any written request by Lessee, Lessees assignees or subtenants, and by prospective assignees and subtenants of the Lessee, its assignees and subtenants, for modification of said permitted purpose for which the promises may be used or occupied, so long as the same will not impair the structural integrity of the improvements on the Premises, the mechanical or electrical systems therein, is not significantly more burdensome to the Premises and the improvement thereon, and is otherwise permissible pursuant to this Paragraph 6. If Lessor elects to withhold such consent, Lessor shall within five (5) business days give written notification of same, which notice shall include an explanation of Lessor's reasonable objections to the change in use.

6.2 HAZARDOUS SUBSTANCES.

(a) REPORTABLE USES REQUIRE CONSENT. The term "HAZARDOUS SUBSTANCE" as used in this Lease shall mean any product, substance, chemical, material or waste whose presence, nature, quantity and/or intensity of existence, use, manufacture, disposal, transportation, spill, release or effect, either by itself or in combination with other materials expected to be on the Premises, is either: (i) potentially injurious to the public health, safety or welfare, the environment or the Premises, (ii) regulated or monitored by any governmental authority, or (iii) a basis for liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substance shall include, but not be limited to, hydrocarbons, petroleum gasoline, crude oil or any products, by-products or fractions thereof. Lessee shall not engage in any activity in, on or about the Premises which constitutes a Reportable Use (as hereinafter defined) of Hazardous Substances without the

express prior written consent of Lessor and compliance in a timely manner (at Lessee's sole cost and expense) with all Applicable Law (as defined in Paragraph 6.3). "REPORTABLE USE" shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that require permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority. Reportable Use shall also include Lessee's being responsible for the presence in, on or about the Premises of a Hazardous Substance with respect to which any Applicable Law requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may, without Lessor's prior consent, but in compliance with all Applicable Law, use any ordinary and customary materials reasonably required to be used by Lessee in the normal course of Lessee's business permitted on the Premises, so long as such use is not a Reportable Use and does not expose the Premises or neighboring properties to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may (but with any obligation to do so) condition its consent to the use or presence of any Hazardous Substance, activity or storage tank by Lessee upon Lessee's giving Lessor such additional assurances as Lessor, in its reasonable discretion, deems necessary to protect itself, the public, the Premises and the environment against damage, contamination or injury and/or liability therefrom or therefor, including, but not limited to, the installation (and removal on or before Lease expiration or earlier termination) of reasonably necessary protective modifications to the Premises (such as concrete encasements) and/or the deposit an additional Security Deposit under Paragraph 5 hereof.

(b) DUTY TO INFORM LESSOR. If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance, or a condition involving or resulting from same, has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor. Lessee shall also immediately give Lessor a copy of any statement, report, notice, registration, application, permit, business plan, license, claim, action or proceeding given to, or received from, any governmental authority or private party, or persons entering or occupying the Premises, concerning the presence, spill, release, discharge of, or exposure to, any Hazardous Substance or contamination in, on, or about Premises, including but not limited to all such documents as may be involved in any Reportable Uses involving the Premises.

(c) INDEMNIFICATION. Lessee shall indemnify, protect, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, and Premises, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, costs, claims, liens, expenses, penalties, permits and attorney's and consultant's fees arising out of or involving any Hazardous Substance or storage tank brought onto the Premises by or for Lessee or under Lessee's control. Lessee's obligations under this Paragraph 6 shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee, and the cost of investigation (including consultant's and attorney's fees and testing), removal, remediation, restoration and/or abatement thereof, or of any contamination therein involved, and shall survive the expiration or earlier termination of Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances or storage tanks, unless specifically so agreed by Lessor in writing at the time of such agreement.

6.3 LESSEE'S COMPLIANCE WITH LAW. Except as otherwise provided in this Lease, Lessee, shall, at Lessee's sole cost and expense, fully, diligently and in a timely manner, comply with all "APPLICABLE LAW," which term is used in this Lease to include all laws, rules, regulations, ordinances, directives, covenants, easements and restrictions of record, permits, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants, relating in any manner to the Premises (including but not limited to matters pertaining to (i) industrial hygiene, (ii) environmental conditions on, in, under or about the Premises, including soil and groundwater conditions, and (iii) the use, generation, manufacture, production, installation, maintenance, removal, transportation, storage, spill or release of any Hazardous Substance or storage tank), now in effect or which may hereafter come into effect, and whether or not reflecting a change in policy from any previously existing policy. Lessee shall, within five (5) days after receipt of Lessor's written request, provide Lessor with copies of all documents and information, including, but not limited to, permits, registrations, manifests, applications, reports and certificates, evidencing Lessee's compliance with any Applicable Law specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving failure by Lessee or the Premises to comply with any Applicable Law.

6.4 INSPECTION; COMPLIANCE. Lessor and Lessor's Lender(s) (as defined in Paragraph 8.3(a)) shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease and all Applicable Laws (as defined in Paragraph 6.3), and to employ experts and/or consultants in connection therewith and/or to advise Lessor with respect to Lessee's activities, including but not limited to the installation, operation, use, monitoring, maintenance, or removal of any Hazardous Substance or storage tank on or from the Premises. The costs and expenses of any such inspections shall be paid by the party requesting same, unless a Default or Breach of this Lease, violation of Applicable Law, or a contamination, caused or materially contributed to by Lessee is found to exist or be imminent, or unless the inspection is requested or ordered by a governmental authority as the result of any such existing or imminent violation or contamination. In any such case, Lessee shall upon request reimburse Lessor or Lessor's Lender, as the case may be, for the costs and expenses of such inspections.

7. MAINTENANCE; REPAIRS; UTILITY INSTALLATIONS; TRADE FIXTURES AND

ALTERATIONS.

7.1 LESSEE'S OBLIGATIONS.

(a) Subject to the provisions of Paragraphs 2.2 (Lessor's warranty as to condition), 2.3 (Lessor's warranty as to compliance with covenants, etc.),

7.2 (Lessor's obligations to repair), 9 (damage and destruction), and 14 (condemnation), Lessee shall, at Lessee's sole cost and expense and at all times, keep the Premises and every part thereof in good order, condition and repair, structural and non-structural (whether or not such portion of the Premises requiring repairs, or the means of repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), including, without limiting the generality of the foregoing, all equipment or facilities serving the Premises, such as plumbing, heating, air conditioning, ventilating, electrical, lighting facilities, boilers, fired or unfired pressure vessels, fire sprinkler and/or standpipe and hose or other automatic fire extinguishing system, including fire alarm and/or smoke detection systems and equipment, fire hydrants, fixtures, walls (interior and exterior), foundations, ceilings, roofs, floors, windows, doors, plate glass, skylights, landscaping, driveways, parking lots, fences, retaining walls, signs, sidewalks and parkways located in, on, about, or adjacent to the Premises. Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises, the elements surrounding same, or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance and/or storage tank brought onto the Premises by or for Lessee or under its control. Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices. Lessee's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair. If Lessee occupies the Premises for seven (7) years or more, Lessor may require Lessee to repaint the exterior of the buildings on the Premises as reasonably required, but not more frequently than once every seven (7) years.

(b) Lessor shall, at Lessee's sole cost and expense, procure and maintain contracts, in customary form and substance for, and with contractors specializing and experienced in, the inspection, maintenance and service of the following equipment and improvements, if any, located on the Premises: (i) heating, air conditioning and ventilation equipment, (ii) boiler, fired or unfired pressure vessels, (iii) fire sprinkler and/or standpipe and hose or other automatic fire extinguishing systems, including fire alarm and/or smoke detection, (iv) landscaping and irrigation systems, (v) roof covering and drain maintenance and (vi) asphalt and parking lot maintenance.

7.2 LESSOR'S OBLIGATIONS. Except for the warranties and agreements of Lessor contained in Paragraphs 2.2 (relating to condition of the Premises), 2.3 (relating to compliance with covenants, restrictions and building code), 9 (relating to destruction of the Premises) and 14 (relating to condemnation of the Premises), it is intended by the Parties hereto that Lessor have no obligation, in any manner whatsoever, to repair and maintain the Premises, the improvements located thereon, or the equipment therein, whether structural or non structural, all of which obligations are intended to be that of the Lessee under Paragraph 7.1 hereof. It is the intention of the Parties that the terms of this Lease govern the respective obligations of the Parties as to maintenance and repair of the Premises. Lessee and Lessor expressly waive the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease with respect to, or which affords Lessee the right to make repairs at the expense of Lessor or to terminate this Lease by reason of any needed repairs.

7.3 UTILITY INSTALLATIONS; TRADE FIXTURES; ALTERATIONS.

(a) DEFINITIONS; CONSENT REQUIRED. The term "UTILITY INSTALLATIONS" is used in this Lease to refer to all carpeting, window coverings, air lines, power panels, electrical distribution, security, fire protection systems, communication systems, lighting fixtures, heating, ventilating, and air conditioning equipment, plumbing, and fencing in, on or about the Premises. The term "TRADE FIXTURES" shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term "ALTERATIONS" shall mean any modification of the improvements on the Premises from that which are provided by Lessor under the terms of this Lease, other than Utility Installations or Trade Fixtures, whether by addition or deletion. "LESSEE OWNED ALTERATIONS AND/OR UTILITY INSTALLATIONS" are defined as Alterations and/or Utility Installations made by lessee that are not yet owned by Lessor as defined in Paragraph 7.4(a). Lessee shall not make any Alterations or Utility Installations in, on, under or about the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Utility Installations to the interior of the Premises (excluding the roof), as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof or any existing walls, and the cumulative cost thereof during the term of this Lease as extended does not exceed $25,000.

(b) CONSENT. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with proposed detailed plans. All consents given by Lessor, whether by virtue of Paragraph 7.3(a) or by subsequent specific consent, shall be deemed conditioned upon: (i) Lessee's acquiring all applicable permits required by governmental authorities, (ii) the furnishing of copies of such permits together with a copy of the plans and specifications for the Alteration or Utility Installation to Lessor prior to commencement of the work thereon, and (iii) the compliance by Lessee with all conditions of said permits in a prompt and expeditious manner. Any Alterations or Utility Installations by Lessee during the term of this Lease shall be done in a good and workmanlike manner, with good and sufficient materials, and in compliance with all Applicable Law. Lessee shall promptly upon completion thereof furnish Lessor with as-built plans and specifications therefor. Lessor may (but without

obligation to do so) condition its consent to any requested Alteration or Utility Installation that costs $10,000 or more upon Lessee's providing Lessor with a lien and completion bond in an amount equal to one and one-half times the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor under Paragraph 36 hereof.

(c) INDEMNIFICATION. Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanics' or materialmen's lien against the Premises or any interest therein. Lessee shall give Lessor not less than ten (10) days' notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility in or on the Premises as provided by law. If Lessee shall, in good faith, contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof against the Lessor or the Premises. If Lessor shall require, Lessee shall furnish to Lessor a surety bond satisfactory to Lessor in an amount equal to one and one-half times the amount of such contested lien claim or demand, indemnifying Lessor against liability for the same, as required by law for the holding of the Premises free from the effect of such lien or claim. In addition, Lessor may require Lessee to pay Lessor's attorney's fees and costs in participating in such action if Lessor shall decide it is to its best interest to do so.

7.4 OWNERSHIP; REMOVAL; SURRENDER; AND RESTORATION.

(a) OWNERSHIP. Subject to Lessor's right to require their removal or become the owner thereof as hereinafter provided in this Paragraph 7.4, all Alterations and Utility Additions made to the Premises by Lessee shall be the property of and owned by Lessee, but considered a part of the Premises. Lessor may, at any time and at its option, elect in writing to Lessee to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations. Unless otherwise instructed per subparagraph 7.4(b) hereof, all Lessee Owned Alterations and Utility Installations shall, at the expiration or earlier termination of this Lease, become the property of Lessor and remain upon and be surrendered by Lessee with the Premises.

(b) REMOVAL. Unless otherwise agreed in writing, Lessor may require that any or all Lessee Owned Alterations or Utility Installations be removed by the expiration or earlier termination of this Lease, notwithstanding their installation may have been consented to by Lessor. Lessor may require the removal at any time of all or any part of any Lessee Owned Alterations or Utility Installations made without the required consent of Lessor.

(c) SURRENDER/RESTORATION. Lessee shall surrender the Premises by the end of the last day of the Lease term or any earlier termination date, with all of the improvements, parts and surfaces thereof clean and free of debris and in good operating order, condition and state of repair, ordinary wear and tear excepted. "ORDINARY WEAR AND TEAR" shall not include any damage or deterioration that would have been prevented by good maintenance practice or by Lessee performing all of its obligations under this Lease. Except as otherwise agreed or specified in writing by Lessor, the Premises, as surrendered, shall include the Utility Installations. The obligation of Lessee shall include the repair of any damage occasioned by the installation, maintenance or removal of Lessee's Trade Fixtures, furnishings, equipment, and Alterations and/or Utility Installations, as well as the removal of any storage lank installed by or for Lessee, and the removal, replacement, or remediation of any soil, material or ground water contaminated by Lessee, all as may then be required by Applicable Law and/or good service practice. Lessee's Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee subject to its obligation to repair and restore the Premises per this Lease.

8. INSURANCE; INDEMNITY.

8.1 PAYMENT FOR INSURANCE. Regardless of whether the Lessor or Lessee is the Insuring Party, Lessee shall pay for all insurance required under this Paragraph 8. Premiums for policy periods commencing prior to or extending beyond the Lease term shall be prorated to correspond to the Lease term. Payment shall be made by Lessee to Lessor within ten (10) days following receipt of an invoice for any amount due.

8.2 LIABILITY INSURANCE.

(a) CARRIED BY LESSEE. Lessee shall obtain and keep in force during the term of this Lease a Commercial General Liability policy of insurance protecting Lessee and Lessor (as an additional insured) against claims for bodily injury, personal injury and property damage based upon, involving or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than $2,000,000 per occurrence with an "ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES" Endorsement and contain the "AMENDMENT OF THE POLLUTION EXCLUSION" for damage caused by heat, smoke or fumes from a hostile fire. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "insured contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance required by this Lease or as carried by Lessee shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. All insurance to be carried by Lessee shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only.

(b) CARRIED BY LESSOR. In the event Lessor is the Insuring Party, Lessor shall also maintain liability insurance described in Paragraph 8.2(a), above, in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 PROPERTY INSURANCE-BUILDING, IMPROVEMENTS AND RENTAL VALUE.

(a) BUILDING AND IMPROVEMENTS. The Insuring Party shall obtain and keep in force during the term of this Lease a policy or policies in the name of Lessor, with loss, payable to Lessor and to the holders of any mortgages, deeds of trust or ground leases on the Premises ("LENDER(S)"), insuring loss or damage to the Premises. The amount of such insurance shall be equal to the full replacement cost of the Premises, as the same shall exist from to time, or the amount required by Lenders, but in no event more than the commercially reasonable and available insurable value thereof if, by reason of the unique nature or age of the improvements involved, such latter amount is less than full replacement cost. If Lessor is the Insuring Party, however, Lessee Owned Alterations and Utility Installations shall be insured by Lessee under Paragraph 8.4 rather than by Lessor. If the coverage is available commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for any additional costs resulting from debris removal and reasonable amounts of coverage of enforcement of any ordinance or law regulating the reconstruction or replacement of any undamaged sections of the Premises required to be demolished or removed by reason of the enforcement of any building, zoning, safety or land use laws as the result of a covered cause of loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed $1,000 per occurrence, and Lessee shall be liable for such deductible amount in the event of an Insured Loss, as defined in Paragraph 9.1(c)

(b) RENTAL VALUE. The Insuring Party shall, in addition, obtain and keep in force during the term of this Lease a policy or policies in the name of Lessor, with loss payable to Lessor and Lender(s), insuring the loss of the full rental and other charges payable by Lessee to Lessor under this Lease for one (1) year (including all real estate taxes, insurance costs, and any scheduled rental increases). Said insurance shall provide that in the event Lease is terminated by reason of an insured loss, the period of Indemnity for such coverage shall be extended beyond the date of the completion of repairs or replacement of the Premises, to provide for one full year's loss of rental revenues from the date of any such loss. Said insurance shall contain an agreed valuation provision in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected rental income, property taxes, insurance premium costs and other expenses, if any, otherwise payable by Losses, for the next twelve (12) month period. Lessee shall be liable for any deductible amount in the event of such loss.

(c) ADJACENT PREMISES. If the Premises are part of a larger building, or if the Premises are part of a group of buildings owned by Lessor which are adjacent to the Premises, the Lessee shall pay for any increase in the premiums for the property insurance of such building or buildings if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

(d) TENANT'S IMPROVEMENTS. If the Lessor is the Insuring Party, the Lessor shall not be required to insure Lessee Owned Alterations and Utility Installations unless the item in question has become the property of Lessor under the terms of this Lease. If Lessee is the Insuring Party, the policy carried by Lessee under this Paragraph 8.3 shall insure Lessee Owned Alterations and Utility Installations.

8.4 LESSEE'S PROPERTY INSURANCE. Subject to the requirements of Paragraph 8.5. Lessee at its cost shall either by separate policy or, at Lessor's option, by endorsement to a policy already carried, maintain insurance coverage on all of Lessee's personal property, Lessee Owned Alterations and Utility Installations in, on or about the Premises similar in coverage to that carried by the Insuring Party under Paragraph 8.3. Such insurance shall be full replacement cost coverage with a deductible of not to exceed $1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee the replacement of personal property or the restoration of Lessee Owned Alterations and Utility Installations. Lessee shall be the Insuring Party with respect to the insurance required by this Paragraph 8.4 and shall provide Lessor with written evidence that such insurance is in force.

8.5 INSURANCE POLICIES. Insurance required hereunder shall be in companies duly licensed to transact business in the state where the Premises are located, and maintaining during the policy term a "General Policyholders Rating" of at least B+, V, or such other rating as may be required by a Lender having a lien on the Premises, as set forth in the most current issue of "Best's Insurance Guide." Lessee shall not do or permit to be done anything which shall invalidate the insurance policies referred to in this Paragraph 8. If Lessee is the Insuring Party, Lessee shall cause to be delivered to Lessor certified copies of policies of such insurance or certificates evidencing the existence and amounts of such insurance with the insureds and loss payable clause, as required by this Lease. No such policy shall be cancellable or subject to modification except after thirty (30) days prior written notice to Lessor. Lessee shall at least thirty (30) days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. If the Insuring Party shall fail to procure and maintain the insurance required to be carried by the Insuring Party under this Paragraph 8, the other Party may, but shall not be required to, procure and maintain the same, but at Lessee's expense.

8.6 WAIVER OF SUBROGATION. Without affecting any other rights or

remedies, Lessee and Lessor ("WAIVING PARTY") each hereby release and relieve the other, and waive their entire right to recover damages (whether in contract or in tort) against the other, for loss of or damage to the Waiving Party's proper arising out of or incident to the perils required to be insured against under Paragraph 8. The effect of such releases and waivers of the right to recover damages shall not be limited by the amount of insurance carried or required, or by any deductibles applicable thereto.

8.7 INDEMNITY. Except for Lessor's negligence and/or breach of express warranties, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, costs, liens, judgments, penalties, permits, attorney's and consultant's fees, expenses and/or liabilities arising out of, involving, or in dealing with the occupancy of the Premises by Lessee, the conduct of Lessee's business, any act, omission or neglect of Lessee, its agents, contractors, employee or invitees, and out of any Default or Breach by Lessee in the performance in a timely manner of any obligation on Lessee's part to be performed under this Lease. The foregoing shelf include, but not be limited to, the defense or pursuit of any claim or any action or proceeding involved therein, and whether or not (in the case of claims made against Lessor) litigated and/or reduced to judgment, and whether well founded or not. In case any action or proceeding be brought against Lessor by reason of any of the foregoing matters. Lessee upon notice from Lessor shall defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim it order to be so indemnified.

8.8 EXEMPTION OF LESSOR FROM LIABILITY. Lessor shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires appliances, plumbing, air conditioning or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the Building of which the Premises are a part, or from other sources or places, and regardless of whether the cause of such damage or injury or the means of repairing the same is accessible or not, Lessor shall not be liable for any damages arising from any act or neglect of any other tenant of Lessor. Notwithstanding Lessor's negligence or breach of this Lease, Lessor shall under no circumstances be liable for injury to Lessee's business or for any loss of income or profit therefrom.

9. DAMAGE OR DESTRUCTION.

9.1 DEFINITIONS.

(a) "PREMISES PARTIAL DAMAGE" shall mean damage or destruction to the improvements on the Premises, other then Lessee Owned Alterations and Utility Installations, the repair cost of which damage or destruction is less than 50% of the then Replacement Cost of the Premises immediately prior to such damage or destruction, excluding from such calculation the value of the land and Lessee Owned Alterations and Utility Installations.

(b) "PREMISES TOTAL DESTRUCTION" shall mean damage or destruction to the Premises, other than Lessee Owned Alterations and Utility Installations the repair cost of which damage or destruction is 50% or more of the then Replacement Cost of the Premises immediately prior to such damage or destruction, excluding from such calculation the value of the land and Lessee Owned Alterations and Utility Installations.

(c) "INSURED LOSS" shall mean damage or destruction to improvements on the Premises, other then Lessee Owned Alterations and Utility Installations. which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a), irrespective of any deductible amounts or coverage limits involved.

(d) "REPLACEMENT COST" shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of applicable building codes, ordinances or laws, and without deduction for depreciation.

(e) "HAZARDOUS SUBSTANCE CONDITION" shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance as defined in Paragraph 6.2(a), in, on, or under the Premises.

9.2 PARTIAL DAMAGE - INSURED LOSS. If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force and effect; provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is $10,000 or less, and, in such event, Lessor shall make the insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the insuring Party shall promptly contribute the shortage in proceeds (except as to the deductible which is Lessee's responsibility) as and when required to complete said repairs. In the event, however, the shortage in proceeds was due to the fact that, by reason of the unique nature of the improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within ten (10) days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said ten (10) day period, the party responsible for making the repairs shall complete them as soon

as reasonably possible and this Lease shall remain in full force and effect. If Lessor does not receive such funds or assurance within said period, Lessor may nevertheless elect by written notice to Lessee within ten (10) days thereafter to make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect. If in such case Lessor does not so elect, then this Lease shall terminate sixty (60) days following the occurrence of the damage or destruction. Unless otherwise agreed, Lessee shall in no event have any right to reimbursement from Lessor for

any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject Paragraph 9.3 rather than Paragraph 9.2, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 PARTIAL DAMAGE-UNINSURED LOSS. If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful ac Lessee (in which event Lessee shall make the repairs at Lessee's expense and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 13). Lessor may at Lessor's option, either: (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) give written notice to Lessee within thirty (30) days after receipt by Lessor of knowledge the occurrence of such damage of Lessor's desire to terminate this Lease as of the date sixty (60) days following the giving of such notice. In the event Lessor elects to give such notice of Lessor's intention to terminate this Lease, Lessee shall have the right within ten (10) days after the receipt of notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage totally at Lessee's expense and without reimbursement from Lessor. Lessee shall provide Lessor with the required funds or satisfactory assurance thereof within thirty (30) days following Lessee's said commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible and the required funds are available. If Lessee does not give such notice and provide the funds or assurance thereof within the times specified above, this Lease shall terminate as of the date specified in Lessor's notice of termination.

9.4 TOTAL DESTRUCTION. Notwithstanding any other provision hereof, if a Premises Total Destruction occurs (including any destruction required by authorized public authority), this Lease shall terminate sixty (60) days following the date of such Premises Total Destruction, whether or not the damage or destruction is an Insured Loss or was caused by a negligent or willful act of Lessee. In the event, however, that the damage or destruction was caused by Lessee, Lessor shall have the right to recover Lessor's) damages from Lessee except as released and waived in Paragraph 8.6.

9.5 DAMAGE NEAR END OF TERM. If at any time during the last six (6) months of the term of this Lease there is damage for which the cost to repair exceeds one (1) month's Base Rent, whether or not an Insured Loss, Lessor may, at Lessor's option, terminate this Lease effective sixty (60) days follow the date of occurrence of such damage by giving written notice to Lessee of Lessor's election to do so within thirty (30) days after the date of occurrence of such damage. Provided, however, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by, within twenty (20) days following the occurrence of the damage, or before the expiration of the time provided in such option for its exercise, whichever is earlier ("EXERCISE PERIOD"), (i) exercising such option and (ii) providing Lessor with any shortage in insurance proceeds adequate assurance thereof) needed to make the repairs. If Lessee duly exercises such option during said Exercise Period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's expense repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee falls to exercise such option and provide such funds or assurance during said Exercise Period, then Lessor may at Lessor's option terminate this Lease as of the expiration of said sixty (60) day period following the occurrence such damage by giving written notice to Lessee of Lessor's election to do so within ten (10) days after the expiration of the Exercise Period, notwithstanding any term or provision in the grant of option to the contrary.

9.6 ABATEMENT OF RENT; LESSEE'S REMEDIES.

(a) In the event of damage described in Paragraph 9.2 (Partial Damage - --Insured), whether or not Lessor or Lessee repairs or restores the Premises, the Base Rent, Real Property Taxes, insurance premiums, and other charges, if any, payable by Lessee hereunder for the period during which such damage, its repair or the restoration continues (not to exceed the period for which rental value insurance is required under Paragraph 8.3(b)), shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired. Except for abatement of Base Rent, Real Property Taxes insurance premiums, and other charges, if any, as aforesaid, all other obligations of Lessee hereunder shall be performed by Lessee, and Lessee shall have no claim against Lessor for any damage suffered by reason of any such repair or restoration.

(b) If Lessor shall be obligated to repair or restore the Premises under the provisions of this Paragraph 9 and shall not commence, in a substantial and meaningful way, the repair or restoration of the Premises within ninety (90) days after such obligation shall accrue, Lessee may, at any time prior the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice of Lessee's election to terminate this Lease on a date not less than sixty (60) days following the giving of such notice. If Lessee gives such notice to Lessor and such Lenders and such repair or restoration is not commenced within thirty (30) days after receipt of such notice, this Lease shall terminate as of the date specified said notice. If Lessor or a Lender commences the repair or restoration of the Premises within thirty (30) days after receipt of such notice, this Lease shall continue in full force and effect. "COMMENCE" as used in this Paragraph shall mean either the unconditional authorization of the preparation of required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9.7 HAZARDOUS SUBSTANCE CONDITIONS. If a Hazardous Substance Condition occurs, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by Applicable Law and this Lease shall continue in full force and effect, but subject to Lessor's

rights under Paragraph 13). Lessor may at Lessor's option either (i) investigate and remediate such Hazardous Substance Condition, if required as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) if the estimated cost to investigate and remediate such condition exceeds twelve (12) times the then monthly Base Rent or $100,000, whichever is greater, give written notice to Lessee within thirty (30) days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition of Lessor's desire to terminate this Lease as of the date sixty (60) days following the giving of such notice. In the event Lessor elects to give such notice of Lessor's intention to terminate this Lease, Lessee shall have the right within ten (10) days after the receipt of such notice to give written notice to Lessor of Lessee's commitment to pay for investigation and remediation of such Hazardous Substance Condition totally at Lessee's expense and without reimbursement from Lessor except to extent of an amount equal to twelve (12) times the then monthly Base Rent or $100,000, whichever is greater. Lessee shall provide Lessor with the funds required of Lessee or satisfactory assurance thereof within thirty (30) days following Lessee's said commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such investigation and remediation as soon as reasonably possible and the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the times specified above, this Lease s terminate as of the date specified in Lessor's notice of termination. If a Hazardous Substance Condition occurs for which Lessee is not legally responsible, there shall be abatement of Lessee's obligations under this Lease to the same extent as provided in Paragraph 9.6(a) for a period of not to exceed twelve (12) months.

9.8 TERMINATION -ADVANCE PAYMENTS. Upon termination of this Lease pursuant to this Paragraph 9, an equitable adjustment shall be made concern advance Base Rent and any other advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor under the terms of this Lease.

9.9 WAIVE STATUTES. Lessor and Lessee agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent inconsistent herewith.

10. REAL PROPERTY TAXES.

10.1 (a) PAYMENT OF TAXES. Lessee shall pay the Real Property Taxes, as defined in Paragraph 10.2, applicable to the Premises during the term of this Lease. Subject to Paragraph 10.1(b), all such payments shall be made within ten (10) days from demand by Lessor. Lessee shall promptly furnish Lessor with satisfactory evidence that such taxes have been paid. If any such taxes to be paid by Lessee shall cover any period of time prior to or after the expiration or earlier termination of the term hereof, Lessee's share of such taxes shall be equitably prorated to cover only the period of time within the tax fiscal year this Lease is in effect, and Lessor shall reimburse Lessee for any overpayment after such proration. If Lessee shall fail to pay any Real Property Taxes required by this Lease to be paid by Lessee, Lessor shall have the right to pay the same, and Lessee shall reimburse Lessor therefor upon demand.

(b) ADVANCE PAYMENT. In order to insure payment when due and before delinquency of any or all Real Property Taxes, Lessor reserves the right at Lessor's option, to estimate the current Real Property Taxes applicable to the Premises, and to require such current year's Real Property Taxes to paid in advance to Lessor by Lessee, either: (i) in a lump sum amount equal to the installment due, at least twenty (20) days prior to the applicable delinquency date, or (ii) monthly in advance with the payment of the Base Rent. If Lessor elects to require payment monthly in advance, the monthly payment shall be that equal monthly amount which, over the number of months remaining before the month in which the applicable tax installment would become delinquent (and without interest thereon), would provide a fund large enough to fully discharge before delinquency the estimated installment taxes to be paid. When the actual amount of the applicable tax bill is known, the amount of such equal monthly advance payment shall be adjusted as required to provide the fund needed to pay the applicable taxes before delinquency. If the amounts paid to Lessor by Lessee under the provisions of this Paragraph are insufficient to discharge the obligations of Lessee to pay such Real Property Taxes as the same become due, Lessee shall pay to Lessor, upon Lessor's demand, such additional sums as are necessary to pay such obligations. All moneys paid to Lessor under this Paragraph may be intermingled with other moneys of Lessor and shall not bear interest. In the event of a Breach by Lessee in the performance of the obligations of Lessee under this Lease, then any balance of funds paid to Lessor under the provisions of this Paragraph may, subject to proration as provided in Paragraph 10.1(a), at the option of Lessor, be treated as an additional Security Deposit under Paragraph 5.

10.2 DEFINITION OF "REAL PROPERTY TAXES." As used herein, the term "REAL PROPERTY TAXES" shall include any form of real estate tax or assessment, general, special, ordinary or extraordinary, and any license fee, commercial rental tax, improvement bond or bonds, levy or tax (other than inheritance, personal income or estate taxes) imposed upon the Premises by any authority having the direct or indirect power to tax, including any city, state or federal government, or any school, agricultural, sanitary, fire, street, drainage or other improvement district thereof, levied against any legal or equitable interest of Lessor in the Premises or in the real property of which the Premises are a part, Lessor's right to rent or other income therefrom, and/or Lessor's business of leasing the Premises. The term "REAL PROPERTY TAXES" shall also include any tax, fee, levy, assessment or charge, or any increase therein, imposed by reason of events occurring, or changes in applicable law taking effect, during the term of this Lease, including but not limited to a change in the ownership of the Premises or in the improvements thereon, the execution of this Lease, or any modification, amendment or transfer thereof, and whether or not contemplated by the Parties.

10.3 JOINT ASSESSMENT. If the Premises are not separately assessed,

Lessee's liability shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Lessor from the respective valuations

assigned in the assessor's work sheets or such other information as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

10.4 PERSONAL PROPERTY TAXES. Lessee shall pay prior to delinquency all taxes assessed against and levied upon Lessee Owned Alterations, Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee contained in the Premises or elsewhere. When possible, Lessee shall cause its Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said personal property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee within (10) days after receipt of a written statement setting forth the taxes applicable to Lessee's property or, at Lessor's option, as provided in Paragraph 10.1(b).

11. UTILITIES. Lessee shall pay for all water, gas, heat, light power, telephone, trash disposal and other utilities and services supplied to the Premises, together with any taxes thereon. If any such services are not separately metered to Lessee, Lessee shall pay a reasonable proportion, to be determined by Lessor of all charges jointly metered with other premises.

12. ASSIGNMENT AND SUBLETTING.

12.1 LESSOR'S CONSENT REQUIRED.

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or otherwise transfer or encumber (collectively "ASSIGNMENT") or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent given under and subject to the terms Paragraph 36.

(b) A change in the control of Lessee shall constitute an assignment requiring Lessor's consent. The transfer, on a cumulative basis, of twenty-five percent (25%) or more of the voting control of Lessee shall constitute a change in control for this purpose.

(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, refinancing transfer, leveraged buy-out or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results will result in a reduction of the Net Worth of Lessee, as hereinafter defined, by an amount equal to or greater than twenty-five percent (25%) of such Net Worth of Lessee as it was represented to Lessor at the time of the execution by Lessor of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, at whichever time said Net Worth of Lessee was or is greater, shall be considered an assignment of this Lease by Lessee to which Lessor may reasonably withhold its consent. "NET WORTH OF LESSEE" for purposes of this Lease shall be the net worth of Lessee (excluding any guarantors) established under generally accepted accounting principles consistently applied.

(d) An assignment or subletting of Lessee's interest in this Lease without Lessor's specific prior written consent shall, at Lessor's option, be Default curable after notice per Paragraph 13.1(c), or a noncurable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unconsented to assignment or subletting as a noncurable Breach, Lessor shall have the right to either: (i) terminate this Lease, or (ii) upon thirty (30) days written notice ("LESSOR'S NOTICE"), increase the monthly Base Rent to fair market rental value or one hundred ten percent (110%) of the Base Rent then in effect, whichever is greater. Pending determination of the new fair market rental value, if disputed by Lessee, Lessee shall pay the amount set forth in Lessor's Notice, with any overpayment credited against the next installment(s) of Base Rent coming due, and any underpayment for the period retroactively to the effective date of the adjustment being due and payable immediately upon the determination thereof. Further, in the event of such Breach and market value adjustment, (i) the purchase price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to the then fair market value (without the Lease being considered an encumbrance or any deduction for depreciation or obsolescence, and considering the Premises at its highest and best use and in good condition), or one hundred ten percent (110%) of the price previously in effect, whichever is greater, (ii) any index-oriented rental or price adjustment formulas contained in this Lease shall be adjusted to require that the base index be determined with reference to the index applicable to the time of such adjustment, and (iii) any fixed rental adjustments scheduled during the remainder of the Lease term shall be increased in the same ratio as the new market rental bears to the Base Rent in effect immediately prior to the market value adjustment.

(e) Lessee's remedy for any breach of this Paragraph 12.1 by Lessor shall be limited to compensatory damages and injunctive relief.

12.2 TERMS AND CONDITIONS APPLICABLE TO ASSIGNMENT AND SUBLETTING.

(a) Regardless of Lessor's consent, any assignment or subletting shall not: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) alter the primary liability of Lessee for the payment of Base Rent and other sums due Lessor hereunder or for the performance of any other obligations to be performed by Lessee under this Lease.

(b) Lessor may accept any rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of any rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for the Default or Breach by

Lessee of any of the terms, covenants or conditions of this Lease.

(c) The consent of Lessor to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting by Lessee or to any subsequent or successive assignment or subletting by the sublessee. However, Lessor may consent to subsequent sublettings and assignments of the sublease or any amendments or modifications thereto without notifying Lessee or anyone else liable on the Lease or sublease and without obtaining their consent, and such action shall not relieve such persons from liability under this Lease or sublease.

(d) In the event of any Default or Breach of Lessee's obligations under this Lease, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of the Lessee's obligations under this Lease, including the sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefor to Lessor, or any security held by Lessor or Lessee.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a non-refundable deposit of $1,000 or ten percent (10%) of the current monthly Base Rent, whichever is greater, as reasonable consideration for Lessor's considering and processing the request for consent. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested by Lessor.

(f) Any assignee of, or sublessee under, this Lease shall, by reason of accepting such assignment or entering into such sublease, be deemed, for the benefit of Lessor, to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented in writing.

(g) The occurrence of a transaction described in Paragraph 12.1(c) shall give Lessor the right (but not the obligation) to require that the Security Deposit be increased to an amount equal to six (6) times the then monthly Base Rent, and Lessor may make the actual receipt by Lessor of the amount required to establish such Security Deposit as a condition to Lessor's consent to such transaction.

(h) See paragraph 57.

12.3 ADDITIONAL TERMS AND CONDITIONS APPLICABLE TO SUBLETTING. The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all rentals and income arising from any sublease or all or a portion of the Premises heretofore or hereafter made by Lessee, and Lessor may collect such rent and income and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach (as defined in Paragraph 13.1) shall occur in the performance of Lessee's obligations under this Lease, Lessee may, except as otherwise provided in this Lease, receive, collect and enjoy the rents accruing under such sublease. Lessor shall not, by reason of this or any other assignment of such sublease to Lessor, nor by reason of the collection of the rents from a sublessee, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee under such sublease. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor the rents and other charges due and to become due under the sublease. Sublessee shall rely upon any such statement and request from Lessor and shall pay such rents and other charges to Lessor without any obligation or right to inquire as to whether such Breach exists and notwithstanding any notice from or claim from Lessee to the contrary, Lessee shall have no right or claim against said sublessee, or, until the Breach has been cured, against Lessor for any such rents and other charges so paid by said sublessee to Lessor.

(b) In the event of a Breach by Lessee in the performance of its obligations under this Lease, Lessor, at its option and without any obligation to do so, may require any sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any other prior Defaults or Breaches of such sublessor under such sublease.

(c) Any matter or thing requiring the consent of the sublessor under a sublease shall also require the consent of Lessor herein.

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

13. DEFAULT; BREACH; REMEDIES.

13.1 DEFAULT; BREACH. Lessor and Lessee agree that if an attorney is consulted by Lessor in connection with a Lessee Default or Breach (as hereinafter defined), $350.00 is a reasonable minimum sum per such occurrence

for legal services and costs in the preparation and service of a notice of Default, and that Lessor may include the cost of such services and costs in said notice as rent due and payable to cure said Default. A "DEFAULT" is defined as a failure by the Lessee to observe, comply with or perform any of the terms, covenants, conditions or rules applicable to Lessee under this Lease. A "BREACH"

is defined as the occurrence of any one or more of the following Defaults, and, where a grace period for cure after notice is specified herein, the failure by Lessee to cure such Default prior to the expiration of the applicable grace period, shall entitle Lessor to pursue the remedies set forth in Paragraphs 13.2 and/or 13.3:

(a) The vacating of the Premises without the intention to reoccupy same, or the abandonment of the Premises.

(b) Except as expressly otherwise provided in this Lease, the failure by Lessee to make any payment of Base Rent or any other monetary payment required to be made by Lessee hereunder, whether to Lessor or to a third party, as and when due, the failure by Lessee to provide Lessor with reasonable evidence of insurance or surety bond required under this Lease, or the failure or Lessee to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of three (3) days following written notice thereof by or on behalf of Lessor to Lessee.

(c) Except as expressly otherwise provided in this Lease, the failure by Lessee to provide Lessor with reasonable written evidence (in duly executed original form, if applicable) of (i) compliance with Applicable Law per Paragraph 6.3, (ii) the inspection, maintenance and service contracts required under Paragraph 7.1(b), (iii) the recission of an unauthorized assignment or subletting per Paragraph 12.1(b), (iv) a Tenancy Statement per Paragraphs 16 or 37, (v) the subordination or non-subordination of this Lease per Paragraph 30, (vi) the guaranty of the performance of Lessee's obligations under this Lease if required under Paragraphs 1.11 and 37, (vii) the execution of any document requested under Paragraph 42 (easements), or (viii) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of ten (10) days following written notice by or on behalf of Lessor to Lessee.

(d) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 40 hereof, that are to be observed, complied with or performed by Lessee, other than those described in subparagraphs (a), (b) or (c), above, where such Default continues for a period of thirty (30) days after written notice thereof by or on behalf of Lessor to Lessee; provided, however, that if the nature of Lessee's Default is such that more than thirty (30) days are reasonably required for its cure, then it shall not be deemed to be a Breach of this Lease by Lessee if Lessee commences such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion.

(e) The occurrence of any of the following events: (i) The making by lessee of any general arrangement or assignment for the benefit of creditors; (ii) Lessee's becoming a "debtor" as defined in 11 U.S.C. (S)101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within sixty (60) days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within thirty (30) days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within thirty (30) days; provided, however, in the event that any provision of this subparagraph (e) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(f) The discovery by Lessor that any financial statement given to Lessor by Lessee or any Guarantor of Lessee's obligations hereunder was materially false.

(g) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a guarantor, (ii) the termination of a guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a guarantor's refusal to honor the guaranty, or (v) a guarantor's breach of its guaranty obligation on an anticipatory breach basis, and Lessee's failure, within sixty (60) days following written notice by or on behalf of Lessor to Lessee of any such event, to provide Lessor with written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the guarantors that existed at the time of execution of this Lease.

13.2 REMEDIES. If Lessee fails to perform any affirmative duty or obligation of Lessee under this Lease, within ten (10) days after written notice to Lessee (or in case of an emergency, without notice), Lessor may at its option (but without obligation to do so), perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. The costs and expenses of any such performance by Lessor shall be due and payable by Lessee to Lessor upon invoice therefor. If any check given to Lessor by Lessee shall not be honored by the bank upon which it is drawn, Lessor, at its option, may require all future payments to be made under this Lease by Lessee to be made only by cashier's check. In the event of a Breach of this Lease by Lessee, as defined in Paragraph 13.1, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach, Lessor may:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease and the term hereof shall terminate and Lessee shall immediately surrender possession of the Premises to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the worth at the time of the award of the unpaid rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of

award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of awards exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of the leasing commission paid by Lessor applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the prior sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%). Efforts by Lessor to mitigate damages caused by Lessee's Default or Breach of this Lease shall not waive Lessor's right to recover damages under this Paragraph. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding the unpaid rent and damages as are recoverable therein, or Lessor may reserve therein the right to recover all or any part thereof in a separate suit for such rent and/or damages. If a notice and grace period required under subparagraphs 13.1(b), (c) or (d) was not previously given, a notice to pay rent or quit, or to perform or quit, as the case may be, given to Lessee under any statute authorizing the forfeiture of leases for unlawful detainer shall also constitute the applicable notice for grace period purposes required by subparagraphs 13.1(b), (c) or (d). In such case, the applicable grace period under subparagraphs 13.1(b), (c) or (d) and under the unlawful detainer statute shall run concurrently after the one such statutory notice, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession in effect (in California under California Civil Code Section 1951.4) after Lessee's Breach and abandonment and recover the rent as it becomes due, provided Lessee has the right to sublet or assign, subject only to reasonable limitations. See Paragraphs 12 and 36 for the limitations on assignment and subletting which limitations Lessee and Lessor agree are reasonable. Acts of maintenance or preservation, efforts to relet the Premises, or the appointment of a receiver to protect the Lessor's interest under the Lease, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available to Lessor under the laws or judicial decisions of the state wherein the Premises are located.

(d) The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 INDUCEMENT RECAPTURE IN EVENT OF BREACH. Any agreement by Lessor for free or abated rent or other charges applicable to the Premises, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as "INDUCEMENT PROVISIONS," shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and conditions of this Lease to be performed or observed by Lessee during the term hereof as the same may be extended. Upon the occurrence of a Breach of this Lease by Lessee, as defined in Paragraph 13.1, any such inducement Provision shall automatically be deemed deleted from this Lease and of no further force and effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an Inducement Provision shall be immediately due and payable by Lessee to Lessor, and recoverable by Lessor as additional rent due under this Lease, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this Paragraph shall not be deemed a waiver by Lessor of the provisions of this Paragraph unless specifically so stated in writing by Lessor at the time of such acceptance.

13.4 LATE CHARGES. Lessee hereby acknowledges that late payment by Lessee to Lessor of rent and other sums due hereunder will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting changes and late charges which may be imposed upon Lessor by the terms of any ground lease, mortgage or trust deed covering the Premises. Accordingly, if any installment of rent or any other sum due from Lessee shall not be received by Lessor or Lessor's designee within five (5) days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a late charge equal to six percent (6%) of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of late payment by Lessee. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent Lessor from exercising any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for three (3) consecutive installments of Base Rent, then notwithstanding Paragraph 4.1 or any other provisions of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 BREACH BY LESSOR. Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph 13.5, a reasonable time shall in no event be less than thirty (30) days after receipt by Lessor, and by the holders of any ground lease, mortgage or deed of trust covering the Premises whose name and address shall have been furnished Lessee in writing for such purpose, of written notice specifying wherein such obligations of Lessor

has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than thirty (30) days after such notice are reasonably required for its performance, then Lessor shall not be in breach of this Lease if performance is commenced within such thirty (30) day period and thereafter diligently pursued to completion.

14. CONDEMNATION. (If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (all of which are herein called "CONDEMNATION"), this Lease shall terminate as to the part so taken as of the date the condemning authority takes

title or possession, whichever first occurs. If more than ten percent (10%) of the floor area of the Premises, or more than twenty-five percent (25%) of the land area not occupied by any building, is taken by condemnation, Lessee may, at Lessee's option, to be exercised in writing within ten (10) days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within ten (10) days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in the same proportion as the rentable floor area of the Premises taken bears to the total rentable floor area of the building located on the Premises. No reduction of Base Rent shall occur if the only portion of the Premises taken is land on which there is no building. Any award for the taking of all or any part of the Premises under the power of eminent domain or any payment made under threat of the exercise of such power shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold or for the taking of the fee, or as severance damages; provided, however, that Lessee shall be entitled to any compensation separately awarded to Lessee for Lessee's relocation expenses and/or loss of Lessee's Trade Fixtures. In the event that this Lease is not terminated by reason of such condemnation, Lessor shall to the extent of its net severance damages received, over and above the legal and other expenses incurred by Lessor in the condemnation matter, repair any damage to the Premises caused by such condemnation, except to the extent that Lessee has been reimbursed therefor by the condemning authority. Lessee shall be responsible for the payment of any amount in excess of such net severance damages required to complete such repair.

16. TENANCY STATEMENT.

16.1 Each Party (as RESPONDING PARTY) shall within ten (10) days after written notice from the other Party (the "Requesting Party") execute, acknowledge and deliver to the Requesting Party a statement in writing in form similar to the then most current "Tenancy Statement" form published by the American Industrial Real Estate Association, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

16.2 If Lessor desires to finance, refinance, or sell the Premises, any part thereof, or the building of which the Premises are a part, Lessee and all Guarantors of Lessee's performance hereunder shall deliver to any potential lender or purchaser designated by Lessor such financial statements of Lessee and such Guarantors as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past three (3) years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. LESSOR'S LIABILITY. The term "Lessor" as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or in this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor at the time of such transfer or assignment. Except as provided in Paragraph 15, upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined.

18. SEVERABILITY. The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. INTEREST ON PAST-DUE OBLIGATIONS. Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor within thirty (30) days following the date on which it was due, shall bear interest from the thirty-first (31/st/) day after it was due at the rate of 12% per annum, but not exceeding the maximum rate allowed by law, in addition to the late charge provided for in Paragraph 13.4.

20. TIME OF ESSENCE. Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

21. RENT DEFINED. All monetary obligations of Lessee to Lessor under the terms of this Lease are deemed to be rent.

22. NO PRIOR OR OTHER AGREEMENTS; BROKER DISCLAIMER. This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party.

23. NOTICES.

23.1 All notices required or permitted by this Lease shall be in writing and may be delivered in person (by hand or by messenger or courier service) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that

Party's address for delivery or mailing of notice purposes. Either Party may by written notice to the other specify a different address for notice purposes, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for the purpose of mailing or delivery notices to Lessee. A copy of all notices required or permitted to be given to Lessor hereunder shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate by written notice to Lessee.

23.2 Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given forty-eight (48) hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantees next day delivery shall be deemed given twenty-four (24) hours after delivery of the same to the United States Postal Service or courier. If any notice is transmitted by facsimile transmission or similar means, the same shall be deemed served or delivered upon telephone confirmation of receipt of the transmission thereof, provided a copy is also delivered via delivery or mail. If notice is received on a Sunday or legal holiday, it shall be deemed received on the next business day.

24. WAIVERS. No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent. Regardless of Lessor's knowledge of a Default or Breach at the time of accepting rent, the acceptance of rent by Lessor shall not be a waiver of any preceding Default or Breach by Lessee of any provision hereof, other than the failure of Lessee to pay the particular rent so accepted. Any payment given Lessor by Lessee may be accepted by Lessor on account of moneys or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

26. NO RIGHT TO HOLDOVER. Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or earlier termination of this Lease.

27. CUMULATIVE REMEDIES. No remedy or elements hereunder shall be deemed exclusive but shall, whenever possible, be cumulative with all other remedies of law or in equity.

28. COVENANTS AND CONDITIONS. All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions.

29. BINDING EFFECT; CHOICE OF LAW. This Lease shall be binding upon the parties, their personal representative, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. SUBORDINATION; ADORNMENT; NON-DISTURBANCE.

30.1 SUBORDINATION. This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, "Security Device"), now or hereafter placed by Lessor upon the real property of which the Premises are a part, to any and all advance made on the security thereof, and to all renewals, modifications, consolidations, replacements and extensions thereof. Lessee agrees that the Lenders holding any such Security Device shall have no duty, liability or obligation to perform any of the obligations of Lessor under this Lease, but that in the event of Lessor's default with respect to any such obligation. Lessee will given any Lender whose name and address have been furnished Lessee in writing for such purpose notice of Lessor's default and allow such Lender thirty (30) days following receipt of such notice for the cure of said default before invoking any remedies Lessee may have by reason thereof. If any Lender shall elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device and shall give written notice thereof to Lessee, this Lease and such Options shall be deemed prior to such Security Devices, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 ATTORNMENT. Subject to the non-disturbance provisions of Paragraph 30.3, Lessee agrees to attorn to a Lender or any other party who acquires ownership of the Premises by reason of a foreclosure of a Security Device, and that in the event of such foreclosure, such new owner shall not: (i) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership, (ii) be subject to any offsets or defenses which Lessee might have against any prior lessor, or (iii) be bound by prepayment of more than one (1) month's rent.

30.3 NON-DISTURBANCE. With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of the Lease shall be subject to receiving assurance (a "non-disturbance agreement") from the Lender that Lessee's possession and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises.

30.4 SELF-EXECUTING. The agreements contained in this Paragraph 30 shall be effective without the execution of any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any such subordination or non-subordination, adornment and/or non-disturbance agreement as is provided for herein.

31. ATTORNEY'S FEES. If any Party or Broker brings an action or proceeding to enforce the terms hereof or declare rights hereunder, the Prevailing Party (as hereafter defined) or Broker in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorney's fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, "Prevailing Party" shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party or Broker of its claim or defense. The attorney's fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorney's fees reasonably incurred. Lessor shall be entitled to attorney's fees, costs and expenses incurred in the preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach.

32. LESSOR'S ACCESS; SHOWING PREMISES; REPAIRS. Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times for the purpose of showing the same to prospective purchasers, lenders, or lessees, and making such alterations, repairs, improvements or additions to the Premises or to the building of which they are a part, as Lessor may reasonably deem necessary. Lessor may at any time place on or about the Premiss or building any ordinary "For Sale" signs and Lessor may at any time during the last one hundred twenty (120) days of the term hereof place on or about the Premises any ordinary "For Lease" signs. All such activities of Lessor shall be without abatement of rent or liability to Lessee.

33. AUCTIONS. Lessee shall not conduct, nor permit to be conducted, either voluntarily or involuntarily, any auction upon the Premises without first having obtained Lessor's prior written consent. Notwithstanding anything to the contrary in this Lease, Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to grant such consent.

34. SIGNS. Lessee shall not place any sign upon the Premises, except that Lessee may, with Lessor's prior written consent, install (but not on the roof) such signs as are reasonably required to advertise Lessee's own business. The installation of any sign on the Premises by or for Lessee shall be subject to the provisions of Paragraph 7 (Maintenance, Repairs, Utility Installations,

Trade Fixtures and Alterations). Unless otherwise expressly agreed herein, Lessor reserves all rights to the use of the roof and the right to install, and all revenues from the installation of, such advertising signs on the Premises, including the roof, as do not unreasonably interfere with the conduct of Lessee's business.

35. TERMINATION; MERGER. Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, Lessor shall, in the event of any such surrender, termination or cancellation, have the option to continue any one or all of any existing subtenancies. Lessor's failure within ten (10) days following any such event to make a written election to the contrary by written notice to the holder of any such lesser interest, shall constitute Lessor's election to have such event constitute the termination of such interest.

36. CONSENTS.

(a) Except for Paragraph 33 hereof (Auctions) or as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' or other consultants' fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent pertaining to this Lease or the Premises, including but not limited to consents to an assignment, a subletting or the presence or use of a Hazardous Substance, practice or storage tank, shall be paid by Lessee to Lessor upon receipt of an invoice and supporting documentation therefor. Subject to Paragraph 12.2(e) (applicable to assignment or subletting), Lessor may, as a condition to considering any such request by Lessee, require that Lessee deposit with Lessor an amount of money (in addition to the Security Deposit held under Paragraph 5) reasonably calculated by Lessor to represent the cost Lessor will incur in considering and responding to Lessee's request. Except as otherwise provided, any unused portion of said deposit shall be refunded to Lessee without interest. Lessor's consent to any act, assignment of this Lease or subletting of the Premises by Lessee shall not constitute an acknowledgement that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent.

(b) All conditions to Lessor's consent authorized by this Lease are acknowledged by Lessee as being reasonable. The failure to specify herein any particular condition to Lessor's consent shall not preclude the imposition by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given.

38. QUIET POSSESSION. Upon payment by Lessee of the rent for the Premises and the observance and performance of all of the covenants, conditions, and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession of the Premises for the entire term hereof subject to all of the provisions of this Lease.

40. MULTIPLE BUILDINGS. If the Premises are part of a group of buildings controlled by Lessor, Lessee agrees that it will abide by, keep and observe all reasonable rules and regulations which Lessor may make from time to time for the management, safety, care, and cleanliness of the grounds, the parking and unloading of vehicles and the preservation of good order, as well as for the convenience of other occupants or tenants of such other buildings and their invitees, and that Lessee will pay its fair share of common expenses incurred in connection therewith.

41. SECURITY MEASURES. Lessee hereby acknowledges that the rental payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties.

42. RESERVATIONS. Lessor reserves to itself the right, from time to time, to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, and to cause the recordation of parcel maps and restrictions, so long as such easements, rights, dedications, maps and restrictions do not unreasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate any such easement rights, dedication, map or restrictions.

43. PERFORMANCE UNDER PROTEST. If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay under the provisions of this Lease.

44. AUTHORITY. If either Party hereto is a corporation, trust, or general or limited partnership, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on its behalf. If Lessee is a corporation, trust or partnership, Lessee shall, within thirty (30) days after request by Lessor, deliver to Lessor evidence satisfactory to Lessor of such authority.

45. CONFLICT. Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions.

46. OFFER. Preparation of this Lease by Lessor or Lessor's agent and submission of same to Lessee shall not be deemed an offer to lease to Lessee. This Lease is not intended to be binding until executed by all Parties hereto.

47. AMENDMENTS. This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. The parties shall amend this Lease from time to time to reflect any adjustments that are made to the Base Rent or other rent payable under this Lease. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by an institutional, insurance company, or pension plan Lender in connection with the obtaining of normal financing or refinancing of the property of which the Premises are a part.

48. MULTIPLE PARTIES. Except as otherwise expressly provided herein, if more than one person or entity is named herein as either Lessor or Lessee, the obligations of such Multiple Parties shall be the joint and several responsibility of all persons or entities named herein as such Lessor or Lessee.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

IF THIS LEASE HAS BEEN FILLED IN, IT HAS BEEN PREPARED FOR SUBMISSION TO YOUR ATTORNEY FOR HIS APPROVAL. FURTHER, EXPERTS SHOULD BE CONSULTED TO EVALUATE THE CONDITION OF THE PROPERTY AS TO THE POSSIBLE PRESENCE OF ASBESTOS, STORAGE TANKS OR HAZARDOUS SUBSTANCES. NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OR BY THE REAL ESTATE BROKER(S) OR THEIR AGENTS OR EMPLOYEES AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES; THE PARTIES SHALL RELY SOLELY UPON THE ADVICE OF THEIR OWN COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE. IF THE SUBJECT PROPERTY IS LOCATED IN A STATE OTHER THAN CALIFORNIA, AN ATTORNEY FROM THE STATE WHERE THE PROPERTY IS LOCATED SHOULD BE CONSULTED.

The parties hereto have executed this Lease at the place on the dates specified above to their respective signatures.

Executed at Palo Alto, CA on June 30, 1995	Executed at Palo Alto, CA on 6-30-95
by LESSOR: WINDY PACIFIC PARTNERS,	by LESSEE: PACIFIC MAILING CORPORATION,

a general partnership	a California corporation
By: WINDY HILL INVESTMENT COMPANY	By: /s/ Michael Tuite
Its: Managing Partner	Name Printed: Michael Tuite
Title: President	Title: President
By: /s/ William J. Hurwick	By:
Name Printed: William J. Hurwick	Name Printed:
By: CALIFORNIA PACIFIC COMMERCIAL CORPORATION	Title:
	Address:
By: /s/ Daniel J. McGanney, III	
Daniel J. McGanney, III	Tel. No. ( ) -- Fax. No. ( ) --

ADDENDUM TO LEASE
DATED JUNE 30, 1995
BETWEEN WINDY PACIFIC PARTNERS
AND PACIFIC MAILING CORPORATION

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49. TERM. The term of this lease shall commence thirty (30) days after Lessor notifies Lessee that the improvements described in paragraph 53 below are substantially complete and ready for occupancy (the "Commencement Date") and end fifteen (15) years after the Commencement Date (the "Expiration Date").

50. BASE RENT.

50.1. INITIAL BASE RENT. Monthly Base Rent shall be an amount equal to the lesser of: (i) Twenty Nine Thousand Four Hundred and Twenty Five Dollars ($29,425), or (ii) one percent (1%) of the Development Cost. Base Rent shall be payable on the first day of each month commencing on the Commencement Date.

The phrase "Development Cost" as used herein shall mean all costs of any nature incurred by or on behalf of Lessor in connection with the acquisition and improvement of the Premises and the preparation and negotiation of this lease including, without limitation, all costs of construction, materials, on and off-site improvements, architects, engineers and other professionals and consultants, permits and all fees or assessments paid to governmental entities, bonds, licenses, attorneys, accountants, furniture, financing (including points, fees and interest payments), real estate brokers, environmental investigation and remediation, fixtures, equipment and other personal property, insurance, taxes imposed, tenant improvements paid by Lessor and land (at a value of $650,500). Lessee acknowledges that Lessor intends to use Vance M. Brown & Sons, Inc. as its contractor for the construction of the improvements on the Property and that Lessor has disclosed to Lessee that affiliates of Vance M. Brown & Sons, Inc. are Partners in the managing general partner of Lessor.

As soon as possible after the Commencement Date, Lessor shall notify Lessee in writing of the Development Cost and the Base Rent. Lessee shall have thirty (30) days from the date of such notice in which to notify Lessor that it disagrees with such determination. In the event that Lessee does not so timely notify Lessor, the Base Rent shall be as established in Lessor's notice. In the event that Lessee does notify Lessor and the parties are unable to agree in writing upon the Base Rent, the matter shall be submitted to binding arbitration.

To commence arbitration, the party initiating arbitration shall deliver written notice to the other party, naming an arbitrator. The other party shall have the right to name an additional arbitrator by serving notice on the first party within 30 days after the original notice. If that party does so, the two

arbitrators so named shall select a third arbitrator. If a second arbitrator is not named, the first arbitrator shall conduct the arbitration. If the two arbitrators are unable to agree upon a third arbitrator, the third arbitrator shall be appointed by the Presiding Law and Motion Judge of the San Francisco Superior Court. Each party shall have the right to submit the name of three (3) duly qualified arbitrators and the judge shall select the arbitrator from the names so submitted.

If only one arbitrator is named, the parties shall share that arbitrator's fees and expenses equally. If two arbitrators are named, each party shall pay the fees and expenses of his nominee. If three arbitrators are named, each party shall pay the fees and expenses of his nominee and share equally the fees and expenses of the third arbitrator. The arbitrators shall determine the amount of the Development Cost and Base Rent as provided above and shall set forth their determination in writing, with a signed counterpart to be delivered to each party, within 30 days after commencing arbitration. Except as to matters specifically dealt with in this Agreement, all questions of procedure in connection with the arbitration shall be settled by reference to the rules of arbitration of the American Arbitration Association then in effect. The determination of the arbitrators shall be final and binding on the parties.

In the event that the amount of the Base Rent has not been determined as of the Commencement Date, Lessee on an interim basis shall pay Lessor's estimate of the Base Rent until such time as Base Rent is determined. In the event that the actual Base Rent is less than Lessor's estimate, Lessee shall be entitled to a credit against the next rental payment payable by Lessee hereunder in the amount of such difference. Alternatively, if the actual Base Rent is more than Lessor's estimate, Lessee shall pay such difference with the next rental payment owing.

50.2. BASE RENT ADJUSTMENT. Commencing as of the sixty-first (61st) month of the lease term, the Base Rent then payable shall be increased by seven and one-half percent (7 1/2%). Commencing as of the one hundred twentieth (120th) month of the lease term, the Base Rent then payable shall be increased by seven and one-half percent (7 1/2%).

51. BASE RENT PAID UPON EXECUTION; SECURITY DEPOSIT. Concurrently with the signing of this lease, Lessee is paying Lessor the sum of $63,425, $29,425 of which is payment of the first month's Base Rent and $34,000 of which is a security deposit to be held in accordance with paragraph 5. The amount so paid as first month's Base Rent shall be applied to pay the first month's Base Rent and in the event that the amount so paid exceeds the actual Base Rent for the first month, Lessee shall receive a credit in the amount of the difference against the next month's rent owing after the Base Rent has been determined. Upon determination of the Base Rent, the amount held as security deposit shall be adjusted so that it equals the amount of the Base Rent payable for the last month of the lease term.

52: ADDITIONAL RENTAL.

52.1. Lessee shall pay Lessor as additional rental the management expense incurred by Lessor in connection with the Premises, which expense shall be an amount equal to

two percent (2%) of the Base Rent. Said additional rent shall be payable monthly at the same time and in the same manner as Base Rent.

52.2. PAYMENT OF ADDITIONAL RENTAL. At Lessor's option, Lessor may require that Lessee pay all or some portion of the additional rental owing under paragraphs 7.1, 8.1, 10.1 and 52.1 in the following manner. Lessee shall pay monthly on the first day of each month an amount equal to one twelfth (1/12th) of Lessor's estimate of the amount of such rent due during the year. Within a reasonable time after the end of each calendar year, Lessor shall compute the amount payable for the prior year. In the event that the actual additional rental is more than Lessor's estimate, the difference between the amount owing and the amount of rent adjustment actually paid by Lessee for the prior year shall be payable in full at the time the next monthly rent payment is due. In the event that the actual additional rental is less than Lessor's estimate, Lessee shall be entitled to a credit against the next rental payment payable by Lessee hereunder in the amount of such difference.

53. IMPROVEMENTS TO THE PREMISES.

53.1 LESSOR'S BASE BUILDING IMPROVEMENTS. Prior to the Commencement Date, Lessor shall have constructed the base building improvements to the Premises as set forth in Base Building Plans. As used herein, the term "Base Building Plans" shall mean the plans and specifications described as Dumbarton Bus. Park, dated June 28, 1995 and prepared by LRS Associates. Lessee acknowledges that it has reviewed and approved the Base Building Plans. Lessor may make the following revisions to such Base Building Plans: (i) such changes as may be required by governmental authorities; and (ii) such changes as Lessor may deem necessary or appropriate, as long as the improvements, when constructed, will be comparable in appearance, design, efficiency and quality initially described in the Base Building Plans. The base building improvements shall be deemed complete upon certification by Lessor's architect or contractor that such improvements are substantially complete excluding punch list items, the completion or correction of which will not materially interfere with the construction of the Tenant Improvements.

53.2. LESSOR'S TENANT IMPROVEMENTS. Lessor shall construct the tenant improvements to the Premises in accordance with the work letter attached hereto as Exhibit B.

54. HOLDING OVER. If Lessee remains in possession of the Premises or any part thereof after the expiration or early termination of this Lease, without Lessor's consent, such occupancy shall be a tenancy from month-to-month subject to all the provisions of this Lease, except that the Base Rent shall become one hundred fifty percent (150%) of the Base Rent last in effect. In addition, Lessee shall reimburse Lessor for and indemnify Lessor against all damages incurred by Lessor from any delay by Lessee in vacating the Premises.

55. INSURANCE. Lessor shall be a named additional insured on all Policies required to be maintained by Lessee under this Lease. Lessor shall have the right to raise the amounts of insurance coverage required by Lessee if, in Lessor's opinion, the amount of such coverage is no longer equal to prevailing standards.

56. LIMITATION ON LIABILITY, COMMENCEMENT OF ACTIONS. If Lessee obtains a money judgment against Lessor resulting from any default or other claim arising under or in connection with this Lease, such judgment shall be satisfied only out of Lessor's interest in the Premises. Except as provided in the preceding sentence, no other real or personal property of Lessor shall be subject to levy to satisfy any such judgment and Lessor shall have no personal liability under this Lease. Any claim, demand, right or defense of any kind by Lessee which is based upon or arises in connection with this Lease or the negotiations prior to its execution, shall be barred unless Lessee commences an action thereon, or interposes in a legal proceeding a defense by reason thereof, within six (6) months after the date of the inaction or omission or the date of the occurrence of the event or of the action to which the claim, demand, right or defense relates, whichever applies.

57. ASSIGNMENT AND SUBLETTING. Any net profit from any subletting or assignment shall be paid one-half to Lessor and one-half to Lessee by any assignee or subtenant after payment to Lessee of real estate commissions, reasonable attorneys' fees and other reasonable out-of-pocket costs incurred by Lessee in connection therewith. Such net profit shall include, without limitation, any increase in rental over that paid by Lessee under this Lease and any other consideration (or its cash equivalent) for execution of the assignment or sublease. As a condition to any subletting or assignment, all assignees and subtenants shall verify in writing to Lessor all consideration paid or given or to be paid or given for such sublease or assignment.

58. ADJACENT PARCEL. The parties acknowledge that Windy Hill Investment Partners, an affiliate of Lessor, is granting Lessee a right of first refusal to lease the adjacent parcel of real estate commonly known as Lot 3, Dumbarton Business Center, Newark, California (the "Adjacent Parcel"). Any default under any lease executed by and between Windy Hill Investment Company and Lessee for all or any portion of the Adjacent Parcel shall, at Lessor's option, constitute a default under this Lease.

59. CONFLICTS. In the event of any inconsistency or conflict between the terms and conditions of this Addendum and the Lease form, the terms and conditions of this Addendum shall control.

60. REVIEW OF LEASE. The parties hereto acknowledge and agree that each has had the opportunity to review the Lease and this Addendum with legal counsel and each party or its legal counsel has been instrumental in the drafting of the Lease and this Addendum. Accordingly, this Lease shall be interpreted and construed in accordance with its fair meaning and the doctrine that ambiguities shall not be construed against the party drafting the document shall not be applicable to the Lease and this Addendum.

LOT 2:

Parcel 2 as shown on Parcel Map 4386 filed for record in the office of the County Recorder of Alameda County on September 25, 1984 in Book 146 of Maps, Page 65 as the lot lines are adjusted by the certificate of compliance recorded November 4, 1988, Series No. 88-292090, Official Records.

Excepting therefrom that portion thereof lying below a depth of 500 feet measured vertically, from the contour of the surface, including, but not limited to, all oil, gas, casing head gas and other hydrocarbon, geothermal and mineral substances lying below said depth without the regat of surface entry as reserved in the Deed from Leonard F. Landis et all recorded January 6, 1981, as Series No. 81-001678, Alarneda County Records.

A. P. No. 92-116-56

EXHIBIT A

WORK LETTER AGREEMENT

This Work Letter Agreement supplements the Lease dated June , 1995, executed concurrently herewith by and between WINDY PACIFIC PARTNERS ("Lessor") and PACIFIC MAILING CORPORATION ("Lessee").

1. TENANT IMPROVEMENTS. Lessor shall construct and install tenant improvements in the Premises in accordance with the applicable Final Plans approve by Lessee and otherwise in accordance with this Work Letter Agreement.

2. PLANS AND SPECIFICATIONS.

2.1. PREPARATION OF PRELIMINARY PLANS. Not later than five (5) days after Lessee's execution of this Lease, Lessee shall furnish and submit to Lessor's architect such information as Lessor's architect may request from Lessee to prepare preliminary plans for the Premises, including information regarding the location of all partitions, doors, light fixtures, electrical outlets, telephone outlets and other standard and special installations required by Lessee, as well as wall finishes and floor coverings. Lessee's preliminary plans submission shall include any special mechanical, electrical and structural engineering requirements. Thereafter, Lessor shall cause its architect to prepare preliminary plans and specifications for the tenant improvements in the Premises.

2.2. REVIEW AND APPROVAL OF PRELIMINARY PLANS. Upon Lessor's receipt from Lessor's architect, Lessor shall promptly submit the preliminary plans to Lessee for review and approval. Lessee shall give written notice of its approval or disapproval of the preliminary plans within five (5) days after its receipt thereof. If Lessee disapproves the preliminary plans, Lessee shall specify the reasons for such disapproval and Lessor and Lessee shall thereafter promptly meet and negotiate in good faith to resolve any of Lessee's objections.

2.3. PREPARATION OF FINAL PLANS. As soon as may be reasonably practicable after Lessee's approval of the preliminary plans, Lessor's architect shall prepare plans, specifications and working drawings, including architectural, mechanical and electrical engineering plans, specifications, working drawings and details (collectively, "Final Plans"). Lessee shall furnish and submit promptly to Lessor's architect such information as Lessor's architect may request from Lessee and otherwise cooperate with Lessor and Lessor's architect to assist in preparation of the Final Plans. The Final Plans shall be in form and substance ready for pricing and construction.

2.4. LESSEE'S APPROVAL OF FINAL PLANS. Upon receipt from Lessor's architect, each party shall have the right to review and approval the Final Plans. Each party shall give written notice of its approval or disapproval of the Final Plans within five (5) days after the date of receipt thereof. If either party disapproves the Final Plans, such party shall specify the reasons for its disapproval, and Lessor and Lessee shall thereafter promptly meet and negotiate in good faith to remove such party's objections. Lessee's written approval of the Final Plans shall be deemed Lessee's authorization for Lessor to proceed with Lessor's Work (defined below) in accordance with the approved Final Plans. Lessor shall not be obligated to proceed with Lessor's Work until both Lessor and Lessee have approved the Final Plans. As used herein, the term "Lessor's Work" shall mean the work contemplated by the Final Plans and the term "Improvement Costs" shall mean the cost of the Lessor's Work as performed in accordance with the Final Plans.

2.5. LIABILITY FOR APPROVAL. Neither preparation of plans by Lessor's architect, engineer or consultant nor any approval thereof by Lessor shall constitute any representation or warranty by or on

EXHIBIT B

behalf of Lessor as to the adequacy, efficiency, suitability, fitness or desirability of any space layout or improvements or otherwise constitute assumption by Lessor of any responsibility for the accuracy or sufficiency thereof, or be interpreted as a statement of compliance with code requirements.

3. CONSTRUCTION OF TENANT IMPROVEMENTS. Lessor shall select the general contractor to be used to construct Lessor's Work. Lessee acknowledges that Lessor intends to use Vance M. Brown & Sons, Inc. as the contractor and that the relationship between Lessor and said contractor has been disclosed to Lessee. Following approval of the Final Plans by Lessee, and issuance of applicable building permits and any other governmental approvals necessary to construct the Lessor's Work, Lessor's contractor shall be instructed to commence and diligently proceed with the construction of Lessor's Work substantially in accordance with the approved Final Plans.

4. CHANGES, ADDITIONS OR ALTERATIONS.

4.1. CHANGES REQUESTED BY LESSEE. Any change in Lessor's Work requested by Lessee after approval of the Final Plans shall be at Lessee's sole cost and expense and shall be subject to Lessor's approval. Lessee shall pay all costs incurred by Lessor in reviewing any requested change, whether such change is approved by Lessor or not. If Lessor approves any such request, Lessor's architect shall prepare (or revise) plans, specifications and working drawings with respect to such change. Lessee shall reimburse Lessor for the cost of preparing such additional (or revised) plans. As soon as practical after completion of the additional (or revised) plans, Lessor shall notify Lessee of the estimated cost and the estimated delay, if any, which will be chargeable to Lessee by reason of such change. Within three (3) days after the date of receipt of such estimated cost, Lessee shall notify Lessor in writing whether Lessee approves such change. If Lessee approves, Lessee shall promptly pay Lessor the estimated cost of such change in excess of Lessor's Contribution, and Lessor's contractor shall proceed with the change as soon as reasonably practicable thereafter. If Lessee does not promptly so approve and pay any such cost, Lessor shall be entitled to proceed in accordance with the previously approved plans.

4.2. CHANGES BY LESSOR. Lessor shall have the right to make such changes in the approved Final Plans (or in Lessor's Work pursuant thereto), as Lessor may deem reasonably necessary for coordinating and completing Lessor's Work or as required by governmental authorities. Lessee agrees and understands that any minor changes or deviations from the approved Final Plans that may be reasonably necessary during construction of the Premises shall not affect, change or invalidate the Lease, or give rise to any claims by Lessee for any offset, credit, loss, damage or delay, or otherwise.

5. TENANT IMPROVEMENT ALLOWANCE. Lessor shall contribute to the cost of constructing Lessor's Work a tenant improvement allowance of up to a maximum of Four Dollars ($4.00) times the number of square feet in the Premises ("Lessor's Contribution").

The Improvement Costs to be paid by Lessor from said allowance shall include without limitation:

(a) The cost of preliminary space planning and final architectural and engineering plans and specifications (i.e., Final Plans) for Lessor's Work;

(b) All costs of obtaining building permits and other necessary authorizations from appropriate governmental authorities;

(c) All costs of interior design and finish schedule plans and specifications including as-built drawings;

(d) All direct and indirect costs of performing Lessor's Work in the Premises, including the construction fee for overhead and profit and the cost of all on-site supervisory and administrative staff, office, equipment and temporary services rendered by Lessor's contractor in connection with Lessor's Work;

(e) All fees payable to Lessor's architectural and engineering firm if it is required by Lessee to redesign any portion of the tenant improvements following Lessee's approval of the Final Plans;

In no event shall the Improvement Costs include any costs of procuring or installing in the Premises any trade fixtures, equipment, furniture, furnishings, telephone equipment or other Personal property (collectively, "Personal Property") to be used in the Premises by Lessee, and the cost of such personal Property shall be paid by Lessee.

If the Improvement Costs exceed Lessor's Contribution, then Lessee shall pay all Improvement Costs in excess of Lessor's Contribution ("Lessee's Share of the Improvement Costs") within ten (10) days after the date of receipt of Lessor's invoice therefor. At Lessee's option, Lessee may elect to have Lessee's Share of the Improvement Costs, not to exceed Three Dollars ($3.00) times the number of square feet in the Premises, added to the Base Rent in the following manner. In such event, monthly Base Rent shall be increased by an amount equal to Lessee's Share of the Improvement Costs amortized over the term of the Lease multiplied by 1.015 and Lessor and Lessee shall execute an addendum to the Lease setting forth the monthly Base Rent so adjusted.

6. DELAY. Lessee shall be responsible for and pay any and all costs and expenses incurred by Lessor in connection with any delay (each a "Lessee Delay") in the commencement or completion of Lessor's Work caused by: (a) Lessee's failure to furnish information as required for timely completion of the preliminary plans or the Final Plans; (b) Lessee's failure to approve or disapprove the preliminary plans or the Final Plans within the time periods specified herein; (c) Lessee's request for changes in materials, finishes, installations or improvements after approval of the Final Plans; (d) any changes, additions or alterations requested by or on behalf of Lessee after approval by Lessee of the Final Plans; (e) Lessee's failure to pay any amount when due hereunder; (f) failure or refusal by Lessee to observe and perform fully and promptly any other provision of this Work Letter Agreement or the Lease on Lessee's part to be observed or performed; or (g) any other delay of any kind or nature caused by any act or omission of Lessee, or any contractor, agent, servant or employee of Lessee. If there is any Tenant Delay, the Premises shall be deemed completed, for purposes of determining the date for commencement of the Term of the Lease and Lessee's rental obligations thereunder, on the date the Premises would have been completed but for such Lessee Delay.

7. FORCE MAJEURE. Lessor shall not be responsible for any delays in construction or delivery of the Premises caused by strikes, lockouts, labor disputes, acts of God, governmental restrictions or regulations, judicial orders, enemy or hostile governmental actions, civil commotion, fire or flood or other casualty, or any other causes beyond Lessor's reasonable control.

8. PUNCHLIST. Within seven (7) days following date of delivery of the Premises to Lessee, Lessee shall provide Lessor with a list of items for which Lessor has obligated to Lessee, which items were defective or incomplete as at the date of delivery (the "Punchlist"). Lessor or its agents shall immediately proceed to correct or complete the items on the Punchlist. Upon completion or correction of the items on the Punchlist, Lessee shall be deemed to have accepted the Leased Premises as being in good and sanitary order, condition and repair.

EXHIBIT B

9. COMPLETION. Upon the date (the "Completion Date") that Lessor's architect furnishes a Certificate of Substantial Completion ("Certificate of Substantial Completion") confirming that the work has been substantially completed subject only to Punchlist items, the completion or correction of which will not materially interfere with Lessee's use or occupancy of the Leased Premises, the Leased Premises will be deemed completed and possession of the Leased Premises deemed delivered to Lessee for all purposes of the Lease.

10. OTHER WORK (BY LESSEE AT LESSEE'S COST).

(a) If Lessee desires to install any alterations, additions, or other items through a contractor other than Lessor's contractor, no such work (hereinafter referred to as "Other Work") shall proceed without:

(i) Lessor's prior written approval of Lessee's plans and specifications for the Other Work, which approval shall not be unreasonably withheld or delayed.

(ii) Lessee's contractor providing labor and materials bond(s) satisfactory to Lessor.

(iii) A Certificate of Insurance from an approved company, furnished to Lessor by Lessee's contractor, in an amount of not less than $500,000 per occurrence and $1,000,000 aggregate for public liability, endorsed to show Lessor as an additional insured.

(b) All Other Work by Lessee or its contractor(s) shall be scheduled through Lessor.

(c) Lessee shall reimburse Lessor for any extra expense incurred by Lessor's contractor as a result of Other Work by Lessee, including, without limitation, rectification of faulty work done by Lessee or its contractor(s), or by reason of delays caused by such Other Work, or by reason of inadequate cleanup.

(d) Lessee shall reimburse Lessor for the use, by its contractor(s), of those site services provided by Lessor's contractor such as hoist engineers and rubbish removal from site.

(e) Lessee or its contractor(s) will, in no event, be allowed to install sprinkler, plumbing, mechanical, electrical power, or lighting items unless the subcontractors for such work have been approved in writing by Lessor.

(f) All Other Work shall be diligently and continuously pursued to its completion.

(g) All special electrical equipment and related wiring shall be installed only under the supervision of Lessor or its electrical contractor and Lessee shall reimburse Lessor for any fees or costs arising therefrom.

(h) Any delay arising in the completion of Other Work shall have no bearing on the Commencement Date.

(i) The installation of communication and data equipment, including cabling, shall be the sole responsibility of Lessee.

11. DEFAULT AND REMEDIES. Failure or refusal by Lessee to perform any obligation on Lessee's part to be performed in accordance with the provisions of this Work Letter Agreement shall constitute an event of default by Lessee under this Work Letter Agreement and under Article 13 of the Lease.

EXHIBIT B

IN WITNESS WHEREOF, the parties hereto have executed this Work Letter Agreement as of the date first set forth above.

LESSOR:

WINDY PACIFIC PARTNERS,
a general partnership

By: WINDY HILL INVESTMENT COMPANY,
Its: Managing Partner

By: /s/ William J. Hurwick

William J. Hurwick

By: CALIFORNIA PACIFIC COMMERCIAL CORPORATION,
a California corporation

By: /s/ Dan McGanney, III

Daniel J. McGanney, III

LESSEE:

PACIFIC MAILING CORPORATION,
a California corporation

By: /s/ Michael Tuite

Its: President

EXHIBIT B

EXHIBIT 10.8

FIRST AMENDMENT TO LEASE BETWEEN WINDY PACIFIC PARTNERS AND PACIFIC MAILING CORPORATION

THIS FIRST AMENDMENT TO LEASE (the "Amendment") is made and entered into as of May 28, 1996 by and between WINDY PACIFIC PARTNERS ("Lessor") and PACIFIC MAILING CORPORATION ("Lessee").

RECITALS

A. Lessor and Lessee are parties to that certain lease (the "Lease") dated June 30, 1995 for the building on the real property commonly known as Lot #2, Dumbarton Business Center, Newark, California.

B. Lessor and Lessee desire to amend the terms of the Lease as below set forth.

AGREEMENT

NOW, THEREFORE, Lessor and Lessee agree as follows:

1. Term. Paragraph 49 of the Lease is hereby amended and restated in its entirety to read as follows:

> 49. Term. The term of this Lease shall commence May 28, 1996 (the "Commencement Date") and end May 27, 2011 (the "Expiration Date").

2. Initial Base Rent. Paragraph 50.1 of the Lease is hereby amended and restated in its entirety to read as follows:

> 50.1 Initial Base Rent. Monthly Base Rent shall be an amount equal to Thirty One Thousand Thirty Nine Dollars ($31,039). Base Rent shall be payable on the first day of each month commencing on the Commencement Date.

3. Base Rent Paid Upon Execution; Security Deposit. Paragraph 51 of the Lease is hereby amended and restated in its entirety to read as follows:

> 51. Concurrently with the signing of this Lease, Lessee is paying the sum of $70,739, $35,044 of which is payment of the Base Rent from May 28, 1996 through June 30, 1996 and $35,695 of which is a security deposit to be held in accordance with paragraph 5.

4. Square Footage. The Building contains approximately 73,564 square feet; provided, however, that there shall be no adjustment in the Base Rent or the other amounts payable by Lessee under this Lease in the event that the actual square footage is other than 73,564.

5. Damage or Destruction. Paragraph 9.6(b) of the Lease is hereby amended as follows: The phrase "after said 90 day period but" is hereby added before the word "prior" on line 2 of said paragraph.

6. Condemnation. Paragraph 14 of the Lease is hereby amended as follows: The phrase "of the land area not occupied by any building" commencing on line 1 of page 8 of the Lease is hereby replaced with the phrase "of that portion of the premises designated for Lessee's parking".

7. Miscellaneous. Except as amended herein, the Lease shall remain in full force and effect. Defined terms in the Lease shall have the same meaning in this Amendment unless otherwise defined herein. This Amendment constitutes the entire agreement between the parties with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment to Lease as of the date first set forth above.

LESSOR:

WINDY PACIFIC PARTNERS,
a general partnership

By: WINDY HILL INVESTMENT COMPANY,
Its: Managing Parter

By: /s/ William J. Hurwick

William J. Hurwick

By: CALIFORNIA PACIFIC COMMERCIAL CORPORATION,
a California corporation

By: /s/ Dan McGanney, III

Daniel J. McGanney, III

LESSEE:

PACIFIC MAILING CORPORATION,
a California corporation

By: /s/ Michael Tuite

Its: President

EXHIBIT 10.9

STANDARD INDUSTRIAL/COMMERCIAL MULTI-TENANT LEASE-MODIFIED NET

AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION

1. BASIC PROVISIONS ("BASIC PROVISIONS")

1.1 PARTIES: This Lease ("Lease"), dated for reference purposes only, July 30, 1995, is made by and between Windy Pacific Partners ("Lessor") and Pacific Mailing Corporation ("Lessee"), (collectively the "Parties," or individually a "Party").

1.2(a) PREMISES: That certain portion of the Building, including all improvements therein or to be provided by Lessor under the terms of this Lease, commonly known by the street address of see paragraph 49, located in the City of _____, County of _____, State of _____, with zip code _____, as outlined on Exhibit ____ attached hereto ("Premises"). The "Building" is that certain building containing the Premises and generally described as (describe briefly the nature of the Building): _____

_____

_____.
In addition to Lessee's rights to use and occupy the Premises as hereinafter specified, Lessee shall have non-exclusive rights to the Common Areas (as defined in Paragraph 2.7 below) as hereinafter specified, but shall not have any rights to the roof, exterior walls or utility raceways of the Building or to any other buildings in the Industrial Center. The Premises, the Building, the Common Areas, the land upon which they are located, along with all other buildings and improvements thereon, are herein collectively referred to as the "Industrial Center." (Also see Paragraph 2.)

1.2(b) PARKING: N/A unreserved vehicle parking spaces ("Unreserved Parking Spaces"); and _____ reserved vehicle parking spaces ("Reserved Parking Spaces"). (Also see Paragraph 2.6.)

1.3 TERM: fifteen years and -0- months ("Original Term") commencing see paragraph 50 ("Commencement Date") and ending _____ ("Expiration Date"). (Also see Paragraph 3.)

1.4 EARLY POSSESSION: N/A ("Early Possession Date"). (See Paragraphs 3.2 and 3.3.)

1.5 BASE RENT: $ ** per month ("Base Rent"), payable on the _____ day of each month commencing _____ (Also see Paragraph 4.) ** See paragraph 51.

[ ] If this box is checked, this Lease provides for the Base Rent adjusted per Addendum _____, attached hereto.

1.6(a) BASE RENT PAID UPON EXECUTION: $_____ as Base Rent for the period see paragraph 52.

1.6(b) LESSEE'S SHARE OF COMMON AREA OPERATING EXPENSES: fifty percent (50%) ("Lessee's Share") as determined by [x] prorata square footage of the Premises as compared to the total square footage of the Building or [ ] other criteria as described in Addendum _____.

1.7 SECURITY DEPOSIT: $ * ("Security Deposit"). (Also see Paragraph 5.) * See paragraph 52.

1.8 PERMITTED USE: manufacturing and warehouse use. _____ ("Permitted Use") (Also see Paragraph 6.)

1.9 INSURING PARTY: Lessor is the "Insuring Party." (Also see Paragraph 8.)

1.10(a) REAL ESTATE BROKERS: The following real estate broker(s) (collectively, the "BROKERS") and brokerage relationships exist in this transaction and are consented to by the Parties (check applicable boxes):

[X] BT Commercial represents Lessor exclusively ("Lessor's Broker");
[ ] _____ represents Lessee exclusively ("Lessee's Broker"); or
[X] Cornish & Carey Commercial represents both Lessor and Lessee ("Dual Agency"). (Also Paragraph 15.)

1.10(b) PAYMENT TO BROKERS. Upon the execution of this Lease by both Parties, Lessor shall pay to said Broker(s) jointly, or in such separate shares as they may mutually designate in writing, a fee as set forth in a separate written agreement between Lessor and said Broker(s) (or in the event there is no separate written agreement between Lessor and said Broker(s), the sum of

$_____) for brokerage services rendered by said Broker(s) in connection with this transaction.

1.11 GUARANTOR: The obligations of the Lessee under this Lease are to be guaranteed by N/A ("Guarantor"). (Also see Paragraph 37.)

1.12 ADDENDA AND EXHIBITS. Attached hereto is an Addendum or Addenda consisting of Paragraph 49 through 61, and Exhibits A through B, all of which constitute a part of this Lease.

2. PREMISES, PARKING AND COMMON AREAS.

2.1 LETTING. Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of square footage set forth in this Lease, or that may have been used in calculating rental and/or Common Area Operating Expenses, is an approximation which Lessor and Lessee agree is reasonable and the rental and Lessee's Share (as defined in Paragraph 1.6(b)) based thereon is not subject to revision whether or not the actual square footage is more or less.

2.2 CONDITION. Lessor shall deliver the Premises to Lessee clean and free of debris on the Commencement Date and warrants to Lessee that the existing plumbing, electrical systems, fire sprinkler system, lighting, air conditioning, heating systems and loading doors, if any, in the Premises, other than those constructed by Lessee, shall be in good operating condition on the Commencement Date. If a non-compliance with said warranty exists as of the Commencement Date, Lessor shall, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specifically the nature and extent of such non-compliance, rectify same at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within thirty (30) days after the Commencement Date, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense.

2.3 COMPLIANCE WITH COVENANT'S RESTRICTIONS AND BUILDING CODE. Lessor warrants that any Improvements (other than those constructed by Lessee or at Lessee's direction) on or in the Premises which have been constructed or installed by Lessor or with Lessor's consent or at Lessor's direction shall comply with all applicable Covenants or restrictions of record and applicable building codes, regulations and ordinances in effect on the Commencement Date. Lessor further warrants to Lessee that Lessor has no knowledge of any claim having been made by any governmental agency that a violation or violations of applicable building codes, regulations, or comply with all applicable covenants or restriction of record and applicable building codes, regulations and ordinances exist with regard to the Premises as of the Commencement Date. Said warranties shall not apply to any Alterations or Utility Installations (defined in Paragraph 7.3(a)) made or to be made by Lessee. If the Premises do not comply with said warranties, Lessor shall, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee given within six (6) months following the Commencement Date and setting forthwith specificity the nature and extent of such non-compliance, take such action, at Lessor's expense, as may be reasonable or appropriate to rectify the non-compliance. Lessor makes no warranty that the Permitted Use in Paragraph 1.8 is permitted for the PREMISES under Applicable Laws (as defined in Paragraph 2.4).

2.4 ACCEPTANCE OF PREMISES. Lessee hereby acknowledges: (a) that it has been advised by the Broker(s) to satisfy itself with respect to the condition of the Premises (including but not limited to the electrical and fire sprinkler systems, security, environmental aspects, seismic and earthquake requirements, and compliance with the Americans with Disabilities Act and applicable zoning, municipal, county, state and federal laws, ordinance and regulations and any covenants or restrictions of record (collectively, "Applicable Laws") and the present and future suitability of the Premises for Lessee's intended use; (b) that Lessee has made such investigation as it deems necessary with reference to such matters, is satisfied with reference thereto, and assumes all responsibility therefore as the same relate to Lessee's occupancy of the Premises and/or the terms of this Lease; and (c) that neither Lessor, nor any of Lessor's agents, has made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease.

2.5 LESSEE PRIOR OWNER/OCCUPANT. The warranties made by Lessor in this Paragraph 2 shall be of no force or effect if immediately prior to the date set forth in Paragraph 1.1. Lessee was the owner or occupant of the PREMISES. In such event, Lessee shall, at Lessee's sole cost and expense, correct any non-compliance of the PREMISES with said warranties.

2.6 VEHICLE PARKING. Lessee shall be entitled to use the number of Undeserved Parking Spaces and Reserved Parking Spaces specified in Paragraph 1.2(b) on those portions of the Common Areas designated from time to time by Lessor for parking. Lessee shall not use more parking spaces than said number. Said parking spaces shall be used for parking by vehicles no larger than full-size passenger automobiles or pick-up trucks, herein called "Permitted Size Vehicles." Vehicles other than Permitted Size Vehicles shall be parked and loaded or unloaded as directed by Lessor in the Rules and Regulations (as defined in Paragraph 40) issued by Lessor. (Also see Paragraph 2.9.)

(a) Lessee shall not permit or allow any vehicles that belong to or are controlled by Lessee or Lessee's employees, suppliers, shippers, customers, contractors or invitees to be loaded, unloaded, or parked in areas other than those designated by Lessor for such activities.

(b) If Lessee permits or allows any of the prohibited activities described in this Paragraph 2.6, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

(c) Lessor shall at the Commencement Date of this Lease, provide the parking facilities required by Applicable Law.

2.7 COMMON AREAS -- DEFINITION. The term "Common Areas" is defined as all areas and facilities outside the Premises and within the exterior boundary line of the Industrial Center and interior utility raceways within the Premises that are provided and designated by the Lessor from time to time for the general non-exclusive use of Lessor, Lessee and other lessees of the Industrial Center and their respective employees, suppliers, shippers, customers, contractors and invitees, including parking areas, loading and unloading areas, trash areas, roadways, sidewalks, walkways, parkways, driveways and landscaped areas.

2.8 COMMON AREAS -- LESSEE'S RIGHTS. Lessor hereby grants to Lessee, for the benefit of Lessee and its employees, suppliers, shippers, contractors, customers and invitees, during the term of this Lease, the non-exclusive right to use, in common with others entitled to such use, the Common Areas as they exist from time to time, subject to any rights, powers, and privileges reserved by Lessor under the terms hereof or under the terms of any rules and regulations or restrictions governing the use of the Industrial Center. Under no circumstances shall the right herein granted to use the Common Areas be deemed to include the right to store any property, temporarily or permanently, in the Common Areas. Any such storage shall be permitted only by the prior written consent of Lessor or Lessor's designated agent, which consent may be revoked at any time. In the event that any unauthorized storage shall occur then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove the property and charge the cost to Lessee, which cost shall e immediately payable upon demand by Lessor.

2.9 COMMON AREAS -- RULES AND REGULATIONS. Lessor or such other person(s) as Lessor may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to establish, modify, amend and enforce reasonable Rules and Regulations with respect thereto in accordance with Paragraph 40. Lessee agrees to abide by and conform to all such Rules and Regulations, and to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessor shall not be responsible to Lessee for the non-compliance with said rules and Regulations by other lessees of the Industrial Center.

2.10 COMMON AREAS -- CHANGES. Lessor shall have the right, in Lessor's sole discretion, from time to time:

(a) To make changes to the Common Areas, including, without limitation, changes in the location, size shape and number of driveways, entrances, parking spaces, parking areas, loading and unloading Areas, ingress, egress, direction of traffic, landscaped Areas, walkways and utility raceways;

(b) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available;

(c) To designate other land outside the boundaries of the Industrial Center to be part of the Common Areas;

(d) To add additional buildings and improvements to the Common Areas;

(e) To use the Common Areas while engaged in making additional improvements, repairs or alterations to the Industrial Center, or any portion thereof; and

(f) To do and perform such other acts and make such other changes in, to or with respect to the Common Areas and Industrial Center as Lessor may, in the exercise of sound business judgment, deem to be appropriate.

3. TERM.

3.1 TERM. The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3.

3.2 EARLY POSSESSION. If an Early Possession Date is specified in Paragraph 1.4 and if Lessee totally or partially occupies the Premises after the Early Possession Date but prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such early occupancy. All other terms of this Lease, however, (including but not limited to the obligations to pay Lessee's Share of Common Area Operating Expense and to carry the insurance required by Paragraph 8) shall be in effect during such period. Any such early possession shall not affect nor advance the Expiration Date of the Original

Term.

3.3 DELAY IN POSSESSION. If for any reason Lessor cannot deliver possession of the Premises to Lessee by the Early Possession Date, if one is specified in Paragraph 1.4 or if no Early Possession Date is specified, by the Commencement Date, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of the Lese, or the obligations of Lessee hereunder, or extend the term hereof, but in such case, Lessee shall not, except as otherwise provided herein, be obligated to pay Rent or perform any other obligation of Lessee under the terms of this Lease until Lessor delivers possession of the Premises to Lessee. If possession of the Premises is not delivered to Lessee within sixty (60) days after the Commencement Date, Lessee may, at its option, by notice in writing to Lessor within ten (10) days after the end of said sixty (60) day period, cancel this Lease, in which event the parties shall be discharged from all obligations hereunder, provided further, however, that if such written notice of Lessee is not received by Lessor within said ten 910) day period, Lessee's right to cancel this Lease hereunder shall terminate and be of no further force or effect. Except as may be otherwise provided, and regardless of when the Original Term actually commences, if possession is not tendered to Lessee when required by this Lease and Lessee does not terminate this Lease, as aforesaid, the period free of the obligation to pay Base Rent, if any, that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to the period during which he Lessee would have otherwise enjoyed under the terms hereof, but minus any days of delay caused by th4e acts, changes or omissions of Lessee.

4. RENT.

4.1 BASE RENT. Lessee shall pay Base Rent and other Rent or charges, as the same may be adjusted from time to time, to Lessor in lawful money of the United States, without offset or deduction, on or before the day on which it is due under the terms of this Lease. Base Rent and all other Rent and charges for any period during the term hereof which is for less than one full month shall be prorated based upon the actual number of days of the month involved. Payment of Base Rent and other charges shall be made to Lessor at its address stated herein or to such other persons or at such other address as Lessor may from time to time designate in writing to Lessee.

4.2 COMMON AREA OPERATING EXPENSES. Lessee shall pay to Lessor during the term hereof, in addition to the Base Rent, Lessee's Share (as specified in Paragraph 1.6(b)) of all Common Area Operating Expenses, as hereinafter defined, during each calendar year of the term of this Lease, in accordance with the following provisions:

(a) "COMMON AREA OPERATING EXPENSES" are defined, for purpose of this Lease, as all costs incurred by Lessor relating to the ownership and operation of the Industrial Center, including, but not limited to, the following:

(i) The operation, repair and maintenance, in neat, clean, good order and condition, of the following:

(aa) The Common Areas, including parking Areas, loading and unloading Areas, trash Areas, roadways, sidewalks, walkways, parkways, driveways, landscaped Areas, striping, bumpers, irrigation systems, Common Area lighting facilities, fences and gates, elevators and roof.

(bb) Exterior signs and any tenant directories.

(cc) Fire detection and sprinkler systems.

(ii) The cost of water, gas, electricity and telephone to service the Common Areas.

(iii) Trash disposal, property management and security services and the costs of any environmental inspections.

(iv) Reserves set aside for maintenance and repair of Common Areas.

(v) Real Property Taxes (as defined in Paragraph 10.2) to be paid by Lessor for the Building and the Common Areas under Paragraph 10 hereof.

(vi) The cost of the premiums for the insurance policies maintained by Lessor under Paragraph 8 hereof.

(vii) Any deductible portion of an insured loss concerning the Building or the Common Areas.

(viii) Any other services to be provided by Lessor that are stated elsewhere in this Lease to be a Common Area Operating Expense.

(b) Any Common Area Operating Expenses and Real Property Taxes that are specifically attributable to the Building or to any other building in the Industrial Center or to the operation, repair and maintenance thereof, shall be allocated entirely to the Building or to such other building. However, any Common Area Operating Expenses and Real Property Taxes that re not specifically attributable to the Building or to any other building or to the operation, repair and maintenance thereof, shall be equitably allocated by Lessor to all buildings in the Industrial Center.

(c) The inclusion of the improvements, facilities and services set forth in Subparagraph 4.2(a) shall not be deemed to impose an obligation upon Lessor to either have said improvements or facilities or to provide those services unless the Industrial Center already has the same, Lessor already provides the services, or Lessor has agreed elsewhere in t his Lease to provide the same or some of them.

(d) Lessee's Share of Common Area Operating Expenses shall be payable by Lessee within ten (10) days after a reasonably detailed statement of actual

expenses is presented to Lessee by Lessor. At Lessor's option, however, an amount may be estimated by Lessor from time to time of Lessee's Share of annual Common Area Operating Expenses and the same shall be payable monthly or quarterly, as Lessor shall designate, during each 12-month period of the Lease term, on the same day as the Base Rent is due hereunder. lessor shall deliver to Lessee within sixty (60) days after the expiration of each calendar year a reasonably detailed statement showing Lessee's Share of the actual Common Area Operating Expenses incurred during the preceding year. If Lessee's payments under this Paragraph 4.2(d) during said preceding year exceed Lessee's Share as indicated on said statement, Lessee shall be credited the amount of such over-

payment against Lessee's Share of Common Area Operating Expenses next becoming due. If Lessee's payments under this Paragraph 4.2(d) during said preceding year were less than Lessee's Share as indicated on said statement, Lessee shall pay to Lessor the amount of the deficiency within ten (10) days after delivery by Lessor to Lessee of said statement.

5. SECURITY DEPOSIT. Lessee shall deposit with Lessor, upon Lessee's execution hereof the Security Deposit set forth in Paragraph 1.7 as security for Lessee's faithful performance of Lessee's obligations under this Lease. If Lessee fails to pay Base Rent or other rent or charges due hereunder, or otherwise Defaults under this Lease (as defined in Paragraph 13.1), Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount due Lessor or to reimburse or compensate Lessor for any liability, cost, expense, loss or damage (including attorneys' fees) which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of said Security Deposit, Lessee shall within ten (10) days after written request therefore deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. Any time the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional monies with Lessor as an addition to the Security Deposit so that the total amount of the Security Deposit shall at all times bear the same proportion to the then current Base Rent as the Initial Security Deposit bears to the Initial Base Rent set forth in Paragraph 1.5. Lessor shall not be required to keep all or any part of the Security Deposit separate from its general accounts. Lessor shall, at the expiration or earlier termination of the term hereof and after Lessee has vacated the Premises, return to Lessee (or, at Lessor's option, to the last assignee, if any, of Lessee's interest herein), that portion of the Security Deposit not used or applied by Lessor. Unless otherwise expressly agreed in writing by Lessor, no part of the Security Deposit shall be considered to be held in trust, to bear interest or other increment for its use, or to be prepayment for any monies to be paid by Lessee under this Lease.

6. USE

6.1 PERMITTED USE.

(a) Lessee shall use and occupy the Premises only for the Permitted Use set forth in Paragraph 1.8, or any other legal use which is reasonably comparable thereto, and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates waste or a nuisance, or that disturbs owners and/or occupants of, or causes damage to the Premises or neighboring premises or properties.

(b) Lessor hereby agrees to not unreasonably withhold or delay its consent to any written request by Lessee, Lessee's assignees or subtenants, and by prospective assignees and subtenants of Lessee, its assignees and subtenants and by prospective assignees and subtenants of Lessee, its assignees and subtenants, for a modification of said Permitted Use, so long as the same will not impair the structural integrity of the improvements on the Premises or in the Building or the mechanical or electrical systems therein, does not conflict with uses by other lessees, is not significant more burdensome to the Premises or the Building and the improvements thereon, and is otherwise permissible pursuant to this Paragraph 6. If Lessor elects to withhold such consent, Lessor shall within five (5) business days after such request give a written notification of same, which notice shall include an explanation of Lessor's reasonable objections to the change in use.

6.2 HAZARDOUS SUBSTANCES.

(a) REPORTABLE USES REQUIRE CONSENT. The term "Hazardous Substance" as used in this Lease shall mean any product, substance, chemical, material or waste whose presence, nature, quantity and/or intensity of existence, use, manufacture, disposal, transportation, spill, release or effect, either by itself or in combination with other materials expected to be on the Premises, is either: (i) potentially injurious to the public health, safety or welfare, the environment, or the Premises; (ii) regulated or monitored by any governmental authority; or (iii) a basis for potential liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substance shall include, but not be limited to, hydrocarbons, petroleum, gasoline, crude oil or any products or by-products thereto. Lessee shall not engage in any activity in or about the Premises which constitutes a Reportable Use (as hereinafter defined) of Hazardous Substances without the express prior written consent of Lessor and compliance in a timely manner (at Lessee's sole cost and expense) with all Applicable Requirements (as defined in Paragraph 6.3). "Reportable Use" shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and (iii) the presence in, on or about the Premises of a Hazardous Substance with respect to which any Applicable Laws require that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may, without Lessor's prior consent, but upon notice to Lessor and in compliance with all Applicable Requirements, use any ordinary and customary materials reasonably required to be used by Lessee in the normal course of the Permitted Use, so long as such use is not a Reportable Use and does not expose the Premises or neighboring properties to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may (but without any obligation to do so) condition its consent to any Reportable Use of any Hazardous Substance by Lessee upon Lessee's giving Lessor such additional assurances as Lessor, in its reasonable discretion, deems necessary to protect itself, the public, the Premises and the environment against damage, contamination or injury and/or liability therefor, including but not limited to the installation (and, at Lessor's option, removal on or before Lease expiration or earlier termination) of reasonably necessary protective modifications to the

Premises (such as concrete encasements) and/or the deposit of an additional Security Deposit under Paragraph 5 hereof.

(b) DUTY TO INFORM LESSOR. If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises or the Building, other than as previously consented to by Lessor, Lessee shall immediately give Lessor written notice thereof, together with a copy of any statement, report, notice, registration, application, permit, business plan, license, claim, action, or proceeding given to, or received from, any governmental authority or private party concerning the presence, spill, release, discharge of, or exposure to, such Hazardous Substance including but not limited to all such documents as may be involved in any Reportable Use involving the Premises. Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under or about the Premises (including, without limitation, through the plumbing or sanitary sewer system).

(c) INDEMNIFICATION. Lessee shall indemnify, protect, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, and the Premises, harmless from and against any and all damages, liabilities, judgments, costs, claims, liens, expenses, penalties, loss of permits and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee or by anyone under Lessee's control. Lessee's obligations under this Paragraph 6.2(c) shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee, and the cost of investigation (including consultants' and attorneys' fees and testing), removal, remediation, restoration and/or abatement thereof, or of any contamination therein involved, and shall survive the expiration or earlier termination of this Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.

6.3 LESSEE'S COMPLIANCE WITH REQUIREMENTS. Lessee shall, at Lessee's sole cost and expense, fully, diligently and in a timely manner, comply with all "Applicable Requirements," which term is used in this Lease to mean all laws, rules, regulations, ordinances, directives, covenants, easements and restrictions of record, permits, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants, relating in any manner to the Premises (including but not limited to matters pertaining to (i)) industrial hygiene, (ii) environmental conditions on, in, under or about the Premises, including soil and groundwater conditions, and (iii) the use, generation, manufacture, production, installation, maintenance, removal, transportation, storage, spill, or release of any Hazardous Substance), now in effect or which may hereafter come into effect. Lessee shall, within five (5) days after receipt of Lessor's written request, provide Lessor with copies of all documents and information, including but not limited to permits, registrations, manifests, applications, reports and certificates, evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, compliant or report pertaining to or involving failure by Lessee or the Premises to comply with any Applicable Requirements.

6.4 INSPECTION; COMPLIANCE WITH LAW. Lessor, Lessor's agents, employees, contractors and designated representatives, and the holders of any mortgages, deeds of trust or ground leases on the Premises ("Lenders") shall have the right to enter the Premises at any time in the case of an emergency, and otherwise at reasonable times, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease and all Applicable Requirements (as defined in Paragraph 6.3), and Lessor shall be entitled to employ experts and/or consultants in connection therewith to advise Lessor with respect to Lessee's activities, including but not limited to Lessee's installation, operation, use, monitoring, maintenance, or removal of any Hazardous Substance on or from the Premises. The costs and expenses of any such inspections shall be paid by the party requesting same, unless a Default or Breach of this Lease by Lessee or a violation of Applicable Requirements or a contamination, caused or materially contributed to by Lessee, is found to exist or to be imminent, or unless the inspection is requested or ordered by a governmental authority as the result of any such existing or imminent violation or contamination. In such case, Lessee shall upon request reimburse Lessor or Lessor's Lender, as the case may be, for the costs and expenses of such inspections.

7. MAINTENANCE, REPAIRS, UTILITY INSTALLATIONS, TRADE FIXTURES AND ALTERATIONS.

7.1 LESSEE'S OBLIGATIONS.

(a) Subject to the provisions of Paragraph 2.2 (Condition), 2.3 (Compliance with Covenants, Restrictions and Building Code), 7.2 (Lessor's Obligations), 9 (Damage or Destruction), and 14 (Condemnation), Lessee shall, at Lessee's sole cost and expense and at all times, keep the Premises and every part thereof in good order, condition and repair (whether or not such portion of the Premises requiring repair, or the means of repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), including, without limiting the generality of the foregoing, all equipment or facilities specifically serving the Premises, such as plumbing, heating, air conditioning, ventilating, electrical, lighting facilities, boilers, fired or unfired pressure vessels, fire hose connections if within the Premises, fixtures, interior walls, interior surfaces of exterior walls, ceilings, floors, windows, doors, plate glass, and skylights, but excluding any items which are the responsibility of Lessor pursuant to Paragraph 7.2 below. Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices. Lessee's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair.

(b) Lessor shall, at Lessee's sole cost and expense, procure and maintain a contract, with copies to Lessor, in customary form and substance for and with a contractor specializing and experienced in the inspection, maintenance and service of the heating, air conditioning and ventilation system for the Premises. However, Lessor reserves the right, upon notice to Lessee, to procure and maintain the contract for the heating, air conditioning and ventilating systems, and if Lessor so elects, Lessee shall reimburse Lessor, upon demand, for the cost thereof.

(c) If Lessee fails to perform Lessee's obligations under this Paragraph 7.1, Lessor may enter upon the Premises after ten (10) days' prior written notice to Lessee (except in the case of an emergency, in which case no notice shall be required), perform such obligations on Lessee's behalf, and put the Premises in good order, condition and repair, in accordance with Paragraph 13.2 below.

7.2 LESSOR'S OBLIGATIONS. Subject to the provisions of Paragraph 2.2 (Condition), 2.3 (Compliance with Covenants, Restrictions and Building Code), 4.2 (Common Area Operating Expenses), 6 (Use), 7.1 (Lessee's Obligations), 9 (Damage or Destruction) and 14 (Condemnation), Lessor, subject to reimbursement pursuant to Paragraph 4.2, shall keep in good order, condition and repair the foundations, exterior walls, structural condition of interior bearing walls, exterior roof, fire sprinkler and/or standpipe and hose (if located in the Common Areas) or other automatic fire extinguishing system including fire alarm and/or smoke

detection systems and equipment, fire hydrants, parking lots, walkways, parkways, driveways, landscaping, fences, signs and utility systems serving the Common Areas and all parts thereof, as well as providing the services for which there is a Common Area Operating Expense pursuant to Paragraph 4.2. Lessor shall not be obligated to paint the exterior or interior surfaces of exterior walls nor shall Lessor be obligated to maintain, repair or replace windows, doors or plate glass of the Premises. Lessee expressly waives the benefit of any statute now or hereafter in effect which would otherwise afford Lessee the right to make repairs at Lessor's expense or to terminate this Lease because of Lessor's failure to keep the Building, Industrial Center or Common Areas in good order, condition and repair.

7.3 UTILITY INSTALLATIONS, TRADE FIXTURES, ALTERATIONS.

(a) DEFINITIONS; CONSENT REQUIRED. The term "Utility Installations" is used in this Lease to refer to all air lines, power panels, electrical distribution, security, fire protection systems, communications systems, lighting fixtures, heating, ventilating and air conditioning equipment, plumbing, and fencing in, on or about the Premises. The term "TRADE FIXTURES" shall mean Lessee's machinery and equipment which can be removed without doing material damage to the Premises. The term "ALTERATIONS" shall mean Lessee's machinery and equipment which can be removed without doing material damage to the Premises. The term "ALTERATIONS" shall mean any modification of the improvements on the Premises which are provided by Lessor under the terms of this Lease, other than Utility Installations or Trade Fixtures. "LESSEE-OWNED ALTERATIONS AND/OR UTILITY INSTALLATIONS" are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a). Lessee shall not make nor cause to be made any Alterations or Utility Installations in, on, under or about the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Utility Installations to the interior of the Premises (excluding the roof) without Lessor's consent but upon notice to Lessor, so long as they are not visible from the outside of the Premises, do not involve puncturing, relocating or removing the roof or any existing walls, or changing or interfering with the fire sprinkler or fire detection systems and the cumulative cost thereof during the term of this Lease as extended does not exceed $2,500,000.

(b) CONSENT. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. All consents given by Lessor, whether by virtue of Paragraph 7.3(a) or by subsequent specific consent, shall be deemed conditioned upon: (i) Lessee's acquiring all applicable permits required by governmental authorities; (ii) the furnishing of copies of such permits together with a copy of the plans and specifications for the Alteration or Utility Installation to Lessor prior to commencement of the work thereon; and (iii) the compliance by Lessee with all conditions of said permits in a prompt and expeditious manner. Any Alterations or Utility Installations by Lessee during the term of this Lease shall be done in a good and workmanlike manner, with good and sufficient materials, and be in compliance with all Applicable Requirements. Lessee shall promptly upon completion thereof furnish Lessor with as-built plans and specifications therefor. Lessor may, (but without obligation to do so) condition its consent to any requested Alteration or Utility Installation that costs $250,000.00 or more upon Lessee's providing Lessor with a lien and completion bond in an amount equal to one and one-half times the estimated cost of such Alteration or Utility Installation.

(c) LIEN PROTECTION. Lessee shall pay when due all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises or any interest therein. Lessee shall give Lessor not less than ten (10) days' notice prior to the commencement of any work in, on, or about the Premises, and Lessor shall have the right to post notices of non-responsibility in or on the Premises as provided by law. If Lessee shall, in good faith, contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense, defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof against the Lessor or the Premises. If Lessor shall require, Lessee shall furnish to Lessor a surety bond satisfactory to Lessor in an amount equal to one and one-half times the amount of such contested lien claim or demand, indemnifying Lessor against liability for the same, as required by law or for the holding of the Premises free from the effect of such lien or claim. In addition, Lessor may require Lessee to pay Lessor's attorneys' fees and costs in participating in such action if Lessor shall decide it is to its best interest to do so.

7.4 OWNERSHIP, REMOVAL, SURRENDER, AND RESTORATION.

(a) OWNERSHIP. Subject to Lessor's right to require their removal and to cause Lessee to become the owner thereof as hereinafter provided in this Paragraph 7.4, all Alterations and Utility Installations made to the Premises by Lessee shall be the property of and owned by Lessee, but considered a part of the Premises. Lessor may, at any time and at its option, elect in writing to Lessee to be the owner of all or any specified part of the Lessee-Owned Alterations and Utility Installations. Unless otherwise instructed per Subparagraph 7.4(b) hereof, all Lessee-Owned Alterations and Utility Installations shall, at the expiration or earlier termination of this Lease, become the property of Lessor and remain upon the Premises and be surrendered with the Premises by Lessee.

(b) REMOVAL. Unless otherwise agreed in writing, Lessor may require that any or all Lessee-Owned Alterations or Utility Installations be removed by the expiration or earlier termination of this Lease, notwithstanding that their installation may have been consented to by Lessor. Lessor may require the removal at any time of all or any part of any Alterations or Utility Installations made without the required consent of Lessor.

(c) SURRENDER/RESTORATION. Lessee shall surrender the Premises by the end of the last day of the Lease term or any earlier termination date, clean and free of debris and in good operating order, condition and state of repair, ordinary wear and tear excepted. Ordinary wear and tear shall not include any damage or deterioration that would have been prevented by good maintenance practice or by Lessee performing all of its obligations under this Lease. Except as otherwise agreed or specified herein, the Premises, as surrendered, shall include the Alterations and Utility Installations. The obligation of Lessee shall include the repair of any damage occasioned by the installation, maintenance or removal of Lessee's Trade Fixtures, furnishings, equipment, and Lessee-Owned Alterations and Utility Installations, as well as the removal of any storage tank installed by or for Lessee, and the removal, replacement, or remediation of any soil, material or ground water contaminated by Lessee, all as may then be required by Applicable Requirements and/or good practice. Lessee's Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee subject to its obligation to repair and restore the Premises per this Lease.

8. INSURANCE; INDEMNITY.

8.1 PAYMENT OF PREMIUMS. The cost of the premiums for the insurance policies maintained by Lessor under this Paragraph 8 shall be a Common Area Operating Expense pursuant to Paragraph 4.2 hereof. Premiums for policy periods commencing prior to, or extending beyond, the term of this Lease shall be prorated to coincide with the corresponding Commencement Date or Expiration Date.

8.2 LIABILITY INSURANCE.

(a) CARRIED BY LESSEE. Lessee shall obtain and keep in force during the term of this Lease a Commercial General Liability policy of insurance protecting Lessee, Lessor and any Lender(s) whose names have been provided to Lessee in writing (as additional insureds) against claims for bodily injury, personal injury and property damage based upon, involving or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than $2,000,000 per occurrence with an "Additional Insured-Managers or Lessors of Premises" endorsement and contain the "Amendment of the Pollution Exclusion" endorsement for damage caused by heat, smoke or fumes from a hostile fire. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "insured contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance required by this Lease or as carried by Lessee shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. All insurance to be carried by Lessee shall be primarily to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only.

(b) CARRIED BY LESSOR. Lessor shall also maintain liability insurance described in Paragraph 8.2(a) above, in addition to and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 PROPERTY INSURANCE-BUILDING, IMPROVEMENTS AND RENTAL VALUE.

(a) BUILDING AND IMPROVEMENTS. Lessor shall obtain and keep in force during the term of this Lease a policy or policies in the name of Lessor, with loss payable to Lessor and to any Lender(s), insuring against loss or damage to the Premises. Such insurance shall be for full replacement cost, as the same shall exist from time to time, or the amount required by any Lender(s), but in no event more than the commercially reasonable and available insurable value thereof if, by reason of the unique nature or age of the improvements involved, such latter amount is less than full replacement cost. Lessee-Owned Alterations and Utility Installations, Trade Fixtures and Lessee's personal property shall be insured by Lessee pursuant to Paragraph 8.4. If the coverage is available and commercially appropriate, Lessor's policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for any additional costs resulting from debris removal and reasonable amounts of coverage for the enforcement of any ordinance or law regulating the reconstruction or replacement of any undamaged sections of the Building required to be demolished or removed by reason of the enforcement of any building, zoning, safety or land use laws as the result of a covered loss, but not including plate glass insurance. Said policy or policies shall also contain an agreed valuation provision in lieu of any co-insurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located.

(b) RENTAL VALUE. Lessor shall also obtain and keep in force during the term of this Lease a policy or policies in the name of Lessor, with loss payable to Lessor and any Lender(s), insuring the loss of the full rental and other charges payable by all lessees of the Building to Lessor for one year (including all Real Property Taxes, Insurance costs, all Common Area Operating Expenses and any scheduled rental increases). Said insurance may provide that in the event the Lease is terminated by reason of an insured loss, the period of indemnity for such coverage shall be extended beyond the date of the completion of repairs or replacement of the Premises, to provide for one full year's loss of rental revenues from the date of any such loss. Said insurance shall contain an agreed valuation provision in lieu of any co-insurance clause, and the amount of coverage shall be adjusted annually to reflect the projected rental income. Real Property Taxes, insurance premium costs and other expenses, if any, otherwise payable, for the next 12-month period. Common Area Operating Expenses shall include any deductible amount in the event of such loss.

(c) ADJACENT PREMISES. Lessee shall pay for any increase in the premiums for the property insurance of the Building and for the Common Areas or

other buildings in the Industrial Center if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

(d) LESSEE'S IMPROVEMENTS. Since Lessor is the insuring Party, Lessor shall not be required to insure Lessee-Owned Alterations and Utility installations unless the item in question has become the property of Lessor under the terms of this Lease.

8.4 LESSEE'S PROPERTY INSURANCE. Subject to the requirements of Paragraph 8.5, Lessee at its cost shall either by separate policy or, at Lessor's option, by endorsement to a policy already carried, maintain insurance coverage on all of Lessee's personal property. Trade Fixtures and Lessee-Owned Alterations and Utility Installations in, on, or about the Premises similar in coverage to that carried by Lessor as the insuring Party under Paragraph 8.3(a). Such insurance shall be full replacement cost coverage with a deductible not to exceed $1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of personal property and the restoration of Trade Fixtures and Lessee-Owned Alterations and Utility Installations. Upon request from Lessor, Lessee shall provide Lessor with written evidence that such insurance is in force.

8.5 INSURANCE POLICIES. Insurance required hereunder shall be in companies duly licensed to transact business in the state where the Premises are located, and maintaining during the policy term a "General Policyholders Rating" of at least B+, V, or such other rating as may be required by a Lender, as set forth in the most current issue of "Best's Insurance Guide." Lessee shall not do or permit to be done anything which shall invalidate the insurance policies referred to in

this Paragraph 8. Lessee shall cause to be delivered to Lessor, within seven (7) days after the earlier of the Early Possession Date or the Commencement Date, certified copies of, or certificates evidencing the existence and amounts of, the insurance required under Paragraph 8(a) and 8.4. No such policy shall be cancelable or subject to modification except after thirty (30) days' prior written notice to Lessor. Lessee shall at least thirty (30) days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by lessee to Lessor upon demand.

8.6 WAIVER OF SUBROGATION. Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages (whether in contract or in tort) against the other, for loss or damage to their property arising out of or incident to the perils required to be insured against under Paragraph 8. The effect of such releases and waivers of the right to recover damages shall not be limited by the amount of insurance carried or required, or by any deductibles applicable thereto. Lessor and Lessee agree to have their respective insurance companies issuing property damage insurance waive any right to subrogation that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

8.7 INDEMNITY. Except for Lessor's negligence and/or breach of express warranties, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, costs, liens, judgment, penalties, loss of permits, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the occupancy of the Premises by Lessee, the conduct of Lessee's business, any act, omission or neglect of Lessee, its agents, contractors, employees or invitees, and out of any Default or Breach by Lessee in the performance in a timely manner of any obligation on Lessee's part to be performed under this Lease. The foregoing shall include, but not be limited to, the defense or pursuit of any claim or any action or proceeding involved therein, and whether or not (in the case of claims made against Lessor) litigated and/or reduced to judgment. In case any action or proceeding be brought against Lessor by reason of any of the foregoing matters, Lessee upon notice from Lessor shall defend the same at Lessee's expense by counsel reasonably satisfactory t Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be so indemnified.

8.8 EXEMPTION OF LESSOR FROM LIABILITY. Lessor shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures, or form any other cause, whether said injury or damage results from conditions arising upon the Premises or upon other means of repairing the same is accessible or not. Lessor shall not be liable for any damages arising from any act or neglect of any other lessee of Lessor nor from the failure by lessor to enforce the provisions of any other lease in the industrial Center. Notwithstanding Lessor's negligence or breach of this Lease, Lessor shall under no circumstances be liable for injury to Lessee's business or for any loss of income or profit therefrom.

9. DAMAGE OF DESTRUCTION

9.1 DEFINITIONS.

(a) "PREMISES PARTIAL DAMAGE" shall mean damage or destruction to the Premises, other than Lessee-Owned Alterations and Utility Installations, the repair cost of which damage or destruction is less than fifty percent (50%) of the then Replacement Cost (as defined in Paragraph 9.1(d) of the Premises (excluding Lessee-Owned Alterations and Utility Installations and Trade Fixtures) immediately prior to such damage or destruction.

(b) "PREMISES TOTAL DESTRUCTION" shall mean damage or destruction to the Premises, other than Lessee-Owned Alterations and Utility Installations, the repair cost of which damage or destruction is fifty percent (50%) or more of the then Replacement Cost of the Premises (excluding Lessee-Owned Alterations and Utility Installations and Trade Fixtures) Immediately prior to such damage or destruction. In addition, damage or destruction to the Building, other than Lessee-Owned Alterations and Utility Installations and Trade Fixtures of any lessees of the Building, the cost of which damage or destruction is fifty percent (50%) or more of the then Replacement Cost (excluding Lessee-Owned Alterations and Utility Installations and Trade Fixtures of any lessees of the Building) of the Building shall, at the option of the Lessor, be deemed to be Premises Total Destruction.

(c) "INSURED LOSS" shall mean damage or destruction to the Premises, other than Lessee-Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a) irrespective of any deductible amounts or coverage limits involved.

(d) "REPLACEMENT COST" shall mean the cost to repair or rebuild the improvements owned by lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of applicable building codes, ordinances of laws, and without deduction for depreciation.

(e) "HAZARDOUS SUBSTANCE CONDITION" shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance as defined in Paragraph 6.2(a), in, on, or under the Premises.

9.2 PREMISES PARTIAL DAMAGE - INSURED LOSS. If Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee-Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force and effect. In the event, however, that there is a shortage of insurance proceeds and such shortage is due to the fact that, by reason of the unique nature of the improvements in the Premises, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within ten (10) days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said ten (10) day period, Lessor shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If Lessor does not receive such funds or assurance within said period, Lessor may nevertheless elect by written notice to Lessee within ten (10) days thereafter to make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect. If Lessor does not receive such funds or assurance within such ten (10) period, and if Lessor does not so elect to restore and have any right to reimbursement from Lessor for any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3 rather than Paragraph 9.2, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either party.

9.3 PARTIAL DAMAGE - UNINSURED LOSS. If Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense and this Lease shall continue in full force and effect), Lessor may at Lessor's option, either (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) give written notice to Lessee within thirty (30) days after receipt by lessor of knowledge of the occurrence of such damage of Lessor's desire to terminate this Lease as of the date sixty (60) days following the date of such notice. In the event Lessor elects to give such notice of Lessor's intention to terminate this Lease, Lessee shall have the right within ten (10) days after the receipt of such notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage totally at Lessee's expense and without reimbursement from Lessor. Lessee shall provide Lessor with the required funds or satisfactory assurance thereof within thirty (30) days following such commitment from Lessee. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the funds or assurance thereof within the times specified above, this Lease shall terminate as of the date specified in Lessor's notice of termination.

9.4 TOTAL DESTRUCTION. Notwithstanding any other provision hereof, if Premises Total Destruction occurs (including any destruction required by any authorized public authority, this Lease shall terminate sixty (60) days following the date of such Premises Total Destruction, whether or not the damage or destruction is an insured Loss or was caused by a negligent or willful act of Lessee. In the event, however, that the damage or destruction was caused by lessee, Lessor shall have the right to recover Lessor's damages from Lessee except as released and waived in Paragraph 9.7.

9.5 DAMAGE NEAR END OF TERM. If at any time during the last six (6) months of the term of this Lease there is damage for which the cost to repair exceeds one month's Base Rent, whether or not an Insured Loss, Lessor may, at Lessor's option, terminate this Lease effective sixty (60) days following the date of occurrence of such damage by giving written notice to Lessee of Lessor's election to do so within thirty (30) days after the date of occurrence of such damage. Provided, however, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premiss, then Lessee may preserve this Lease by (a) exercising such option, and (b) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or before the earlier of (i) the date which is ten (10) days after Lessee's receipt of Lessor's written notice purporting to terminate this Lease, or (ii) the day prior to the date upon which such option expires. If Lessee duly exercises such option during such period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's expense repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option and provide such funds or assurance during such period, then this Lease shall terminate as of the date set forth in the first sentence of this Paragraph 9.5

9.6 ABATEMENT OF RENT; LESSEE'S REMEDIES

(a) In the event of (i) Premiss Partial Damage or (ii) Hazardous Substance Condition for which Lessee is not legally responsible, the Base Rent, Common Area Operating Expenses and other charges, if any, payable by Lessee hereunder for the period during which such damage or condition, its repair, remediation or restoration continues, shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not in excess of proceeds form insurance required to be carried under Paragraph 8.3(b). Except for abatement of Base Rent, Common Area Operating Expenses and other charges, if any, as aforesaid, all other obligations of Lessee hereunder shall be performed by Lessee, and Lessee shall have no claim against Lessor for any damage suffered by reason of any such damage, destruction, repair, remediation or restoration.

(b) If Lessor shall be obligated to repair or restore the Premises under the provisions of this Paragraph 9 and shall not commence, in a substantial and meaningful way, the repair or restoration of the Premises within ninety (90) days after such obligation shall accrue, Lessee may, at any time prior to the

commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice of Lessee's election to terminate this Lease on a date not less than sixty (60) days following the giving of such notice. If Lessee gives such notice to Lessor and such Lenders and such repair or restoration is not commenced within thirty (30) days after receipt of such notice, this Lease shall terminate as of the date specified in said notice. If Lessor or a Lender commences the repair or restoration of the Premises within thirty (30) days after the receipt of such notice, this Lease shall continue in full force and effect. "Commence" as used in this Paragraph 9.6 shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever occurs first.

9.7 HAZARDOUS SUBSTANCE CONDITIONS. If a Hazardous Substance Condition occurs, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by Applicable Requirements and this Lease shall continue in full force and effect, but subject

to Lessor's rights under Paragraph 6.2(c) and Paragraph 13), Lessor may at Lessor's option either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) of the estimated cost to investigate and remediate such condition exceeds twelve (12) times the then monthly Base Rent or $100,000 whichever is greater, give written notice to Lessee within thirty (30) days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition of Lessor's desire to terminate this Lease as of the date sixty (60) days following the date of such notice. In the event Lessor elects to give such notice of Lessor's intention to terminate this Lease, Lessee shall have the right within ten (10) days after the receipt of such notice to give written notice to Lessor of Lessee's commitment to pay for the excess costs of (a) investigation and remediation of such Hazardous Substance Condition to the extent required by Applicable Requirements, over (b) an amount equal to twelve (12) times the then monthly Base Rent or $100,000, whichever is greater. Lessee shall provide Lessor with the funds required of Lessee or satisfactory assurance thereof within thirty (30) days following said commitment by Lessee. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such investigation and remediation as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the time period specified above, this Lease shall terminate as of the date specified in Lessor's notice of termination.

9.8 TERMINATION - ADVANCE PAYMENTS. Upon termination of this Lease pursuant to this Paragraph 9, Lessor shall return to Lessee any advance payment made by Lessee to Lessor and so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor under the terms of this Lease.

9.9 WAIVER OF STATUTES. Lessor and Lessee agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises and the Building with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent is it inconsistent herewith.

10. REAL PROPERTY TAXES.

10.1 PAYMENT OF TAXES. Lessor shall pay the Real Property Taxes, as defined in Paragraph 10.2, applicable to the Industrial Center, and except as otherwise provided in Paragraph 10.3, any such amounts shall be included in the calculation of Common Area Operating Expenses in accordance with the provisions of Paragraph 4.2.

10.2 REAL PROPERTY TAX DEFINITION. As used herein, the term, "REAL PROPERTY TAXES" shall include any form of real estate tax or assessment, general, special, ordinary or extraordinary, any license fee, commercial rental tax, improvement bond or bonds, levy or tax (other than inheritance, personal income or estate taxes) imposed upon the industrial Center by any authority having the direct or indirect power to tax, including any city, state or federal government, or any school, agricultural, sanitary, fire, street, drainage, or other improvement district thereof, levied against any legal or equitable interest of Lessor in the Industrial Center or any portion thereof, Lessor's right to rent or other income therefrom, and/or Lessor's business of leasing the Premises. The term "REAL PROPERTY TAXES" shall also include any tax, fee, levy, assessment or charge, or any increase therein, imposed by reason of events occurring, or changes in Applicable Law taking effect, during the term of this Lease, including but not limited to a change in the ownership of the industrial Center or in the improvements thereon, the execution of this Lease, or any modification, amendment or transfer thereof, and whether or not contemplated by the Parties, In calculating Real Property Taxes for any calendar year, the Real Property Taxes for any real estate tax year shall be included in the calculation of Real Property Taxes for such calendar year based upon the number of days which such calendar year and tax year have in common.

10.3 ADDITIONAL IMPROVEMENTS. Common Area Operating Expenses shall not include Real Property Taxes specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Industrial Center by other lessees or by Lessor for the exclusive enjoyment of such other lessees. Notwithstanding Paragraph 10.1 hereof, Lessee shall, however, pay to Lessor at the time Common Area Operating Expenses are payable under Paragraph 4.2, the entirety of any increase in Real Property Taxes if assessed solely by reason of Alteration, Trade Fixtures or Utility Installations placed upon the Premises by Lessee or at Lessee's request.

10.4 JOINT ASSESSMENT. If the Building is not separately assessed, Real Property Taxes allocated to the Building shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

10.5 LESSEE'S PROPERTY TAXES. Lessee shall pay prior to delinquency all taxes assessed against and levied upon Lessee-Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee contained in the Premises or stored within the Industrial Center. When possible, Lessee shall cause its Lessee-Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said property shall be assessed with Lessor's real property. Lessee shall pay Lessor the taxes attributable to Lessee's property within ten (10) days after receipt of a written statement setting forth the taxes applicable to Lessee's property.

11. UTILITIES. Lessee shall pay directly for all utilities and services

supplied to the Premises, including but not limited to electricity, telephone, security, gas and cleaning of the Premises, together with any taxes thereon. If any such utilities or services are not separately metered to the Premises or separately billed to the Premises, Lessee shall pay to Lessor a reasonable proportion to be determined by Lessor of all such charges jointly metered or billed with other premises in the Building, in the manner and within the time periods set forth in Paragraph 4.2(d).

12. ASSIGNMENT AND SUBLETTING.

12.1 LESSOR'S CONSENT REQUIRED.

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or otherwise transfer or encumber (collectively, "assign") or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent given under and subject to the terms of Paragraph 36.

(b) A change in the control of Lessee shall constitute an assignment requiring Lessor's consent. The transfer, on a cumulative basis, of twenty-five percent (25%) or more of the voting control of Lessee shall constitute a change in control for this purpose.

(c) The involvement of Lessee or its assets in nay transaction, or series of transactions (by way of merger, sale, acquisition, financing, refinancing, transfer, leveraged buy-out or otherwise, whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in reduction of the Net Worth of Lessee, as hereinafter defined, by an amount equal to or greater than twenty-five percent (25%) of such Net Worth of Lessee as it was represented to Lessor at the time of full execution and delivery of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction constituting such reduction, at whichever time said Net Worth of Lessee was or is greater, shall be considered an assignment of this Lease by Lessee to which Lessor may reasonably withhold its consent. "NET WORTH OF LESSEE" for purposes of this Lease shall be the net worth of Lessee (excluding any Guarantors) established under generally accepted accounting principles consistently applied.

(d) An assignment or subletting of Lessee's interest in this Lease without Lessor's specific prior written consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1, or a non-curable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unconsented to assignment or subletting as a non-curable Breach, Lessor shall have the right to either: (i) terminate this Lease, or (ii) upon thirty (30) days' written notice ("LESSOR'S NOTICE"), increase the monthly Base Rent for the Premises to the greater of the then fair market rental value of the Premises, as reasonably determined by Lessor, or one hundred ten percent (110%) of the Base Rent then in effect. Pending determination of the new fair market rental value, if disputed by Lessee, Lessee shall pay the amount set forth in Lessor's Notice, with any overpayment credited against the next installment(s) of Base Rent coming due, and any underpayment for the period retroactively to the effective date of the adjustment being due and payable immediately upon the determination thereof. Further, in the event of such Breach and rental adjustment, (i) the purchase price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to the then fair market value as reasonably determined by Lessor (without the Lease being considered an encumbrance or any deduction for depreciation or obsolescence, and considering the Premises at its highest and best use and in good condition) or one hundred ten percent (110%) of the price previously in effect, (ii) any index-oriented rental or price adjustment formulas contained in this Lease shall be adjusted to require that the base index be determined with reference to the index applicable to the time of such adjustment, and (iii) any fixed rental adjustments scheduled during the remainder of the Lease term shall be increased in the same ratio as the new rental bears to the Base Rent in effect immediately prior to the adjustment specified in Lessor's Notice.

(e) Lessee's remedy for any breach of this Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

12.2 TERMS AND CONDITIONS APPLICABLE TO ASSIGNMENT AND SUBLETTING.

(a) Regardless of Lessor's consent, any assignment or subletting shall not (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, nor (iii) alter the primary liability of Lessee for the payment of Base Rent and other sums due Lessor hereunder or for the performance of any other obligations to be performed by Lessee under this Lease.

(b) Lessor may accept any rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of any rent for performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for the Default or Breach by Lessee of any of the forms, covenants or conditions of this Lease.

(c) The consent of Lessor to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting by Lessee or to any subsequent or successive assignment or subletting by the assignee or sublessee. However, Lessor may consent to subsequent sublettings and assignments of the sublease or any amendments or modifications thereto without notifying Lessee or anyone else liable under this Lease or the sublease and without obtaining their consent, and such action shall not relieve such persons from liability under this Lease or the sublease.

(d) In the event of any Default or Breach of Lessee's obligation under this Lease, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of the Lessee's obligations under

this Lease, including any sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefor to Lessor, or any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee to sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a non-refundable deposit of $1,000 or ten percent(10%) of the monthly Base Rent applicable to the portion of the Premises which is the subject of the proposed assignment or sublease, whichever is greater, as reasonable consideration for Lessor's considering and processing the request for consent. Lessee agrees to provide Lessor with such other or additional information and/or documentation as my be reasonably requested by Lessor.

(f) Any assignee of, or sublessee under, this Lease shall, by reason of accepting such assignment or entering into such sublease, be deemed, for the benefit of Lessor, to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligation as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented in writing.

(g) The occurrence of a transaction described in Paragraph 12.2(c) shall give Lessor the right (but not the obligation) to require that the Security Deposit be increased by an amount equal to six (6) times the then monthly Base Rent, and Lessor may make the actual receipt by Lessor of the Security Deposit increase a condition to Lessor's consent to such transaction.

(h) See paragraph 58.

12.3 ADDITIONAL TERMS AND CONDITIONS APPLICABLE TO SUBLETTING. The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all rentals and income arising from any sublease of all or a portion of the Premises heretofore or hereafter made by Lessee, and Lessor may collect such rent and income and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach (as defined in Paragraph 13.1) shall occur in the performance of Lessee's obligations under this Lease, Lessee may, except as otherwise provided in this Lease, receive, collect and enjoy the rents accruing under such sublease. Lessor shall not, by reason of the foregoing provision or any other assignment of such sublease to Lessor, nor by reason of the collection of the rents from a sublessee, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee under such Sublease. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor the rents and other charges due and to become due under the sublease. Sublessee shall rely upon any such statement and request from Lessor and shall pay such rents and other charges to Lessor without any obligation or right to inquire as to whether such Breach exists and notwithstanding any notice from or claim from Lessee to the contrary. Lessee shall have no right or claim against such sublessee, or, until the Breach has been cured, against Lessor, for any such rents and other charges so paid by said sublessee to Lessor.

(b) In the event of a Breach by Lessee in the performance of its obligations under this Lease, Lessor, at its option and without any obligation to do so, may require any sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any other prior defaults or breaches of such sublessor under such sublease.

(c) Any matter or thing requiring the consent of the sublessor under a sublease shall also require the consent of Lessor herein.

(d) No sublessee under a sublease approved by Lessor shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

13. DEFAULT; BREACH; REMEDIES.

13.1 DEFAULT; BREACH. Lessor and Lessee agree that if an attorney is consulted by Lessor in connection with a Lessee Default or Breach (as hereinafter defined), $350.00 is a reasonable minimum sum per such occurrence for legal services and costs in the preparation and service of a notice of Default, and that Lessor may include the cost of such services and costs in said notice as rent due and payable to cure said default. A "Default" by Lessee is defined as a failure by Lessee to observe, comply with or perform any of the terms, covenants, conditions or rules applicable to Lessee under this Lease. A "Breach" by Lessee is defined as the occurrence of any one or more of the following Defaults, and, where a grace period for cure after notice is specified herein, the failure by Lessee to cure such Default prior to the expiration of the applicable grace period, and shall entitle Lessor to pursue the remedies set forth in Paragraphs 13.2 and/or 13.3:

(a) The vacating of the Premises without the intention to reoccupy same, or the abandonment of the Premises.

(b) Except as expressly otherwise provided in this Lease, the failure by Lessee to make any payment of Base Rent, Lessee's Share of Common Area Operating Expenses, or any other monetary payment required to be made by Lessee hereunder as and when due, the failure by Lessee to provide Lessor with reasonable evidence of insurance or surety bond required under this Lease, or the failure of Lessee to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of three (3) days following written notice thereof by or on behalf of Lessor to Lessee.

(c) Except as expressly otherwise provided in this Lease, the failure by Lessee to provide Lessor with reasonable written evidence (in duly executed original form, if applicable) of (i) compliance with Applicable Requirements per Paragraph 6.3, (ii) the inspection, maintenance and service contracts required under Paragraph 7.1(b), (iii) the recission of an unauthorized assignment or subletting per Paragraph 12.1, (iv) a Tenancy Statement per Paragraphs 16 or 37, (v) the subordination or non-subordination of this Lease per Paragraph 30, (vi) the guaranty of the performance of Lessee's obligations under this Lease if required under Paragraphs 1.11 and 37, (Vii) the execution of any document

requested under Paragraph 42 (easements), or (viii) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this lese, where any such failure continues for a period of ten 910) days following written notice by or on behalf of Lessor to Lessee.

(d) A Default by Lessee as to the terms, covenants, conditions or provisions of the Lease, or of the rules adopted under Paragraph 40 hereof that are to be observed, complied with or performed by Lessee, other than those described in Subparagraphs 13.1(a), (b) or (c), above, where such Default continues for a period of thirty (30) days after written notice thereof by or on behalf of Lessor to Lessee; provided, however, that if the nature of Lessee's Default is such that more than thirty (3) days are reasonably required for its cure, then it shall not be deemed to be a Breach of this Lease by Lessee if Lessee commences such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion.

(e) The occurrence of any of the following events: (i) the making by Lessee of any general arrangement or assignment for the benefit of creditors; (ii) Lessee's becoming a "debtor" as defined in 11 U.S. Code Section 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within sixty (60) days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the PREMISES or of Lessee's interest in this Lease, where possession is not restored to Lessee within thirty (30) days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within thirty (30) days; provided, however, in the event that any provision of this Subparagraph 13.1(e) is contrary to any applicable law, such provision shall be of no force or effect, and shall not affect the validity of the remaining provisions.

(f) The discovery by Lessor that any financial statement of Lessee or of any Guarantor, given to Lessor by Lessee or any Guarantor, was materially false.

(g) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject to a bankruptcy filing, (iv) a Guarantor's refusal to honor the guarantory, or (v), a Guarantor's breach of its guaranty obligation on an anticipatory breach basis, and Lessee's failure, within sixty (60) days following written notice by or on behalf of Lessor to Lessee of any such event, to provide Lessor with written alternative assurances of security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.

13.2 REMEDIES. If Lessee fails to perform any affirmative duty or obligation of Lessee under this Lease, within ten (10) days after written notice to Lessee (or in case of an emergency, without notice), Lessor may at its option (but without obligation to do so), perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. The costs and expenses of any such performance by Lessor shall be due and payable by Lessee to Lessor upon invoice therefor. If any check given to Lessor by Lessee shall not be honored by the bank upon which it is drawn, Lessor, at its own option, may require all future payments to be made under this Lease by Lessee to be made only by cashier's check. In the event of a Breach of this Lease by Lessee (as defined in Paragraph 13.1), with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach, Lessor may:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease and the term hereof shall terminate and Lessee shall immediately surrender possession of the Premises to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the worth at the time of the award of the unpaid rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which th4e unpaid rent for the balance of the term afer the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of relating, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco or the Federal Reserve Bank District in which the PREMISES are located at the time of award plus one percent (1%). Efforts by Lessor to mitigate damages caused by Lessee's Default or Breach of this Lease shall not waive Lessor's right to recover damages under this Paragraph 13.2. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding the unpaid rent and damages as are recoverable therein, or Lessor may Reserve the right to recover all or any part thereof in a separate suit for such rent and/or damages. If a notice and grace period required under Subparagraph 13.1(b), (c) or (d) was not previously given, a notice to pay rent or quit, or to perform or quit, as the case may be, given to Lessee under any statute authorizing the forfeiture of leases for unlawful detainer shall also constitute the applicable notice for grace period purposes required by Subparagraph 13.1(b), (c) or (d). In such case, the applicable grace period under the unlawful detainer statue shall run concurrently after the one such statutory notice, and the failure of Lessee to cure the Default within the greater of the two (2) such grace periods shall

constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statue.

(b) Continue the Lease and Lessee's right to possession in effect (in California under California Civil Code Section 1951.4) after Lessee's Breach and recover the rent as it becomes due, provided Lessee has the right to sublet or assign, subject only to reasonable limitations. Lessor and Lessee agree that the limitations on assignment and subletting in this Lease are reasonable. Acts of maintenance or preservation, efforts to relet the Premises, or the appointment of a receiver to protect the Lessor's interest under this Lease, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available to Lessor under the laws or judicial decisions of the state wherein the Premises are located.

(d) The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term thereof or by reason of Lessee's occupancy of the Premises.

13.3 INDUCEMENT RECAPTURE IN EVENT OF BREACH. Any agreement by Lessor for free or abated rent or other charges applicable to the Premises, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as "Inducement Provisions" shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and conditions of this Lease to be performed or observed by Lessee during the term hereof as the same may be extended. Upon the occurrence of a Breach (as defined in Paragraph 13.1) of this Lease by Lessee, any such inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an inducement Provision shall be immediately due and payable by Lessee to Lessor, and recoverable by Lessor, as additional rent due under this Lease, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this Paragraph 13.3 shall not be deemed a waiver by Lessor of the provisions of this Paragraph 13.3 unless specifically so stated in writing by Lessor at the time of such acceptance.

13.4 LATE CHARGES. Lessee hereby acknowledges that late payment by Lessee to Lessor of rent and other sums due hereunder will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by the terms of any ground lease, mortgage or deed of trust covering the Premises. Accordingly, if any installment of rent or other sum due from Lessee shall not be received by Lessor or Lessor's designee within ten (10) days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a late charge equal to six percent (6%) of such overdue amount. The parties hereby agree that such late charger represents a fair and reasonable estimate of the costs Lessor will incur by reason of late payment by Lessee. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent Lessor from exercising any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for three (3) consecutive installments of Base Rent, then notwithstanding Paragraph 4.1 of any other provisions of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 BREACH BY LESSOR. Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligations required to be performed by Lessor. For purposes of this Paragraph 13.5, a reasonable time shall in no event be less than thirty (30) days after receipt by Lessor, and by any Lender(s) whose name and address shall have been furnished to Lessee in writing for such purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than thirty (3)) days after such notice are reasonably required for its performance, then Lessor shall not be in breach of this Lease if performance is commenced within such thirty (3) day period and thereafter diligently pursued to completion.

14. CONDEMNATION. If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (all of which are herein called "condemnation"), this Lease shall terminate as to the part so taken as of the date the condemning authority takes title or possession, whichever first occurs. If more than ten percent (10%) of the floor area of the Premises, or more than twenty-five percent (25%) of the portion of the Common Areas designated for Lessee's parking, is taken by condemnation, Lessee may, at Lessee's option, to be exercised in writing within ten (10) days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within ten (10) days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining except that the Base Rent shall be reduced in the same proportion as the rentable floor area of the Premises taken bears to the total rentable floor area of the premises. No reduction of Base Rent shall occur if the condemnation does not apply to any portion of the Premises. Any award for the taking of all or any part of the Premises under the power of eminent domain or any payment made under threat of the exercise of such power shall be the property of Lessor, whether such award shall be made as compensation for diminution of value of the leasehold or for the taking of the fee, or as severance damages; provided, however, that Lessee shall be entitled to any compensation, separately awarded to Lessee for Lessee's relocation expenses and/or loss of Lessee's Trade Fixtures. In the event that is Lease is not terminated by reason of such condemnation, Lessor shall to the extent of its net severance damages received, over and above Lessee's Share of the legal and other expenses incurred by Lessor in the condemnation matter, repair any damage to the Premises caused by such condemnation authority. Lessee shall be responsible for the payment of any amount in excess of such net severance damages required to complete such repair.

16. TENANCY AND FINANCIAL STATEMENTS.

16.1 TENANCY STATEMENT. Each Party (as "Responding Party") shall within ten (10) days after written notice from the other Party (the "Requesting Party") execute, acknowledge and deliver to the Requesting Party a statement in writing in a form similar to the then most current "Tenancy Statement" form published by

the American Industrial Real Estate Association, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

16.2 FINANCIAL STATEMENT. If Lessor desires to finance, refinance, or sell the Premises or the Building, or any part thereof, Lessee and all Guarantors shall deliver to any potential lender or purchaser designated by Lessor such financial statements of Lessee and such Guarantors as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past three (3) years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. LESSOR'S LIABILITY. The term "Lessor" as used herein shall mean the owner or owners at the time in question of the fee title to the premises. In the event of a transfer of Lessor's title or interest in the Premises or in this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor at the time of such transfer or assignment. Except as provided in Paragraph 15.3, upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined.

18. SEVERABILITY. The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. INTEREST ON PAST-DUE OBLIGATIONS. Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor within ten 910) days following the date on which it was due, shall bear interest from the date due at the prime rate charged by the largest state chartered bank in state in which the Premises are located plus four percent (4%) per annum, but not exceeding the maximum rate allowed by law, in addition to the potential late charge provided for in Paragraph 13.4.

20. TIME OF ESSENCE. Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

21. RENT DEFINED. All monetary obligations of Lessee to Lessor under the terms of this Lease are deemed to be rent.

22. NO PRIOR OR OTHER AGREEMENTS; BROKER DISCLAIMER. This Lease contains all agreements between the parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party.

23. NOTICES.

23.1 NOTICE REQUIREMENTS. All notices required or permitted by this Lease shall be in writing and may be delivered in person (by hand or by messenger or courier service) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission during normal business hours, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature of this Lease shall be that Party's address for delivery or mailing of notice purposes. Either Party may by written notice to the other specify a different address for notice purposes, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for the purpose of mailing or delivering notices to Lessee. A copy of all notices required or permitted to be given to Lessor hereunder shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate by written notice to Lessee.

23.2 DATE OF NOTICE. Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail, the notice shall be deemed given forty-eight (48) hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Mail or overnight courier that guarantees next day

delivery shall be deemed given twenty-four (24) hours after delivery of the same to the United States Postal Service or courier. If any notice is transmitted by facsimile transmission or similar means, the same shall be deemed served or delivered upon telephone or facsimile confirmation of receipt of the transmission thereof, provided a copy is also delivered via delivery or mail. If notice is received on a Saturday or a Sunday or a legal holiday, it shall be deemed received on the next business day.

24. WAIVERS. No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or any other term, covenant or condition hereof. Lessor's consent to, or approval of, any such act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent. Regardless of Lessor's knowledge of a Default or Breach at any time of accepting rent, the acceptance of rent by Lessor shall not be a waiver of any Default or Breach by Lessee of any provision hereof. Any payment given Lessor by Lessee may be accepted by Lessor on account of moneys or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

26. NO RIGHT TO HOLDOVER. Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or earlier termination of this Lease. In the event that Lessee holds over in violation of this Paragraph 26 then the Base Rent payable from and after the time of the expiration or earlier termination of this Lease shall be increased to two hundred percent (200%) of the Base Rent applicable during the month immediately preceding such expiration or earlier termination. Nothing contained herein shall be construed as a consent by Lessor to any holding over by Lessee.

27. CUMULATIVE REMEDIES. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. COVENANTS AND CONDITIONS. All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions.

29. BINDING EFFECT; CHOICE OF LAW. This Lease shall be binding upon the Parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. SUBORDINATION; ATTORNMENT; NON-DISTURBANCE.

30.1 SUBORDINATION. This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, "Security Device"), now or hereafter placed by Lessor upon the real property of which the Premises are a part, to any and all advances made on the security thereof, and to all renewals, modifications, consolidations, replacements and extensions thereof. Lessee agrees that the Lenders holding any such Security Device shall have no duty, liability or obligation to perform any of the obligations of Lessor under this Lease, but that in the event of Lessor's default with respect to any such obligation, Lessee will give any Lender whose name and address have been furnished Lessee in writing for such purpose notice of Lessor's default pursuant to Paragraph 13.5. If any Lender shall elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device and shall give written notice thereof to Lessee, this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 ATTORNMENT. Subject to the non-disturbance provisions of Paragraph 30.3, Lessee agrees to attorn to a Lender or any other party who acquires ownership of the Premises by reason of a foreclosure of a Security Device, and that in the event of such foreclosure, such new owner shall not: (i) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership, (ii) be subject to any offsets or defenses which Lessee might have against any prior lessor, or (iii) be bound by prepayment of more than one month's rent.

30.3 NON-DISTURBANCE. With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of the Lease shall be subject to receiving assurance (a "non-disturbance agreement") from the Lender that Lessee's possession and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises.

30.4 SELF-EXECUTING. The agreements contained in this Paragraph 30 shall be effective without the execution of any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Less shall execute such further writings as may be reasonably required to separately document any such subordination or non-subordination, adornment and/or non-disturbance agreement as is provided for herein.

31. ATTORNEY'S FEES. If any Party or Broker brings an action or proceeding to enforce the terms hereof or declare rights hereunder, the Prevailing Party (as hereafter defined) or Broker in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorney's fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, "Prevailing Party"

shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party or Broker of its claim or defense. The attorney's fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorney's fees reasonably incurred. Lessor shall be entitled to attorney's fees, costs and expenses incurred in the preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach. Broker(s) shall be intended third party beneficiaries of this Paragraph 31.

32. LESSOR'S ACCESS; SHOWING PREMISES; REPAIRS. Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times for the purpose of showing the same to prospective purchasers, lenders, or lessees, and making such alterations, repairs, improvements or additions to the Premises or to the building of which they are a part, as Lessor may reasonably deem necessary. Lessor may at any time place on or about the Premiss or building any ordinary "For Sale" signs and Lessor may at any time during the last one hundred eighty (180) days of the term hereof place on or about the Premises any ordinary "For Lease" signs. All such activities of Lessor shall be without abatement of rent or liability to Lessee.

33. AUCTIONS. Lessee shall not conduct, nor permit to be conducted, either voluntarily or involuntarily, any auction upon the Premises without first having obtained Lessor's prior written consent. Notwithstanding anything to the contrary in this Lease, Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to grant such consent.

34. SIGNS. Lessee shall not place any sign upon the Premises, except that Lessee may, with Lessor's prior written consent, install (but not on the roof) such signs as are reasonably required to advertise Lessee's own business so long as such signs are in a location designated by Lessor and comply with Applicable Requirements and the signage criteria established for the Industrial Center by Lessor. The installation of any sign on the premises by or for Lessee shall be subject to the provisions of Paragraph 7 (Maintenance, Repairs, Utility Installations, Trade Fixtures and Alterations). Unless otherwise expressly agreed herein, Lessor reserves all rights to the use of the roof of the Building, and the right to install advertising signs on the Building, including the roof, which do not unreasonably interfere with the conduct of Lessee's business; Lessor shall be entitled to all revenues from such advertising signs.

35. TERMINATION; MERGER. Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, Lessor shall, in the event of any such surrender, termination or cancellation, have the option to continue any one or all of any existing subtenancies. Lessor's failure within ten (10) days following any such event to make a written election to the contrary by written notice to the holder of any such lesser interest, shall constitute Lessor's election to have such event constitute the termination of such interest.

36. CONSENTS.

(a) Except for Paragraph 33 hereof (Auctions) or as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent pertaining to this Lease or the Premises, including but not limited to consents to an assignment, a subletting or the presence or use of a Hazardous Substance, shall be paid by Lessee to Lessor upon receipt of an invoice and supporting documentation therefor. In addition to the deposit described in Paragraph 12.2(e) Lessor may, as a condition to considering any such request by Lessee, require that Lessee deposit with Lessor an amount of money (in addition to the Security Deposit held under Paragraph 5) reasonably calculated by Lessor to represent the cost Lessor will incur in considering and responding to Lessee's request. Any unused portion of said deposit shall be refunded to Lessee without interest. Lessor's consent to any act, assignment of this Lease or subletting of the Premises by Lessee shall not constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent.

(b) All conditions to Lessor's consent authorized by this Lease are acknowledged by Lessee as being reasonable. The failure to specify herein any particular condition to Lessor's consent shall not preclude the impositions by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given.

38. QUIET POSSESSION. Upon payment by Lessee of the rent for the Premises and the performance of all of the covenants, conditions, and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession of the Premises for the entire term hereof subject to all of the provisions of this Lease.

40. RULES AND REGULATIONS. Lessee agrees that it will abide by, and keep and observe all reasonable rules and regulations ("Rules and Regulations") which Lessor may make from time to time for the management, safety, care, and cleanliness of the grounds, the parking and unloading of vehicles and the preservation of good order, as well as for the convenience of other occupants or tenants of the Building and the Industrial Center and their invitees.

41. SECURITY MEASURES. Lessee hereby acknowledges that the rental payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties.

42. RESERVATIONS. Lessor reserves to itself the right, from time to time, to grant, without the consent or joinder of Lessee, such easements, rights of way, utility raceways, and dedications that Lessor deems necessary, and to cause the recordation of parcel maps and restrictions, so long as such easements, rights of way, utility raceways, dedications, maps and restrictions do not reasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate any such easement rights, dedication, map or restrictions.

43. PERFORMANCE UNDER PROTEST. If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay under the provisions of this Lease.

44. AUTHORITY. If either Party hereto is a corporation, trust, or general or limited partnership, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on its behalf. If Lessee is a corporation, trust or partnership, Lessee shall, within thirty (30) days after request by Lessor, deliver to Lessor evidence satisfactory to Lessor of such authority.

45. CONFLICT. Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions.

46. OFFER. Preparation of this Lease by either Lessor or Lessee or Lessor's agent or Lessee's agent and submission of same to Lessee or Lessor shall not be deemed an offer to lease. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

47. AMENDMENTS. This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. The parties shall amend this Lease from time to time to reflect any adjustments that are made to the Base Rent or other rent payable under this Lease. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by an institutional insurance company or pension plan Lender in connection with the obtaining of normal financing or refinancing of the property of which the Premises are a part.

48. MULTIPLE PARTIES. Except as otherwise expressly provided herein, if more than one person or entity is named herein as either Lessor or Lessee, the obligations of such Multiple Parties shall be the joint and several responsibility of all persons or entities named herein as such Lessor or Lessee.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

IF THIS LEASE HAS BEEN FILLED IN, IT HAS BEEN PREPARED FOR YOUR ATTORNEY'S REVIEW AND APPROVAL. FURTHER, EXPERTS SHOULD BE CONSULTED TO EVALUATE THE CONDITION OF THE PROPERTY FOR THE POSSIBLE PRESENCE OF ASBESTOS, UNDERGROUND STORAGE TANKS OR HAZARDOUS SUBSTANCES. NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OR BY THE REAL ESTATE BROKER(S) OR THEIR CONTRACTORS, AGENTS OR EMPLOYEES AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES; THE PARTIES SHALL RELY SOLELY UPON THE ADVICE OF THEIR OWN COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE. IF THE SUBJECT PROPERTY IS IN A STATE OTHER THAN CALIFORNIA, AN ATTORNEY FROM THE STATE WHERE THE PROPERTY IS LOCATED SHOULD BE CONSULTED.

The parties hereto have executed this Lease at the place and on the dates specified above their respective signatures.

Executed at Palo Alto, CA	Executed at Palo Alto, CA
on: July 30, 1995	on: 8-1-95
By LESSOR:	By LESSEE:
WINDY PACIFIC PARTNERS,	PACIFIC MAILING CORPORATION,
a general partnership	a California corporation
By: WINDY HILL INVESTMENT COMPANY	By: /s/Michael Tuite
Its: Managing Partner	Name Printed: Michael Tuite
By: /s/William J. Hurwick	Title: President
William J. Hurwick	By:
By: CALIFORNIA PACIFIC COMMERCIAL CORPORATION	Name Printed:
	Title:
By:/s/Daniel J. McGanney, III	Address:
Daniel J. McGanney, III	
Telephone: (____)_____	Telephone: (____)_____
Facsimile: (____)_____	Facsimile: (____)_____
BROKER:	BROKER:
Executed at:	Executed at:
on:	on:
By:	By:
Name Printed:	Name Printed:
Title:	Title:
Address:	Address:
Telephone: (____)_____	Telephone: (____)_____
Facsimile: (____)_____	Facsimile: (____)_____

NOTE: These forms are often modified to meet changing requirements of law and needs of the industry. Always write or call to make sure you are utilizing the most current form: AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION, 345 So. Figueroa St., M-1, Los Angeles, CA 90071. (213)687-8777.

ADDENDUM TO LEASE
DATED JULY 30, 1995
BETWEEN WINDY PACIFIC PARTNERS
AND PACIFIC MAILING CORPORATION

49. PREMISES. The Premises shall consist of: not less than fifty percent (50%) of the building to be constructed by Lessor on that certain real property commonly known as Lot #3, Dumbarton Business Center, Newark, California and more particularly described on EXHIBIT A attached hereto (the "Building"). Upon completion of the plans for the Building, Lessor and Lessee shall mutually agree upon the exact size and location of the Premises and shall agree upon the exact size and location of the Premises and shall initial a copy of the plans showing the same.

50. TERM. The term of this lease shall commence thirty (30) days after Lessor notifies Lessee that the improvements described in Paragraph 54 below are substantially complete and ready for Occupancy (the "Commencement Date") and end fifteen (15) years after the Commencement Date (the "Expiration Date").

51. BASE RENT.

51.1. INITIAL BASE RENT. Monthly Base Rent shall be an amount equal to one percent (1%) of the Development Cost. Base Rent shall be payable on the first day of each month commencing on the Commencement Date.

The phrase "Development Cost" as used herein shall mean: (i) Tenant's Share of all costs of any nature incurred by or on behalf of Lessor in connection with the acquisition and improvement of the real property on which the Premises are located including, without limitation, all costs of construction, materials, on and off-site improvements, architects, engineers and other professionals and consultants, permits and all fees or assessments paid to governmental entities, bonds, licenses, attorneys, accountants, furniture, financing (including points, fees and interest payments), real estate brokers, environmental investigation and remediation, fixtures, equipment and other personal property, insurance, taxes imposed, tenant improvements paid by Lessor and land (at a value of $721,528); and ii) all costs of any nature incurred by or on behalf of Lessor in connection with the preparation and negotiation of this Lease. The phrase "Tenant's Share" as used herein shall mean the percentage equal to a fraction, the numerator of which is the number of rentable square feet in the Premises and the denominator of which is the total number of rentable square feet in the Building. Lessee acknowledges that Lessor intends to use Vance M. Brown & Sons, Inc. as its contractor for the construction of the improvements on the Property and that Lessor has disclosed to Lessee that affiliates of Vance M. Brown & Sons, Inc. are partners in the managing general partner of Lessor.

As soon as possible after the Commencement Date, Lessor shall notify Lessee in writing of the Development Cost and the Base Rent. Lessee shall have thirty (30) days from the date of such notice in which to notify Lessor that it disagrees with such determination. In the event that Lessee does not so timely notify Lessor, the Base Rent shall be as established in Lessor's notice. In the event that Lessee does notify

Lessor and the parties are unable to agree in writing upon the Base Rent, the matter shall be submitted to binding arbitration.

To commence arbitration, the party initiating arbitration shall deliver written notice to the other party, naming an arbitrator. The other party shall have the right to name an additional arbitrator by serving notice on the first party within 30 days after the original notice. If that party does so, the two arbitrators so named shall select a third arbitrator. If a second arbitrator is not named, the first arbitrator shall conduct the arbitration. If the two arbitrators are unable to agree upon a third arbitrator, the third arbitrator shall be appointed by the Presiding Law and Motion Judge of the San Francisco Superior Court. Each party shall have the right to submit the name of three (3) duly qualified arbitrators and the judge shall select the arbitrator from the names so submitted.

If only one arbitrator is named, the parties shall share that arbitrator's fees and expenses equally. If two arbitrators are named, each party shall pay the fees and expenses of his nominee. If three arbitrators are named, each party shall pay the fees and expenses of his nominee and share equally the fees and expenses of the third arbitrator. The arbitrators shall determine the amount of the Development Cost and Base Rent as provided above and shall set forth their determination in writing, with a signed counterpart to be delivered to each party, within 30 days after commencing arbitration. Except as to matters specifically dealt with in this Agreement, all questions of procedure in connection with the arbitration shall be settled by reference to the rules of arbitration of the American Arbitration Association then in effect. The determination of the arbitrators shall be final and binding on the parties.

In the event that the amount of the Base Rent has not been determined as of the Commencement Date, Lessee on an interim basis shall pay Lessor's estimate of the Base Rent until such time as Base Rent is determined. In the event that the actual Base Rent is less than Lessor's estimate, Lessee shall be entitled to a credit against the next rental payment payable by Lessee hereunder in the amount of such difference. Alternatively, if the actual Base Rent is more than Lessor's estimate, Lessee shall pay such difference with the next rental payment owing.

51.2. BASE RENT ADJUSTMENT. Commencing as of the sixty-first (61st) month of the lease term, the Base Rent then payable shall be increased by seven and one-half percent (7 1/2%). Commencing as of the one hundred twentieth (120th) month of the lease term, the Base Rent then payable shall be increased by seven and one-half percent (7 1/2%).

52. BASE RENT PAID UPON EXECUTION; SECURITY DEPOSIT. Concurrently with the signing of this lease, Lessee is paying Lessor the sum of $66,567, $30,782 of which is payment of the first month's Base Rent and $35,785 of which is a security deposit to be held in accordance with Paragraph 5. The amount so paid as first month's Base Rent shall be applied to pay the first month's Base Rent and in the event that the amount so paid exceeds the actual Base Rent for the first month, Lessee shall receive a credit in the amount of the difference against the next

month's rent owing after the Base Rent has been determined. Upon determination of the Base Rent, the amount held as security deposit shall be adjusted so that it equals the amount of the Base Rent payable for the last month of the lease term.

53. ADDITIONAL RENTAL.

53.1. Lessee shall pay Lessor as additional rental the management expense incurred by Lessor in connection with the Premises, which expense shall be an amount equal to two percent (2%) of the Base Rent. Said additional rent shall be payable monthly at the same time and in the same manner as Base Rent.

53.2. Payment of Additional Rental. At Lessor's option, Lessor may require that Lessee pay all or some portion of the additional rental owing under Paragraphs 4.2, 7.1, 8.1, and 53.1 in the following manner. Lessee shall pay monthly on the first day of each month an amount equal to one twelfth (1/12th) of Lessor's estimate of the amount of such rent due during the year. Within a reasonable time after the end of each calendar year, Lessor shall compute the amount payable for the prior year. In the event that the actual additional rental is more than Lessor's estimate, the difference between the amount owing. and the amount of rent adjustment actually paid by Lessee for the prior year shall be payable in full at the time the next monthly rent payment is due. In the event that the actual additional rental is less than Lessor's estimate, Lessee shall be entitled to a credit against the next rental payment payable by Lessee hereunder in the amount of such difference.

54. IMPROVEMENTS TO THE PREMISES.

54.1. LESSOR'S BASE BUILDING IMPROVEMENTS. Prior to the Commencement Date, Lessor shall have constructed the base building improvements to the Premises as set forth in Base Building Plans. As used herein, the term "Base Building Plans" shall mean the plans and specifications described as Dumbarton Business Park, dated June 28, 1995 and prepared by LRS Associates. Lessee acknowledges that it has reviewed and approved the Base Building Plans. Lessor may make the following revisions to such Base Building Plans: (i) such changes as may be required by governmental authorities; and (ii) such changes as Lessor may deem necessary or appropriate, as long as the improvements, when constructed, will be comparable in appearance, design, efficiency and quality initially described in the Base Building Plans. The base building improvements shall be deemed complete upon certification by Lessor's architect or contractor that such improvements are Substantially complete excluding punch list items, the completion or correction of which will not materially interfere with the construction of the Tenant Improvements.

54.2. LESSOR'S TENANT IMPROVEMENTS. Lessor shall construct the tenant improvements to the Premises in accordance with the work letter attached hereto as Exhibit B.

55. HOLDING OVER. If Lessee remains in possession of the Premises or any part thereof after the expiration or early termination of this Lease, without Lessor's consent, such occupancy shall be a tenancy from month-to-month subject to all the provisions of this Lease, except that the Base Rent shall become one hundred fifty percent (150%) of the Base Rent last in effect. In addition,

Lessee shall reimburse Lessor for and indemnify Lessor against all damages incurred by Lessor from any delay by Lessee in vacating the Premises.

56. INSURANCE. Lessor shall be a named additional insured on all policies required to be maintained by Lessee under this Lease. Lessor shall have the right to raise the amounts of insurance coverage required by Lessee if, in Lessor's opinion, the amount of such coverage is no longer equal to prevailing standards.

57. LIMITATION ON LIABILITY; COMMENCEMENT OF ACTIONS. If Lessee obtains a money judgment against Lessor resulting from any default or other claim arising under or in connection with this Lease, such judgment shall be satisfied only out of Lessor's interest in the Premises. Except as provided in the preceding sentence, no other real or personal property of Lessor shall be subject to levy to satisfy any such judgment and Lessor shall have no personal liability under this Lease. Any claim, demand, right or defense of any kind by Lessee which is based upon or arises in connection with this Lease or the negotiations prior to its execution, shall be barred unless Lessee commences an action thereon, or interposes in a legal proceeding a defense by reason thereof, within six (6) months after the date of the inaction or omission or the date of the occurrence of the event or of the action to which the claim, demand, right or defense relates, whichever applies.

58. ASSIGNMENT AND SUBLETTING. Any net profit from any subletting or assignment shall be paid one-half to Lessor and one-half to Lessee by any assignee or subtenant after payment to Lessee of real estate commissions, reasonable attorneys' fees and other reasonable out-of-pocket costs incurred by Lessee in connection therewith. Such net profit shall include, without limitation, any increase in rental over that paid by Lessee under this Lease and any other consideration (or its cash equivalent) for execution of the assignment or sublease. As a condition to any subletting or assignment, all assignees and subtenants shall verify in writing to Lessor all consideration paid or given or to be paid or given, for such sublease or assignment.

59. ADJACENT PARCEL. The parties acknowledge that Lessor and Lessee are parties to a lease (the "Adjacent Parcel Lease") for the adjacent parcel of real estate commonly known as Lot 2, Dumbarton Business Center, Newark, California. Any default by Lessee under the Adjacent Parcel Lease shall, at Lessor's option, constitute a default under this Lease

60. CONFLICTS. In the event of any inconsistency or conflict between the terms and conditions of this Addendum and the Lease form, the terms and conditions of this Addendum shall control.

61. REVIEW OF LEASE. The parties hereto acknowledge and agree that each has had the opportunity to review the Lease and this Addendum with legal counsel and each party or its legal counsel has been instrumental in the drafting of the Lease and this Addendum. Accordingly, this Lease shall be interpreted and construed in accordance with its fair meaning and the doctrine that ambiguities shall not be construed against the party drafting the document shall not be applicable to the Lease and this Addendum.

LOT 3:

Parcel 3 as shown on Parcel Map 4386 filed for record in the office of the County Recorder of Alameda County on September 25, 1984 in Book 146 of Maps, Page 65 as the lot lines are adjusted by the certificate of compliance recorded November 4, 1988, Series NO. 88-292090, Official Records.

Excepting therefrom that portion thereof lying below a depth of 500 feet measured vertically, from the contour of the surface, including, but not limited to, all oil, gas, casing head gas and other hydrocarbon, geothermal and mineral substances lying below said depth without the right of surface entry as reserved in the Deed from Leonard F. Landis et al. recorded January 6, 1981, as Series No. 81-001678, Alarneda County Records.

A. P. No. 92-116-56

WORK LETTER AGREEMENT

This Work Letter Agreement supplements the Lease dated July 30, 1995, executed concurrently herewith by and between WINDY PACIFIC PARTNERS ("Lessor") and PACIFIC MAILING CORPORATION ("Lessee").

1. TENANT IMPROVEMENTS. Lessor shall construct and install tenant improvements in the Premises in accordance with the applicable Final Plans approve by Lessee and otherwise in accordance with this Work Letter Agreement.

2. PLANS AND SPECIFICATIONS.

2.1. PREPARATION OF PRELIMINARY PLANS. Not later than five (5)days after Lessee's execution of this Lease, Lessee shall furnish and submit to Lessor's architect such information as Lessor's architect may request from Lessee to prepare preliminary plans for the Premises, including information regarding the location of all partitions, doors, light fixtures, electrical outlets, telephone outlets and other standard and special installations required by Lessee, as well as wall finishes and floor coverings. Lessee's preliminary plans submission shall include any special mechanical, electrical and structural engineering requirements. Thereafter, Lessor shall cause its architect to prepare preliminary plans and specifications for the tenant improvements in the Premises.

2.2. REVIEW AND APPROVAL OF PRELIMINARY PLANS. Upon Lessor's receipt from Lessor's architect, Lessor shall promptly submit the preliminary plans to Lessee for review and approval. Lessee shall give written notice of its approval or disapproval of the preliminary plans within five (5) days after its receipt thereof. If Lessee disapproves the preliminary plans, Lessee shall specify the reasons for such disapproval and Lessor and Lessee shall thereafter promptly meet and negotiate in good faith to resolve any of Lessee's objections.

2.3. PREPARATION OF FINAL PLANS. As soon as may be reasonably practicable after Lessee's approval of the preliminary plans, Lessor's architect shall prepare plans, specifications and working drawings, including architectural, mechanical and electrical engineering plans, specifications, working drawings and details (collectively, "Final Plans"). Lessee shall furnish and submit promptly to Lessor's architect such information as Lessor's architect may request from Lessee and otherwise cooperate with Lessor and Lessor's architect to assist in preparation of the Final Plans. The Final Plans shall be in form and substance ready for pricing and construction.

2.4. LESSEE'S APPROVAL OF FINAL PLANS. Upon receipt from Lessor's architect, each party shall have the right to review and approval the Final Plans. Each party shall give written notice of its approval or disapproval of the Final Plans within five (5) days after the date of receipt thereof. If either party disapproves the Final Plans, such party shall specify the reasons for its disapproval, and Lessor and Lessee shall thereafter promptly meet and negotiate in good faith to remove such party's objections. Lessee's written approval of the Final Plans shall be deemed Lessee's authorization for Lessor to Proceed with Lessor's Work (defined below) in accordance with the approved Final Plans. Lessor shall not be obligated to proceed with Lessor's Work until both Lessor and Lessee have approved the Final Plans. As used herein, the term "Lessor's Work" shall mean the work contemplated by the Final Plans and the term "Improvement Costs" shall mean the cost of the Lessor's Work as performed in accordance with the Final Plans.

2.5. LIABILITY FOR APPROVAL. Neither preparation of plans by Lessor's architect, engineer or consultant nor any approval thereof by Lessor shall constitute any representation. or warranty by or on behalf of Lessor as to the adequacy, efficiency, suitability, fitness or desirability of any space layout or improvements or otherwise constitute assumption by Lessor of any responsibility for the accuracy or sufficiency thereof, or be interpreted as a statement of compliance with code requirements.

3. CONSTRUCTION OF TENANT IMPROVEMENTS. Lessor shall select the general contractor to be used to construct Lessor's Work. Lessee acknowledges that Lessor intends to use Vance M. Brown & Sons, Inc. as the contractor and that the relationship between Lessor and said contractor has been disclosed to Lessee. Following approval of the Final Plans by Lessee, and issuance of applicable building permits and any other governmental approvals necessary to construct the Lessor's Work, Lessor's contractor shall be instructed to commence and diligently proceed with the construction of Lessor's Work substantially in accordance with the approved Final Plans.

4. CHANGES ADDITIONS OR ALTERATIONS.

4.1. CHANGES REQUESTED BY LESSEE. Any change in Lessor's Work requested by Lessee after approval of the Final Plans shall be at Lessee's sole cost and expense and shall be subject to Lessor's approval. Lessee shall pay all costs incurred by Lessor in reviewing any requested change, whether such change is approved by Lessor or not. If Lessor approves any such request, Lessor's architect shall prepare (or revise) plans, specifications and working drawings with respect to such change. Lessee shall reimburse Lessor for the cost of preparing such additional (or revised) plans. As soon as practical after completion of the additional (or revised) plans, Lessor shall notify Lessee of the estimated cost and the estimated delay, if any, which will be chargeable to Lessee by reason of such change. Within three (3) days after the date of receipt of such estimated cost, Lessee shall notify Lessor in writing whether Lessee approves such change. If Lessee approves, Lessee shall promptly pay Lessor the estimated cost of such change in excess of Lessor's Contribution, and Lessor's contractor shall proceed with the change as soon as reasonably practicable thereafter. If Lessee does not promptly so approve and pay any such cost, Lessor shall be entitled to proceed in accordance with the previously approved plans.

4.2. CHANGES BY LESSOR. Lessor shall have the right to make such changes in the approved Final Plans (or in Lessor's Work pursuant thereto), as Lessor may deem reasonably necessary for coordinating and completing Lessor's Work or as required by governmental authorities. Lessee agrees and understands that any minor changes or deviations from the approved Final Plans that may be reasonably necessary during construction of the Premises shall not affect, change or invalidate the Lease, or give rise to any claims by Lessee for any offset, credit, loss, damage or delay, or otherwise.

5. TENANT IMPROVEMENT ALLOWANCE. Lessor shall contribute to the cost of constructing Lessor's Work a tenant improvement allowance of up to a maximum of Four Dollars ($4.00) times the number of square feet in the Premises ("Lessor's Contribution").

The Improvement Costs to be paid by Lessor from said allowance shall include without limitation:

(a) The cost of preliminary space planning and final architectural and engineering plans and specifications (i.e., Final Plans) for Lessor's Work;

(b) All costs of obtaining building permits and other necessary authorizations from appropriate governmental authorities;

EXHIBIT B

(c) All costs of interior design and finish schedule plans and specifications including as-built drawings;

(d) All direct and indirect costs of performing Lessor's Work in the Premises, including the construction fee for overhead and profit and the cost of all on-site supervisory and administrative staff, office, equipment and temporary services rendered by Lessor's contractor in connection with Lessor's Work;

(e) All fees payable to Lessor's architectural and engineering firm if it is required by Lessee to redesign any portion of the tenant improvements following Lessee's approval of the Final Plans;

In no event shall the Improvement Costs include any costs of procuring or installing in the Premises any trade fixtures, equipment, furniture, furnishings, telephone equipment or other personal property (collectively, "Personal Property") to be used in the Premises by Lessee, and the cost of such Personal Property shall be paid by Lessee.

If the Improvement Costs exceed Lessor's Contribution, then Lessee shall pay all Improvement Costs in excess of Lessor's Contribution ("Lessee's Share of the Improvement Costs") within ten (10) days after the date of receipt of Lessor's invoice therefor. At Lessee's option, Lessee may elect to have Lessee's Share of the Improvement Costs, not to exceed Three Dollars ($3.00) times the number of square feet in the Premises, added to the Base Rent in the following manner. In such event, monthly Base Rent shall be increased by an amount equal to Lessee's Share of the Improvement Costs amortized over the term of the Lease multiplied by 1.015 and Lessor and Lessee shall execute an addendum to the Lease setting forth the monthly Base Rent so adjusted.

6. DELAY. Lessee shall be responsible for and pay any and all costs and expenses incurred by Lessor in connection with any delay (each a "Lessee Delay") in the commencement or completion of Lessor's Work caused by: (a) Lessee's failure to furnish information as required for timely completion of the preliminary plans or the Final Plans; (b) Lessee's failure to approve or disapprove the preliminary plans or the Final Plans within the time periods specified herein; (c) Lessee's request for changes in materials, finishes, installations or improvements after approval of the Final Plans; (d) any changes, additions or alterations requested by or on behalf of Lessee after approval by Lessee of the Final Plans; (e) Lessee's failure to pay any amount when due hereunder; (f) failure or refusal by Lessee to observe and perform fully and promptly any other provision of this Work Letter Agreement or the Lease on Lessee's part to be observed or performed; or (g) any other delay of any kind or nature caused by any act or omission of Lessee, or any contractor, agent, servant or employee of Lessee. If there is any Tenant Delay, the premises shall be deemed completed, for purposes of determining the date for commencement of the Term of the Lease and Lessee's rental obligations thereunder, on the date the premises would have been completed but for such Lessee Delay.

7. FORCE MAJEURE. Lessor shall not be responsible for any delays in construction or delivery of the Premises caused by strikes, lockouts, labor disputes, acts of God, governmental restrictions or regulations, judicial orders, enemy or hostile governmental actions, civil commotion, fire or flood or other casualty, or any other causes beyond Lessor's reasonable control.

8. PUNCHLIST. Within seven (7) days following date of delivery of the Premises to Lessee, Lessee shall provide Lessor with a list of items for which Lessor has obligated to Lessee, which items were defective or incomplete as at the date of delivery (the "Punchlist"). Lessor or its agents shall immediately proceed to correct or complete the items on the Punchlist. Upon completion or correction of the

items on the Punchlist, Lessee shall be deemed to have accepted the Leased Premises as being in good and sanitary order, condition and repair.

9. COMPLETION. Upon the date (the "Completion Date") that Lessor's architect furnishes a Certificate of Substantial Completion ("Certificate of Substantial Completion") confirming that the work has been substantially completed subject only to Punchlist items, the completion or correction of which will not materially interfere with Lessee's use or occupancy of the Leased Premises, the Leased Premises will be deemed completed and possession of the Leased Premises deemed delivered to Lessee for all purposes of the Lease.

10. OTHER WORK (BY LESSEE AT LESSEE'S COST).

(a) If Lessee desires to install any alterations, additions, or other items through a contractor other than Lessor's contractor, no such work (hereinafter referred to as "Other Work") shall proceed without:

(i) Lessor's prior written approval of Lessee's plans and specifications for the Other Work, which approval shall not be unreasonably withheld or delayed.

(ii) Lessee's contractor providing labor and materials bond(s) satisfactory to Lessor.

(iii) A Certificate of Insurance from an approved company, furnished to Lessor by Lessee's contractor, in an amount of not less than $500,000 per occurrence and $1,000,000 aggregate for public liability, endorsed to show Lessor as an additional insured.

(b) All Other Work by Lessee or its contractor(s) shall be scheduled through Lessor.

(c) Lessee shall reimburse Lessor for any extra expense incurred by Lessor's contractor as a result of Other Work by Lessee, including, without limitation, rectification of faulty work done by Lessee or its contractor(s), or by reason of delays caused by such Other Work, or by reason of inadequate cleanup.

(d) Lessee shall reimburse Lessor for the use, by its contractor(s), of those site services provided by Lessor's contractor such as hoist engineers and rubbish removal from site.

(e) Lessee or its contractor(s) will, in no event, be allowed to install sprinkler, plumbing, mechanical, electrical power, or lighting items unless the subcontractors for such work have been approved in writing by Lessor.

(f) All Other Work shall be diligently and continuously pursued to its completion.

(g) All special electrical equipment and related wiring shall be installed only under the supervision of Lessor or its electrical contractor and Lessee shall reimburse Lessor for any fees or costs arising therefrom.

(h) Any delay arising in the completion of Other Work shall have no bearing on the Commencement Date.

(i) The installation of communication and data equipment, including cabling, shall be the sole responsibility of Lessee.

EXHIBIT B

11. DEFAULT AND REMEDIES. Failure or refusal by Lessee to perform any obligation on Lessee's part to be performed in accordance with the provisions of this Work Letter Agreement shall constitute an event of default by Lessee under this Work Letter Agreement and under Article 13 of the Lease.

IN WITNESS WHEREOF, the parties hereto have executed this Work Letter Agreement as of the date first set forth above.

LESSOR:

WINDY PACIFIC PARTNERS,
a general partnership

By: WINDY HILL INVESTMENT COMPANY,
Its: Managing Partner

By: /s/ William J. Hurwick
William J. Hurwick

By: CALIFORNIA PACIFIC COMMERCIAL CORPORATION
a California corporation

By: /s/Dan McGanney, III
Daniel J. McGanney, III

LESSEE:

PACIFIC MAILING CORPORATION,
a California corporation

By: /s/ Michael Tuite

Its: President

EXHIBIT B

EXHIBIT 10.10

FIRST AMENDMENT TO LEASE
BETWEEN WINDY PACIFIC PARTNERS AND PACIFIC MAILING CORPORATION

THIS FIRST AMENDMENT TO LEASE (the "Amendment") is made and entered into as of December 22, 1995 by and between WINDY PACIFIC PARTNERS ("Lessor") and PACIFIC MAILING CORPORATION ("Lessee").

RECITALS:

A. Lessor and Lessee are parties to that certain lease (the "Lease") dated July 30, 1995 for a portion of the building on the real property commonly known as Lot #3, Dumbarton Business Center, Newark, California.

AGREEMENT

NOW, THEREFORE, Lessor and Lessee agree as follows:

1. Amendment of Lease. The following paragraph 62 is hereby added to the Lease:

62. Additional Premises.

62.1 Premises: Rent, during the Additional Premises Lease Term, the Premises shall include the remainder of the Building (the "Additional Premises") and the Monthly Base Rent payable hereunder shall be increased by $14,333.

62.2 Additional Premises Lease Term. The additional Premises Lease Term shall commence thirty (30) days after Lessor notifies Lessee that the improvements described in paragraph 62.3 below are substantially complete and ready for occupancy and continue for sixty (6) months.

62.3 Improvements. Lessor will construct the tenant improvements to the additional Premises in accordance with the plans prepared by Vance M. Brown & Sons, Inc., a copy of which is attached hereto as Exhibit A. All other work shall be at Lessee's cost and shall be subject to the terms of the work letter attached to the Lease.

62.4 Base Rent Upon Execution; Security Deposit. Concurrently with the signing of this Amendment, Lessee is paying Lessor the sum of $28,666; $14,333 of which is payment of the first month's Base Rent with respect to the additional Premises and $14,333 of which is additional security deposit. The additional security deposit shall be held in accordance with paragraph 5 and returned to Lessee upon expiration of the Additional Premises Lease Term in accordance with the terms of paragraph 5.

2. Miscellaneous. Except as amended herein, the Lease shall remain in full force and effect. Defined terms in the Lease shall have the same meaning in this Amendment unless otherwise defined herein. This Amendment constitutes the entire agreement between the parties with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment to Lease as of the date first set forth above.

LESSOR:

Windy Pacific Partners,
a general partnership

By: Windy Hill Investment Company,
Its: Managing Partner

By: /s/Willim J. Hurwick
William J. Hurwick

By: California Pacific Commercial Corporation,
a California corporation

By: /s/Daniel J. McGanney, III
Daniel J. McGanney, III

LESSEE:

Pacific Mailing Corporation,
a California corporation

By: /s/Michael Tuite

Its: President

DRAWING SHOWING SLICES 1 - 2 - 3
MARKED AS EXHIBIT "A"

Dumbarton Business Park
Central Ave
Newark, CA

Office:	986 SF
Warehouse:	37,492 SF
Total:	38,478 SF

December 18, 1995

	TOTAL COST	
1. Carpentry/Miscellaneous	$ 7,710	$0.20
2. Door, Frames and Hardware	4,200	0.11
3. Glass and Glazing Interior	600	0.02
4. Metal Studs and Gyp Board	13,298	0.35
5. Casework	1,160	0.03
6. Chain Link Fencing (2,000 SF)	3,950	0.10
7. Acoustic Ceilings	888	0.02
8. Insulation	714	0.02
9. Carpet/VCT/Sheetvinyl	2,196	0.06
10. Painting	1,600	0.04
11. Toilet Partitions & Accessories	2,200	0.06
12. Plumbing	8,860	0.23
13. Fire Sprinklers	5,834	0.15
14. HVAC	6,380	0.17
15. Electrical	24,240	0.63
16. Architectural & Structural Design Fees	2,500	0.06
Sub Total	$83,830	$2.18
Permit Fees (Allow)	1,200	0.03
Contractor's Fee	4,192	0.11
TOTAL	$89,222	$2.32

Exclusions: Window Blinds; Security Systems, Telephone & Data Wiring.

EXHIBIT 10.11

SECOND AMENDMENT TO LEASE
BETWEEN WINDY PACIFIC PARTNERS
AND PACIFIC MAILING CORPORATION

THIS SECOND AMENDMENT TO LEASE (the "Amendment") is made and entered into as of May 28, 1996 by and between WINDY PACIFIC PARTNERS ("Lessor") and PACIFIC MAILING CORPORATION ("Lessee").

RECITALS

A. Lessor and Lessee are parties to that certain lease dated July 30, 1995, for a portion of the building on the real property commonly known as Lot #3, Dumbarton Business Center, Newark, California as amended by that certain First Amendment to Lease dated December 22, 1995 (collectively, the "Lease").

B. Lessor and Lessee desire to amend the terms of the Lease as below set forth.

AGREEMENT

NOW, THEREFORE, Lessor and Lessee agree as follows:

1. Term. Paragraph 50 of the Lease is hereby amended and restated in its entirety to read as follows:

50. Term. The term of this Lease shall commence May 28, 1996 (the "Commencement Date") and end May 27, 2011 (the "Expiration Date").

2. Initial Base Rent. Paragraph 51.1 of the Lease is hereby amended and restated in its entirety to read as follows:

51.1 Initial Base Rent. Monthly Base Rent shall be an amount equal to Fifteen Thousand Eight Hundred Fifty Seven Dollars ($15,857). Base Rent shall be payable on the first day of each month commencing on the Commencement Date. During the Additional Premises Lease Term, Lessee shall also pay additional Base Rent as provided in paragraph 62.

3. Base Rent Paid Upon Execution; Security Deposit. Paragraph 52 of the Lease is hereby amended and restated in its entirety to read as follows:

> 52. Concurrently with the signing of this Lease, Lessee is paying the sum of $37,988, $19,752 of which is payment of the Base Rent from May 28, 1996 through June 30, 1996 and $18,236 of which is a security deposit to be held in accordance with paragraph 5.

The parties acknowledge that Lessee overpaid by $5,874, which amount Lessor shall promptly refund to Lessee.

4. Square Footage. The Building contains approximately 76,956 square feet and the Additional Premises (as defined in paragraph 62) contain approximately 38,478 square feet; provided, however, that there shall be no adjustment in the Base Rent or the other amounts payable by Lessee under this Lease in the event that the actual square footage is other than as set forth above.

5. Damage or Destruction. Paragraph 9.6(b) of the Lease is hereby amended as follows: The phrase "after said 90 day period but" is hereby added before the word "Prior" on line 2 of said paragraph.

6. Subordination; Attornment; Non-Disturbance. Paragraph 30.1 of the Lease is hereby amended to add the following phrase at the end of the second sentence thereof: "and allow Lender thirty (30) days following receipt of such notice for the cure of such default before invoking any remedies Lessee may have by reason thereof."

7. Additional Premises. Paragraph 62.2 of the Lease is hereby amended and restated in its entirety to read as follows:

> 62.2 Additional Premises Lease Term. The Additional Premises Lease Term shall commence May 28, 1996 and end May 27, 2001. For the duration of the Additional Premises Lease Term, Lessee's Share of Common Area Operating Expenses set forth in paragraph 1.6(b) shall be 100%.

8. Miscellaneous. Except as amended herein, the Lease shall remain in full force and effect. Defined terms in the Lease shall have the same meaning in this Amendment unless otherwise defined herein. This Amendment constitutes the entire agreement between the parties with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment to Lease as of the date first set forth above.

LESSOR:

WINDY PACIFIC PARTNERS,
a general Partnership

By: WINDY HILL INVESTMENT COMPANY,
Its: Managing Partner

By: /s/ William J. Hurwick

William J. Hurwick

By: CALIFORNIA PACIFIC COMMERCIAL CORPORATION
a California corporation

By: /s/Dan McGanney, III

Daniel J. McGanney, III

LESSEE:

PACIFIC MAILING CORPORATION,
a California corporation

By: /s/Michael Tuite

Its: President

EXHIBIT 10.12

THIRD AMENDMENT TO LEASE
BETWEEN WINDY PACIFIC PARTNERS
AND PACIFIC DIRECT MARKETING CORP. DBA PACIFIC LINK

THIS THIRD AMENDMENT TO LEASE ("the Amendment") is made and entered into as of 9/25, 1996 by and between WINDY PACIFIC PARTNERS ("Lessor") and PACIFIC DIRECT MARKETING CORP. DBA PACIFIC LINK ("Lessee").

RECITALS

A. Lessor and Lessee are parties to that certain lease dated July 30, 1995, for a portion of the building on the real property commonly known as Lot #3, Dumbarton Business Center, Newark, California as amended by that certain First Amendment to Lease dated December 22, 1995 and that certain Second Amendment to Lease dated May 28, 1996 (collectively, the "Lease"). Lessee has changed its name from Pacific Mailing Corporation to Pacific Direct Marketing Corp.

B. Lessor and Lessee desire to extend the term of the Lease with respect to the Additional Premises so that the fifteen (15) year lease term applies with respect to the entire Premises.

AGREEMENT

NOW, THEREFORE, Lessor and Lessee agree as follows:

1. Initial Base Rent. Paragraph 51.1 of the Lease is hereby amended and restated in its entirety to read as follows:

> 51.1 Initial Base Rent. Monthly Base Rent shall be an amount equal to Thirty Thousand One Hundred Ninety Dollars ($30,190). Base Rent shall be payable on the first day of each month. Base Rent shall be subject to adjustment as provided in paragraph 51.2 below.

2. Additional Premises Lease Term. Paragraphs 62.1 and 62.2 are hereby deleted in their entireties and replaced with the following:

62.1 Premises. The Premises shall include the remainder of the Building.

6.2. [Intentionally Omitted.]

3. Operating Expenses. Lessee's Share of Common Area Operating Expenses set forth in paragraph 1.6(b) shall be 100%.

4. Miscellaneous. Except as amended herein, the Lease shall remain in full force and effect. Defined terms in the Lease shall have the same meaning in this Amendment unless otherwise defined herein. This Amendment constitutes the entire agreement between the parties with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Third Amendment to Lease as of the date first set forth above.

LESSOR:

WINDY PACIFIC PARTNERS,
a general partnership

By: WINDY HILL INVESTMENT COMPANY,
Its: Managing Partner

By: /s/William J. Hurwick
William J. Hurwick,
Trustee of The Hurwick Family Trust UTA
dated November 21, 1984

By: CALIFORNIA PACIFIC
COMMERCIAL CORPORATION,
a California corporation

By: /s/Dan McGinney, III
Daniel J. McGinney, III

LESSEE:

PACIFIC DIRECT MARKETING CORP.
DBA PACIFIC LINK,
a California corporation

By: /s/Michael Tuite

Its: President

EXHIBIT 10.13

STANDARD INDUSTRIAL/COMMERCIAL MULTI-TENANT LEASE--MODIFIED NET
AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION

1. BASIC PROVISIONS ("BASIC PROVISIONS").

1.1 PARTIES: This Lease ("Lease"), dated for reference purposes only, September 25, 1996, is made by and between Windy Pacific Partners ("Lessor") and Pacific Direct Marketing Corp. DBA Pacific Link ("Lessee"), (collectively the "Parties," or individually a "Party").

1.2(a) PREMISES: That certain portion of the Building, including all improvements therein or to be provided by Lessor under the terms of this Lease, commonly known by the street address of see paragraph 49, located in the City of , County of , State of , with zip code , as outlined on Exhibit attached hereto ("Premises"). The "Building" is that certain building containing the Premises and generally described as (describe briefly the nature of the Building):

In addition to Lessee's rights to use and occupy the Premises as hereinafter specified, Lessee shall have non-exclusive rights to the Common Areas (as defined in Paragraph 2.7 below) as hereinafter specified, but shall not have any rights to the roof, exterior walls or utility raceways of the Building or to any other buildings in the Industrial Center. The Premises, the Building, the Common Areas, the land upon which they are located, along with all other buildings and improvements thereon, are herein collectively referred to as the "Industrial Center." (Also see Paragraph 2.)

1.2(b) PARKING: N/A unreserved vehicle parking spaces ("Unreserved Parking Spaces"); and reserved vehicle parking spaces ("Reserved Parking Spaces"). (Also see Paragraph 2.6.)

1.3 TERM: fifteen years and -0- months ("Original Term") commencing see paragraph 50 ("Commencement Date") and ending ("Expiration Date"). (Also see Paragraph 3.)

1.4 EARLY POSSESSION: N/A ("Early Possession Date"). (Also see Paragraphs 3.2 and 3.3.)

1.5 BASE RENT: $ See paragraph 51 per month ("Base Rent"), payable on the day of each month commencing . (Also see Paragraph 4.)

[_] If this box is checked, this Lease provides for the Base Rent to be adjusted per Addendum , attached hereto.

1.6(a) BASE RENT PAID UPON EXECUTION: $ as Base Rent for the period see paragraph 52.

1.6(b) LESSEE'S SHARE OF COMMON AREA OPERATING EXPENSES: sixty-six 2/3 percent (66 2/3%) ("Lessee's Share") as determined by [X] prorata square footage of the Premises as compared to the total square footage of the Building or [ ] other criteria as described in Addendum .

1.7 SECURITY DEPOSIT: $ See paragraph 52. ("Security Deposit"). (Also see Paragraph 5.)

1.8 PERMITTED USE: manufacturing and warehouse use. ("Permitted Use") (Also see Paragraph 6.)

1.9 INSURING PARTY: Lessor is the "Insuring Party." (Also see Paragraph 8.)

1.10(a) REAL ESTATE BROKERS: The following real estate broker(s) (collectively, the "Brokers") and brokerage relationships exist in this transaction and are consented to by the Parties (check applicable boxes):

[X] BT Commercial represents Lessor exclusively ("Lessor's Broker");

[ ] represents Lessee exclusively ("Lessee's Broker"); or

[X] Cornish & Carey Commercial represents both Lessor and Lessee ("Dual Agency"). (Also see Paragraph 15.)

1.10(b) PAYMENT TO BROKERS. Upon the execution of this Lease by both Parties, Lessor shall pay to said Broker(s) jointly, or in such separate shares as they may mutually designate in writing, a fee as set forth in a separate written agreement between Lessor and said Broker(s) (or in the event there is no separate written agreement between Lessor and said Broker(s), the sum of ($) for brokerage services rendered by said Broker(s) in connection with this transaction.

1.11 GUARANTOR: The obligations of the Lessee under this Lease are to be guaranteed by N/A ("Guarantor"). (Also see Paragraph 37.)

1.12 ADDENDA AND EXHIBITS. Attached hereto is an Addendum or Addenda consisting of Paragraphs 49 through 62, and Exhibits A through C , all constitute a part of this Lease.

2. PREMISES, PARKING AND COMMON AREAS.

2.1 LETTING. Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of square footage set forth in this Lease, or that may have been used in calculating rental and/or Common Area Operating Expenses, is an approximation which Lessor and Lessee agree is reasonable and the rental and Lessee's Share (as defined in Paragraph 1.6(b)) based thereon is not subject to revision whether or not the actual square footage is more or less.

2.2 CONDITION. Lessor shall deliver the Premises to Lessee clean and free of debris on the Commencement Date and warrants to Lessee that the existing plumbing, electrical systems, fire sprinkler system, lighting, air conditioning, heating systems and loading doors, if any, in the Premises, other than those constructed by Lessee, shall be in good operating condition on the Commencement Date. If a non-compliance with said warranty exists as of the Commencement Date, Lessor shall, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify same at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within thirty (30) days after the Commencement Date, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense.

2.3 COMPLIANCE WITH COVENANTS, RESTRICTIONS AND BUILDING CODE. Lessor warrants that any Improvements (other than those constructed by Lessee or at Lessee's direction) on or in the Premises which have been constructed or installed by Lessor or with Lessor's consent or at Lessor's direction shall comply with all applicable covenants or restrictions of record and applicable building codes, regulations and ordinances in effect on the Commencement Date. Lessor further warrants to Lessee that Lessor has no knowledge of any claim having been made by any governmental agency that a violation or violations of applicable building codes, regulations, or ordinances exist with regard to the Premises as of the Commencement Date. Said warranties shall not apply to any Alterations or Utility Installations (defined in Paragraph 7.3(a)) made or to be made by Lessee. If the Premises do not comply with said warranties, Lessor shall, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee given within six (6) months following the Commencement Date and setting forth with specificity the nature and extent of such non-compliance, take such action, at Lessor's expense, as may be reasonable or appropriate to rectify the non-compliance. Lessor makes no warranty that the Permitted Use in Paragraph 1.8 is permitted for the Premises under Applicable Laws (as defined in Paragraph 2.4).

2.4 ACCEPTANCE OF PREMISES. Lessee hereby acknowledges: (a) that it has been advised by the Broker(s) to satisfy itself with respect to the condition of the Premises (including but not limited to the electrical and fire sprinkler systems, security, environmental aspects, seismic and earthquake requirements, and compliance with the Americans with Disabilities Act and applicable zoning, municipal, county, state and federal laws, ordinance and regulations and any covenants or restrictions of record (collectively, "Applicable Laws") and the present and future suitability of the Premises for Lessee's intended use; (b) that Lessee has made such investigation as it deems necessary with reference to such matters, is satisfied with reference thereto, and assumes all responsibility therefore as the same relate to Lessee's occupancy of the Premises and/or the terms of this Lease; and (c) that neither Lessor, nor any of Lessor's agents, has made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease.

2.5 LESSEE PRIOR OWNER/OCCUPANT. The warranties made by Lessor in this Paragraph 2 shall be of no force or effect if immediately prior to the date set forth in Paragraph 1.1 Lessee was the owner or occupant of the Premises. In such event, Lessee shall, at Lessee's sole cost and expense, correct any non-compliance of the Premises with said warranties.

2.6 VEHICLE PARKING. Lessee shall be entitled to use the number of Unreserved Parking Spaces and Reserved Parking Spaces specified in Paragraph 1.2(b) on those portions of the Common Areas designated from time to time by Lessor for parking. Lessee shall not use more parking spaces than said number. Said parking spaces shall be used for parking by vehicles no larger than full-size passenger automobiles or pick-up trucks, herein called "Permitted Size Vehicles." Vehicles other than Permitted Size Vehicles shall be parked and loaded or unloaded as directed by Lessor in the Rules and Regulations (as defined in Paragraph 40) issued by Lessor. (Also see Paragraph 2.9.)

(a) Lessee shall not permit or allow any vehicles that belong to or are controlled by Lessee or Lessee's employees, suppliers, shippers, customers, contractors or invitees to be loaded, unloaded, or parked in areas other than those designated by Lessor for such activities.

(b) If Lessee permits or allows any of the prohibited activities described in this Paragraph 2.6, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

(c) Lessor shall at the Commencement Date of this Lease, provide the parking facilities required by Applicable Law.

2.7 COMMON AREAS--DEFINITION. The term "Common Areas" is defined as all areas and facilities outside the Premises and within the exterior boundary line of the Industrial Center and interior utility raceways within the Premises that are provided and designated by the Lessor from time to time for the general non-exclusive use of Lessor, Lessee and other lessees of the Industrial Center and their respective employees, suppliers, shippers, customers, contractors and invitees, including parking areas, loading and unloading areas, trash areas, roadways, sidewalks, walkways, parkways, driveways and landscaped areas.

2.8 COMMON AREAS--LESSEE'S RIGHTS. Lessor hereby grants to Lessee, for the benefit of Lessee and its employees, suppliers, shippers, contractors, customers and invitees, during the term of this Lease, the non-exclusive right to use, in common with others entitled to such use, the Common Areas as they exist from time to time, subject to any rights, powers, and privileges reserved by Lessor under the terms hereof or under the terms of any rules and regulations or restrictions governing the use of the Industrial Center. Under no circumstances shall the right herein granted to use the Common Areas be deemed to include the right to store any property, temporarily or permanently, in the Common Areas. Any such storage shall be permitted only by the prior written consent of Lessor or Lessor's designated agent, which consent may be revoked at any time. In the event that any unauthorized storage shall occur then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove the property and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.9 COMMON AREAS--RULES AND REGULATIONS. Lessor or such other person(s) as Lessor may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to establish, modify, amend and enforce reasonable Rules and Regulations with respect thereto in accordance with Paragraph 40. Lessee agrees to abide by and conform to all such Rules and Regulations, and to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessor shall not be responsible to Lessee for the non-compliance with said rules and regulations by other lessees of the Industrial Center.

2.10 COMMON AREAS--CHANGES. Lessor shall have the right, in Lessor's sole discretion, from time to time:

(a) To make changes to the Common Areas, including, without limitation, changes in the location, size, shape and number of driveways, entrances, parking spaces, parking areas, loading and unloading areas, ingress, egress, direction of traffic, landscaped areas, walkways and utility raceways;

(b) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available;

(c) To designate other land outside the boundaries of the Industrial Center to be part of the Common Areas;

(d) To add additional buildings and improvements to the Common Areas;

(e) To use the Common Areas while engaged in making additional improvements, repairs or alterations to the Industrial Center, or any portion thereof; and

(f) To do and perform such other acts and make such other changes in, to or with respect to the Common Areas and Industrial Center as Lessor may, in the exercise of sound business judgment, deem to be appropriate.

3. TERM.

3.1 TERM. The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3.

3.2 EARLY POSSESSION. If an Early Possession Date is specified in Paragraph 1.4 and if Lessee totally or partially occupies the Premises after the Early Possession Date but prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such early occupancy. All other terms of this Lease, however, (including but not limited to the obligations to pay Lessee's Share of Common Area Operating Expenses and to carry the insurance required by Paragraph 8) shall be in effect during such period. Any such early possession shall not affect nor advance the Expiration Date of the Original

Term.

3.3 DELAY IN POSSESSION. If for any reason Lessor cannot deliver possession of the Premises to Lessee by the Early Possession Date, if one is specified in Paragraph 1.4 or if no Early Possession Date is specified, by the Commencement Date, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease, or the obligations of Lessee hereunder, or extend the term hereof, but in such case, Lessee shall not, except as otherwise provided herein, be obligated to pay rent or perform any other obligation of Lessee under the terms of this Lease until Lessor delivers possession of the Premises to Lessee. If possession of the Premises is not delivered to Lessee within sixty (60) days after the Commencement Date, Lessee may, at its option, by notice in writing to Lessor within ten (10) days after the end of said sixty (60) day period, cancel this Lease, in which event the parties shall be discharged from all obligations hereunder; provided further, however, that if such written notice of Lessee is not received by Lessor within said ten (10) day period, Lessee's right to cancel this Lease hereunder shall terminate and be of no further force or effect. Except as may be otherwise provided, and regardless of when the Original Term actually commences, if possession is not tendered to Lessee when required by this Lease and Lessee does not terminate this Lease, as aforesaid, the period free of the obligation to pay Base Rent, if any, that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to the period during which the Lessee would have otherwise enjoyed under the terms hereof, but minus any days of delay caused by the acts, changes or omissions of Lessee.

4. RENT.

4.1 BASE RENT. Lessee shall pay Base Rent and other rent or charges, as the same may be adjusted from time to time, to Lessor in lawful money of the United States, without offset or deduction, on or before the day on which it is due under the terms of this Lease. Base Rent and all other rent and charges for any period during the term hereof which is for less than one full month shall be prorated based upon the actual number of days of the month involved. Payment of Base Rent and other charges shall be made to Lessor at its address stated herein or to such other persons or at such other addresses as Lessor may from time to time designate in writing to Lessee.

4.2 COMMON AREA OPERATING EXPENSES. Lessee shall pay to Lessor during the term hereof, in addition to the Base Rent, Lessee's Share (as specified in Paragraph 1.6(b)) of all Common Area Operating Expenses, as hereinafter defined, during each calendar year of the term of this Lease, in accordance with the following provisions:

(a) "COMMON AREA OPERATING EXPENSES" are defined, for purpose of this Lease, as all costs incurred by Lessor relating to the ownership and operation of the Industrial Center, including, but not limited to, the following:

(i) The operation, repair and maintenance, in neat, clean, good order and condition, of the following:

(aa) The Common Areas, including parking areas, loading and unloading areas, trash areas, roadways, sidewalks, walkways, parkways, driveways, landscaped areas, striping, bumpers, irrigation systems, Common Area lighting facilities, fences and gates, elevators and roof.

(bb) Exterior signs and any tenant directories.

(cc) Fire detection and sprinkler systems.

(ii) The cost of water, gas, electricity and telephone to service the Common Areas.

(iii) Trash disposal, property management and security services and the costs of any environmental inspections.

(iv) Reserves set aside for maintenance and repair of Common Areas.

(v) Real Property Taxes (as defined in Paragraph 10.2) to be paid by Lessor for the Building and the Common Areas under Paragraph 10 hereof.

(vi) The cost of the premiums for the insurance policies maintained by Lessor under Paragraph 8 hereof.

(vii) Any deductible portion of an insured loss concerning the Building or the Common Areas.

(viii) Any other services to be provided by Lessor that are stated elsewhere in this Lease to be a Common Area Operating Expense.

(b) Any Common Area Operating Expenses and Real Property Taxes that are specifically attributable to the Building or to any other building in the Industrial Center or to the operation, repair and maintenance thereof, shall be allocated entirely to the Building or to such other building. However, any Common Area Operating Expenses and Real Property Taxes that are not specifically attributable to the Building or to any other building or to the operation, repair and maintenance thereof, shall be equitably allocated by Lessor to all buildings in the Industrial Center.

(c) The inclusion of the improvements, facilities and services set forth in Subparagraph 4.2(a) shall not be deemed to impose an obligation upon Lessor to either have said improvements or facilities or to provide those services unless the Industrial Center already has the same, Lessor already provides the services, or Lessor has agreed elsewhere in this Lease to provide the same or some of them.

(d) Lessee's Share of Common Area Operating Expenses shall be payable by Lessee within ten (10) days after a reasonably detailed statement of actual

expenses is presented to Lessee by Lessor. At Lessor's option, however, an amount may be estimated by Lessor from time to time of Lessee's Share of annual Common Area Operating Expenses and the same shall be payable monthly or quarterly, as Lessor shall designate, during each 12-month period of the Lease term, on the same day as the Base Rent is due hereunder. Lessor shall deliver to Lessee within sixty (60) days after the expiration of each calendar year a reasonably detailed statement showing Lessee's Share of the actual Common Area Operating Expenses incurred during the preceding year. If Lessee's payments under this Paragraph 4.2(d) during said preceding year exceed Lessee's Share as indicated on said statement, Lessee shall be credited the amount of such

overpayment against Lessee's Share of Common Area Operating Expenses next becoming due. If Lessee's payments under this Paragraph 4.2(d) during said preceding year were less than Lessee's Share as indicated on said statement, Lessee shall pay to Lessor the amount of the deficiency within ten (10) days after delivery by Lessor to Lessee of said statement.

5. SECURITY DEPOSIT. Lessee shall deposit with Lessor upon Lessee's execution hereof the Security Deposit set forth in Paragraph 1.7 as security for Lessee's faithful performance of Lessee's obligations under this Lease. If Lessee fails to pay Base Rent or other rent or charges due hereunder, or otherwise Defaults under this Lease (as defined in Paragraph 13.1), Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount due Lessor or to reimburse or compensate Lessor for any liability, cost, expense, loss or damage (including attorneys' fees) which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of said Security Deposit, Lessee shall within ten (10) days after written request therefore deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. Any time the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional monies with Lessor as an addition to the Security Deposit so that the total amount of the Security Deposit shall at all times bear the same proportion to the then current Base Rent as the Initial Security Deposit bears to the Initial Base Rent set forth in Paragraph 1.5. Lessor shall not be required to keep all or any part of the Security Deposit separate from its general accounts. Lessor shall, at the expiration or earlier termination of the term hereof and after Lessee has vacated the Premises, return to Lessee (or, at Lessor's option, to the last assignee, if any, of Lessee's interest herein), that portion of the Security Deposit not used or applied by Lessor. Unless otherwise expressly agreed in writing by Lessor, no part of the Security Deposit shall be considered to be held in trust, to bear interest or other increment for its use, or to be prepayment for any monies to be paid by Lessee under this Lease.

6. USE.

6.1 PERMITTED USE.

(a) Lessee shall use and occupy the Premises only for the Permitted Use set forth in Paragraph 1.8, or any other legal use which is reasonably comparable thereto, and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates waste or a nuisance, or that disturbs owners and/or occupants of, or causes damage to the Premises or neighboring premises or properties.

(b) Lessor hereby agrees to not unreasonably withhold or delay its consent to any written request by Lessee, Lessee's assignees or subtenants, and by prospective assignees and subtenants of Lessee, its assignees and subtenants, for a modification of said Permitted Use, so long as the same will not impair the structural integrity of the improvements on the Premises or in the Building or the mechanical or electrical systems therein, does not conflict with uses by other lessees, is not significant more burdensome to the Premises or the Building and the improvements thereon, and is otherwise permissible pursuant to this Paragraph 6. If Lessor elects to withhold such consent, Lessor shall within five (5) business days after such request give a written notification of same, which notice shall include an explanation of Lessor's reasonable objections to the change in use.

6.2 HAZARDOUS SUBSTANCES.

(a) REPORTABLE USES REQUIRE CONSENT. The term "Hazardous Substance" as used in this Lease shall mean any product, substance, chemical, material or waste whose presence, nature, quantity and/or intensity of existence, use, manufacture, disposal, transportation, spill, release or effect, either by itself or in combination with other materials expected to be on the Premises, is either: (i) potentially injurious to the public health, safety or welfare, the environment, or the Premises; (ii) regulated or monitored by any governmental authority; or (iii) a basis for potential liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substance shall include, but not be limited to, hydrocarbons, petroleum, gasoline, crude oil or any products or by-products thereto. Lessee shall not engage in any activity in or about the Premises which constitutes a Reportable Use (as hereinafter defined) of Hazardous Substances without the express prior written consent of Lessor and compliance in a timely manner (at Lessee's sole cost and expense) with all Applicable Requirements (as defined in Paragraph 6.3). "Reportable Use" shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and (iii) the presence in, on or about the Premises of a Hazardous Substance with respect to which any Applicable Laws require that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may, without Lessor's prior consent, but upon notice to Lessor and in compliance with all Applicable Requirements, use any ordinary and customary materials reasonably required to be used by Lessee in the normal course of the Permitted Use, so long as such use is not a Reportable Use and does not expose the Premises or neighboring properties to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may (but without any obligation to do so) condition its consent to any Reportable Use of any Hazardous Substance by Lessee upon Lessee's giving Lessor such additional assurances as Lessor, in its reasonable discretion, deems necessary to protect itself, the public, the Premises and the environment against damage, contamination or injury and/or liability therefor, including but not limited to the installation (and, at Lessor's option, removal on or before Lease expiration or earlier termination) of reasonably necessary protective modifications to the Premises (such as concrete encasements) and/or the deposit of an additional Security Deposit under Paragraph 5 hereof.

(b) DUTY TO INFORM LESSOR. If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises or the Building, other than as previously consented to by Lessor, Lessee shall immediately give Lessor written notice thereof, together with a copy of any statement, report, notice, registration, application, permit, business plan, license, claim, action, or proceeding given to, or received from, any governmental authority or private party concerning the presence, spill, release, discharge of, or exposure to, such Hazardous Substance including but not limited to all such documents as may be involved in any Reportable Use involving the Premises. Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under or about the Premises (including, without limitation, through the plumbing or sanitary sewer system).

(c) INDEMNIFICATION. Lessee shall indemnify, protect, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, and the Premises, harmless from and against any and all damages, liabilities, judgments, costs, claims, liens, expenses, penalties, loss of permits and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee or by anyone under Lessee's control. Lessee's obligations under this Paragraph 6.2(c) shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee, and the cost of investigation (including consultants' and attorneys' fees and testing), removal, remediation, restoration and/or abatement thereof, or of any contamination therein involved, and shall survive the expiration or earlier termination of this Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.

6.3 LESSEE'S COMPLIANCE WITH REQUIREMENTS. Lessee shall, at Lessee's sole cost and expense, fully, diligently and in a timely manner, comply with all "Applicable Requirements," which term is used in this Lease to mean all laws, rules, regulations, ordinances, directives, covenants, easements and restrictions of record, permits, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants, relating in any manner to the Premises (including but not limited to matters pertaining to (i) industrial hygiene, (ii) environmental conditions on, in, under or about the Premises, including soil and groundwater conditions, and (iii) the use, generation, manufacture, production, installation, maintenance, removal, transportation, storage, spill, or release of any Hazardous Substance), now in effect or which may hereafter come into effect. Lessee shall, within five (5) days after receipt of Lessor's written request, provide Lessor with copies of all documents and information, including but not limited to permits, registrations, manifests, applications, reports and certificates, evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving failure by Lessee or the Premises to comply with any Applicable Requirements.

6.4 INSPECTION; COMPLIANCE WITH LAW. Lessor, Lessor's agents, employees, contractors and designated representatives, and the holders of any mortgages, deeds of trust or ground leases on the Premises ("Lenders") shall have the right to enter the Premises at any time in the case of an emergency, and otherwise at reasonable times, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease and all Applicable Requirements (as defined in Paragraph 6.3), and Lessor shall be entitled to employ experts and/or consultants in connection therewith to advise Lessor with respect to Lessee's activities, including but not limited to Lessee's installation, operation, use, monitoring, maintenance, or removal of any Hazardous Substance on or from the Premises. The costs and expenses of any such inspections shall be paid by the party requesting same, unless a Default or Breach of this Lease by Lessee or a violation of Applicable Requirements or a contamination, caused or materially contributed to by Lessee, is found to exist or to be imminent, or unless the inspection is requested or ordered by a governmental authority as the result of any such existing or imminent violation or contamination. In such case, Lessee shall upon request reimburse Lessor or Lessor's Lender, as the case may be, for the costs and expenses of such inspections.

7. MAINTENANCE, REPAIRS, UTILITY INSTALLATIONS, TRADE FIXTURES AND ALTERATIONS.

7.1 LESSEE'S OBLIGATIONS.

(a) Subject to the provisions of Paragraph 2.2 (Condition), 2.3 (Compliance with Covenants, Restrictions and Building Code), 7.2 (Lessor's Obligations), 9 (Damage or Destruction), and 14 (Condemnation), Lessee shall, at Lessee's sole cost and expense and at all times, keep the Premises and every part thereof in good order, condition and repair (whether or not such portion of the Premises requiring repair, or the means of repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), including, without limiting the generality of the foregoing, all equipment or facilities specifically serving the Premises, such as plumbing, heating, air conditioning, ventilating, electrical, lighting facilities, boilers, fired or unfired pressure vessels, fire hose connections if within the Premises, fixtures, interior walls, interior surfaces of exterior walls, ceilings, floors, windows, doors, plate glass, and skylights, but excluding any items which are the responsibility of Lessor pursuant to Paragraph 7.2 below. Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices. Lessee's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair.

(b) Lessor shall, at Lessee's sole cost and expense, procure and

maintain a contract, with copies to Lessor, in customary form and substance for and with a contractor specializing and experienced in the inspection, maintenance and service of the heating, air conditioning and ventilation system for the Premises. However, Lessor reserves the right, upon notice to Lessee, to procure and maintain the contract for the heating, air conditioning and ventilating systems, and if Lessor so elects, Lessee shall reimburse Lessor, upon demand, for the cost thereof.

(c) If Lessee fails to perform Lessee's obligations under this Paragraph 7.1, Lessor may enter upon the Premises after ten (10) days' prior written notice to Lessee (except in the case of an emergency, in which case no notice shall be required), perform such obligations on Lessee's behalf, and put the Premises in good order, condition and repair, in accordance with Paragraph 13.2 below.

7.2 LESSOR'S OBLIGATIONS. Subject to the provisions of Paragraph 2.2 (Condition), 2.3 (Compliance with Covenants, Restrictions and Building Code), 4.2 (Common Area Operating Expenses), 6 (Use), 7.1 (Lessee's Obligations), 9 (Damage or Destruction) and 14 (Condemnation), Lessor, subject to reimbursement pursuant to Paragraph 4.2, shall keep in good order, condition and repair the foundations, exterior walls, structural condition of interior bearing walls, exterior roof, fire sprinkler and/or standpipe and hose (if located in the Common Areas) or other automatic fire extinguishing system including fire alarm and/or smoke

detection systems and equipment, fire hydrants, parking lots, walkways, parkways, driveways, landscaping, fences, signs and utility systems serving the Common Areas and all parts thereof, as well as providing the services for which there is a Common Area Operating Expense pursuant to Paragraph 4.2. Lessor shall not be obligated to paint the exterior or interior surfaces of exterior walls nor shall Lessor be obligated to maintain, repair or replace windows, doors or plate glass of the Premises. Lessee expressly waives the benefit of any statute now or hereafter in effect which would otherwise afford Lessee the right to make repairs at Lessor's expense or to terminate this Lease because of Lessor's failure to keep the Building, Industrial Center or Common Areas in good order, condition and repair.

7.3 UTILITY INSTALLATIONS, TRADE FIXTURES, ALTERATIONS.

(a) DEFINITIONS; CONSENT REQUIRED. The term "Utility Installations" is used in this Lease to refer to all air lines, power panels, electrical distribution, security, fire protection systems, communications systems, lighting fixtures, heating, ventilating and air conditioning equipment, plumbing, and fencing in, on or about the Premises. The term "Trade Fixtures" shall mean Lessee's machinery and equipment which can be removed without doing material damage to the Premises. The term "Alterations" shall mean any modification of the improvements on the Premises which are provided by Lessor under the terms of this Lease, other than Utility Installations or Trade Fixtures. "Lessee-Owned Alterations and/or Utility Installations" are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a). Lessee shall not make nor cause to be made any Alterations or Utility Installations in, on, under or about the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Utility Installations to the interior of the Premises (excluding the roof) without Lessor's consent but upon notice to Lessor, so long as they are not visible from the outside of the Premises, do not involve puncturing, relocating or removing the roof or any existing walls, or changing or interfering with the fire sprinkler or fire detection systems and the cumulative cost thereof during the term of this Lease as extended does not exceed $2,500.00.

(b) CONSENT. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. All consents given by Lessor, whether by virtue of Paragraph 7.3(a) or by subsequent specific consent, shall be deemed conditioned upon: (i) Lessee's acquiring all applicable permits required by governmental authorities; (ii) the furnishing of copies of such permits together with a copy of the plans and specifications for the Alteration or Utility Installation to Lessor prior to commencement of the work thereon; and (iii) the compliance by Lessee with all conditions of said permits in a prompt and expeditious manner. Any Alterations or Utility Installations by Lessee during the term of this Lease shall be done in a good and workmanlike manner, with good and sufficient materials, and be in compliance with all Applicable Requirements. Lessee shall promptly upon completion thereof furnish Lessor with as-built plans and specifications therefor. Lessor may, (but without obligation to do so) condition its consent to any requested Alteration or Utility Installation that costs $2,500.00 or more upon Lessee's providing Lessor with a lien and completion bond in an amount equal to one and one-half times the estimated cost of such Alteration or Utility Installation.

(c) LIEN PROTECTION. Lessee shall pay when due all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises or any interest therein. Lessee shall give Lessor not less than ten (10) days' notice prior to the commencement of any work in, on, or about the Premises, and Lessor shall have the right to post notices of non-responsibility in or on the Premises as provided by law. If Lessee shall, in good faith, contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense, defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof against the Lessor or the Premises. If Lessor shall require, Lessee shall furnish to Lessor a surety bond satisfactory to Lessor in an amount equal to one and one-half times the amount of such contested lien claim or demand, indemnifying Lessor against liability for the same, as required by law or for the holding of the Premises free from the effect of such lien or claim. In addition, Lessor may require Lessee to pay Lessor's attorneys' fees and costs in participating in such action if Lessor shall decide it is to its best interest to do so.

7.4 OWNERSHIP, REMOVAL, SURRENDER, AND RESTORATION.

(a) OWNERSHIP. Subject to Lessor's right to require their removal and to cause Lessee to become the owner thereof as hereinafter provided in this Paragraph 7.4, all Alterations and Utility Installations made to the Premises by Lessee shall be the property of and owned by Lessee, but considered a part of the Premises. Lessor may, at any time and at its option, elect in writing to Lessee to be the owner of all or any specified part of the Lessee-Owned Alterations and Utility Installations. Unless otherwise instructed per Subparagraph 7.4(b) hereof, all Lessee-Owned Alterations and Utility Installations shall, at the expiration or earlier termination of this Lease, become the property of Lessor and remain upon the Premises and be surrendered with the Premises by Lessee.

(b) REMOVAL. Unless otherwise agreed in writing, Lessor may require that any or all Lessee-Owned Alterations or Utility Installations be removed by the expiration or earlier termination of this Lease, notwithstanding that their installation may have been consented to by Lessor. Lessor may require the removal at any time of all or any part of any Alterations or Utility Installations made without the required consent of Lessor.

(c) SURRENDER/RESTORATION. Lessee shall surrender the Premises by the end of the last day of the Lease term or any earlier termination date, clean and free of debris and in good operating order, condition and state of repair, ordinary wear and tear excepted. Ordinary wear and tear shall not include any damage or deterioration that would have been prevented by good maintenance practice or by Lessee performing all of its obligations under this Lease. Except as otherwise agreed or specified herein, the Premises, as surrendered, shall include the Alterations and Utility Installations. The obligation of Lessee shall include the repair of any damage occasioned by the installation, maintenance or removal of Lessee's Trade Fixtures, furnishings, equipment, and Lessee-Owned Alterations and Utility Installations, as well as the removal of any storage tank installed by or for Lessee, and the removal, replacement, or remediation of any soil, material or ground water contaminated by Lessee, all as may then be required by Applicable Requirements and/or good practice. Lessee's Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee subject to its obligation to repair and restore the Premises per this Lease.

8. INSURANCE; INDEMNITY.

8.1 PAYMENT OF PREMIUMS. The cost of the premiums for the insurance policies maintained by Lessor under this Paragraph 8 shall be a Common Area Operating Expense pursuant to Paragraph 4.2 hereof. Premiums for policy periods commencing prior to, or extending beyond, the term of this Lease shall be prorated to coincide with the corresponding Commencement Date or Expiration Date.

8.2 LIABILITY INSURANCE.

(a) CARRIED BY LESSEE. Lessee shall obtain and keep in force during the term of this Lease a Commercial General Liability policy of insurance protecting Lessee, Lessor and any Lender(s) whose names have been provided to Lessee in writing (as additional insureds) against claims for bodily injury, personal injury and property damage based upon, involving or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than $2,000,000 per occurrence with an "Additional Insured-Managers or Lessors of Premises" endorsement and contain the "Amendment of the Pollution Exclusion" endorsement for damage caused by heat, smoke or fumes from a hostile fire. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "insured contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance required by this Lease or as carried by Lessee shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. All insurance to be carried by Lessee shall be primarily to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only.

(b) CARRIED BY LESSOR. Lessor shall also maintain liability insurance described in Paragraph 8.2(a) above, in addition to and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 PROPERTY INSURANCE-BUILDING, IMPROVEMENTS AND RENTAL VALUE.

(a) BUILDING AND IMPROVEMENTS. Lessor shall obtain and keep in force during the term of this Lease a policy or policies in the name of Lessor, with loss payable to Lessor and to any Lender(s), insuring against loss or damage to the Premises. Such insurance shall be for full replacement cost, as the same shall exist from time to time, or the amount required by any Lender(s), but in no event more than the commercially reasonable and available insurable value thereof if, by reason of the unique nature or age of the improvements involved, such latter amount is less than full replacement cost. Lessee-Owned Alterations and Utility Installations, Trade Fixtures and Lessee's personal property shall be insured by Lessee pursuant to Paragraph 8.4. If the coverage is available and commercially appropriate, Lessor's policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for any additional costs resulting from debris removal and reasonable amounts of coverage for the enforcement of any ordinance or law regulating the reconstruction or replacement of any undamaged sections of the Building required to be demolished or removed by reason of the enforcement of any building, zoning, safety or land use laws as the result of a covered loss, but not including plate glass insurance. Said policy or policies shall also contain an agreed valuation provision in lieu of any co-insurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located.

(b) RENTAL VALUE. Lessor shall also obtain and keep in force during the term of this Lease a policy or policies in the name of Lessor, with loss payable to Lessor and any Lender(s), insuring the loss of the full rental and other charges payable by all lessees of the Building to Lessor for one year (including all Real Property Taxes, Insurance costs, all Common Area Operating Expenses and any scheduled rental increases). Said insurance may provide that in the event the Lease is terminated by reason of an insured loss, the period of indemnity for such coverage shall be extended beyond the date of the completion of repairs or replacement of the Premises, to provide for one full year's loss of rental revenues from the date of any such loss. Said insurance shall contain an agreed valuation provision in lieu of any co-insurance clause, and the amount of coverage shall be adjusted annually to reflect the projected rental income, Real Property Taxes, insurance premium costs and other expenses, if any, otherwise payable, for the next 12-month period. Common Area Operating Expenses shall include any deductible amount in the event of such loss.

(c) ADJACENT PREMISES. Lessee shall pay for any increase in the premiums for the property insurance of the Building and for the Common Areas or other buildings in the Industrial Center if said increase is caused by Lessee's

acts, omissions, use or occupancy of the Premises.

(d) LESSEE'S IMPROVEMENTS. Since Lessor is the Insuring Party, Lessor shall not be required to insure Lessee-Owned Alterations and Utility Installations unless the item in question has become the property of Lessor under the terms of this Lease.

8.4 LESSEE'S PROPERTY INSURANCE. Subject to the requirements of Paragraph 8.5, Lessee at its cost shall either by separate policy or, at Lessor's option, by endorsement to a policy already carried, maintain insurance coverage on all of Lessee's personal property, Trade Fixtures and Lessee-Owned Alterations and Utility Installations in, on, or about the Premises similar in coverage to that carried by Lessor as the Insuring Party under Paragraph 8.3(a). Such insurance shall be full replacement cost coverage with a deductible not to exceed $1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of personal property and the restoration of Trade Fixtures and Lessee-Owned Alterations and Utility Installations. Upon request from Lessor, Lessee shall provide Lessor with written evidence that such insurance is in force.

8.5 INSURANCE POLICIES. Insurance required hereunder shall be in companies duly licensed to transact business in the state where the Premises are located, and maintaining during the policy term a "General Policyholders Rating" of at least B+, V, or such other rating as may be required by a Lender, as set forth in the most current issue of "Best's Insurance Guide." Lessee shall not do or permit to be done anything which shall invalidate the insurance policies referred to in

this Paragraph 8. Lessee shall cause to be delivered to Lessor, within seven (7) days after the earlier of the Early Possession Date or the Commencement Date, certified copies of, or certificates evidencing the existence and amounts of, the insurance required under Paragraph 8.2(a) and 8.4. No such policy shall be cancelable or subject to modification except after thirty (30) days' prior written notice to Lessor. Lessee shall at least thirty (30) days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand.

8.6 WAIVER OF SUBROGATION. Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages (whether in contract or in tort) against the other, for loss or damage to their property arising out of or incident to the perils required to be insured against under Paragraph 8. The effect of such releases and waivers of the right to recover damages shall not be limited by the amount of insurance carried or required, or by any deductibles applicable thereto. Lessor and Lessee agree to have their respective insurance companies issuing property damage insurance waive any right to subrogation that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

8.7 INDEMNITY. Except for Lessor's negligence and/or breach of express warranties, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, costs, liens, judgments, penalties, loss of permits, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the occupancy of the Premises by Lessee, the conduct of Lessee's business, any act, omission or neglect of Lessee, its agents, contractors, employees or invitees, and out of any Default or Breach by Lessee in the performance in a timely manner of any obligation on Lessee's part to be performed under this Lease. The foregoing shall include, but not be limited to, the defense or pursuit of any claim or any action or proceeding involved therein, and whether or not (in the case of claims made against Lessor) litigated and/or reduced to judgment. In case any action or proceeding be brought against Lessor by reason of any of the foregoing matters, Lessee upon notice from Lessor shall defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be so indemnified.

8.8 EXEMPTION OF LESSOR FROM LIABILITY. Lessor shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures, or from any other cause, whether said injury or damage results from conditions arising upon the Premises or upon other portions of the Building of which the Premises are a part, from other sources or places, and regardless of whether the cause of such damage or injury or the means of repairing the same is accessible or not. Lessor shall not be liable for any damages arising from any act or neglect of any other lessee of Lessor nor from the failure by Lessor to enforce the provisions of any other lease in the Industrial Center. Notwithstanding Lessor's negligence or breach of this Lease, Lessor shall under no circumstances be liable for injury to Lessee's business or for any loss of income or profit therefrom.

9. DAMAGE OF DESTRUCTION.

9.1 DEFINITIONS.

(a) "PREMISES PARTIAL DAMAGE" shall mean damage or destruction to the Premises, other than Lessee-Owned Alterations and Utility Installations, the repair cost of which damage or destruction is less than fifty percent (50%) of the then Replacement Cost (as defined in Paragraph 9.1(d) of the Premises (excluding Lessee-Owned Alterations and Utility Installations and Trade Fixtures) immediately prior to such damage or destruction.

(b) "PREMISES TOTAL DESTRUCTION" shall mean damage or destruction to the Premises, other than Lessee-Owned Alterations and Utility Installations, the repair cost of which damage or destruction is fifty percent (50%) or more of the then Replacement Cost of the Premises (excluding Lessee-Owned Alterations and Utility Installations and Trade Fixtures) immediately prior to such damage or destruction. In addition, damage or destruction to the Building, other than Lessee-Owned Alterations and Utility Installations and Trade Fixtures of any lessees of the Building, the cost of which damage or destruction is fifty percent (50%) or more of the then Replacement Cost (excluding Lessee-Owned Alterations and Utility Installations and Trade Fixtures of any lessees of the Building) of the Building shall, at the option of Lessor, be deemed to be Premises Total Destruction.

(c) "INSURED LOSS" shall mean damage or destruction to the Premises, other than Lessee-Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a) irrespective of any deductible amounts or coverage limits involved.

(d) "REPLACEMENT COST" shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of applicable building codes, ordinances or laws, and without deduction for depreciation.

(e) "HAZARDOUS SUBSTANCE CONDITION" shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance as defined in Paragraph 6.2(a), in, on, or under the Premises.

9.2 PREMISES PARTIAL DAMAGE - INSURED LOSS. If Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee-Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force and effect. In the event, however, that there is a shortage of insurance proceeds and such shortage is due to the fact that, by reason of the unique nature of the improvements in the Premises, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within ten (10) days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said ten (10) day period, Lessor shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If Lessor does not receive such funds or assurance within said period, Lessor may nevertheless elect by written notice to Lessee within ten (10) days thereafter to make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect. If Lessor does not receive such funds or assurance within such ten (10) day period, and if Lessor does not so elect to restore and repair, then this Lease shall terminate sixty (60) days following the occurrence of the damage or destruction. Unless otherwise agreed, Lessee shall in no event have any right to reimbursement from Lessor for any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3 rather than Paragraph 9.2, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 PARTIAL DAMAGE - UNINSURED LOSS. If Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense and this Lease shall continue in full force and effect), Lessor may at Lessor's option, either (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) give written notice to Lessee within thirty (30) days after receipt by Lessor of knowledge of the occurrence of such damage of Lessor's desire to terminate this Lease as of the date sixty (60) days following the date of such notice. In the event Lessor elects to give such notice of Lessor's intention to terminate this Lease, Lessee shall have the right within ten (10) days after the receipt of such notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage totally at Lessee's expense and without reimbursement from Lessor. Lessee shall provide Lessor with the required funds or satisfactory assurance thereof within thirty (30) days following such commitment from Lessee. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the funds or assurance thereof within the times specified above, this Lease shall terminate as of the date specified in Lessor's notice of termination.

9.4 TOTAL DESTRUCTION. Notwithstanding any other provision hereof, if Premises Total Destruction occurs (including any destruction required by any authorized public authority, this Lease shall terminate sixty (60) days following the date of such Premises Total Destruction, whether or not the damage or destruction is an Insured Loss or was caused by a negligent or willful act of Lessee. In the event, however, that the damage or destruction was caused by Lessee, Lessor shall have the right to recover Lessor's damages from Lessee except as released and waived in Paragraph 9.7.

9.5 DAMAGE NEAR END OF TERM. If at any time during the last six (6) months of the term of this Lease there is damage for which the cost to repair exceeds one month's Base Rent, whether or not an Insured Loss, Lessor may, at Lessor's option, terminate this Lease effective sixty (60) days following the date of occurrence of such damage by giving written notice to Lessee of Lessor's election to do so within thirty (30) days after the date of occurrence of such damage. Provided, however, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by (a) exercising such option, and (b) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or before the earlier of (i) the date which is ten (10) days after Lessee's receipt of Lessor's written notice purporting to terminate this Lease, or (ii) the day prior to the date upon which such option expires. If Lessee duly exercises such option during such period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's expense repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option and provide such funds or assurance during such period, then this Lease shall terminate as of the date set forth in the first sentence of this Paragraph 9.5

9.6 ABATEMENT OF RENT; LESSEE'S REMEDIES.

(a) In the event of (i) Premises Partial Damage or (ii) Hazardous Substance Condition for which Lessee is not legally responsible, the Base Rent, Common Area Operating Expenses and other charges, if any, payable by Lessee hereunder for the period during which such damage or condition, its repair, remediation or restoration continues, shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not in excess of proceeds from insurance required to be carried under Paragraph 8.3(b). Except for abatement of Base Rent, Common Area Operating Expenses and other charges, if any, as aforesaid, all other obligations of Lessee hereunder shall be performed by Lessee, and Lessee shall have no claim against Lessor for any damage suffered

by reason of any such damage, destruction, repair, remediation or restoration.

(b) If Lessor shall be obligated to repair or restore the Premises under the provisions of this Paragraph 9 and shall not commence, in a substantial and meaningful way, the repair or restoration of the Premises within ninety (90) days after such obligation shall accrue, Lessee may, at any time after said 90 day period but prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice of Lessee's election to terminate this Lease on a date not less than sixty (60) days following the giving of such notice. If Lessee gives such notice to Lessor and such Lenders and such repair or restoration is not commenced within thirty (30) days after receipt of such notice, this Lease shall terminate as of the date specified in said notice. If Lessor or a Lender commences the repair or restoration of the Premises within thirty (30) days after the receipt of such notice, this Lease shall continue in full force and effect. "Commence" as used in this Paragraph 9.6 shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever occurs first.

9.7 HAZARDOUS SUBSTANCE CONDITIONS. If a Hazardous Substance Condition occurs, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by Applicable Requirements and this Lease shall continue in full force and effect, but subject

to Lessor's rights under Paragraph 6.2(c) and Paragraph 13), Lessor may at Lessor's option either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) if the estimated cost to investigate and remediate such condition exceeds twelve (12) times the then monthly Base Rent or $100,000 whichever is greater give written notice to Lessee within thirty (30) days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition of Lessor's desire to terminate this Lease as of the date sixty (60) days following the date of such notice. In the event Lessor elects to give such notice of Lessor's intention to terminate this Lease, Lessee shall have the right within ten (10) days after the receipt of such notice to give written notice to Lessor of Lessee's commitment to pay for the excess costs of (a) investigation and remediation of such Hazardous Substance Condition to the extent required by Applicable Requirements, over (b) an amount equal to twelve (12) times the then monthly Base Rent or $100,000, whichever is greater. Lessee shall provide Lessor with the funds required of Lessee or satisfactory assurance thereof within thirty (30) days following said commitment by Lessee. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such investigation and remediation as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the time period specified above, this Lease shall terminate as of the date specified in Lessor's notice of termination.

9.8 TERMINATION - ADVANCE PAYMENTS. Upon termination of this Lease pursuant to this Paragraph 9, Lessor shall return to Lessee any advance payment made by Lessee to Lessor and so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor under the terms of this Lease.

9.9 WAIVER OF STATUTES. Lessor and Lessee agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises and the Building with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent is it inconsistent herewith.

10. REAL PROPERTY TAXES.

10.1 PAYMENT OF TAXES. Lessor shall pay the Real Property Taxes, as defined in Paragraph 10.2, applicable to the Industrial Center, and except as otherwise provided in Paragraph 10.3, any such amounts shall be included in the calculation of Common Area Operating Expenses in accordance with the provisions of Paragraph 4.2.

10.2 REAL PROPERTY TAX DEFINITION. As used herein, the term, "Real Property Taxes" shall include any form of real estate tax or assessment, general, special, ordinary or extraordinary, any license fee, commercial rental tax, improvement bond or bonds, levy or tax (other than inheritance, personal income or estate taxes) imposed upon the industrial Center by any authority having the direct or indirect power to tax, including any city, state or federal government, or any school, agricultural, sanitary, fire, street, drainage, or other improvement district thereof, levied against any legal or equitable interest of Lessor in the Industrial Center or any portion thereof, Lessor's right to rent or other income therefrom, and/or Lessor's business of leasing the Premises. The term "Real Property Taxes" shall also include any tax, fee, levy, assessment or charge, or any increase therein, imposed by reason of events occurring, or changes in Applicable Law taking effect, during the term of this Lease, including but not limited to a change in the ownership of the Industrial Center or in the improvements thereon, the execution of this Lease, or any modification, amendment or transfer thereof, and whether or not contemplated by the Parties. In calculating Real Property Taxes for any calendar year, the Real Property Taxes for any real estate tax year shall be included in the calculation of Real Property Taxes for such calendar year based upon the number of days which such calendar year and tax year have in common.

10.3 ADDITIONAL IMPROVEMENTS. Common Area Operating Expenses shall not include Real Property Taxes specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Industrial Center by other lessees or by Lessor for the exclusive enjoyment of such other lessees. Notwithstanding Paragraph 10.1 hereof, Lessee shall, however, pay to Lessor at the time Common Area Operating Expenses are payable under Paragraph 4.2, the entirety of any increase in Real Property Taxes if assessed solely by reason of Alterations, Trade Fixtures or Utility Installations placed upon the Premises by Lessee or at Lessee's request.

10.4 JOINT ASSESSMENT. If the Building is not separately assessed, Real Property Taxes allocated to the Building shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

10.5 LESSEE'S PROPERTY TAXES. Lessee shall pay prior to delinquency all taxes assessed against and levied upon Lessee-Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee contained in the Premises or stored within the Industrial Center. When possible, Lessee shall cause its Lessee-Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within ten (10) days after receipt of a written statement setting forth the taxes applicable to Lessee's property.

11. UTILITIES. Lessee shall pay directly for all utilities and services

supplied to the Premises, including but not limited to electricity, telephone, security, gas and cleaning of the Premises, together with any taxes thereon. If any such utilities or services are not separately metered to the Premises or separately billed to the Premises, Lessee shall pay to Lessor a reasonable proportion to be determined by Lessor of all such charges jointly metered or billed with other premises in the Building, in the manner and within the time periods set forth in Paragraph 4.2(d).

12. ASSIGNMENT AND SUBLETTING.

12.1 LESSOR'S CONSENT REQUIRED.

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or otherwise transfer or encumber (collectively, "assign") or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent given under and subject to the terms of Paragraph 36.

(b) A change in the control of Lessee shall constitute an assignment requiring Lessor's consent. The transfer, on a cumulative basis, of twenty-five percent (25%) or more of the voting control of Lessee shall constitute a change in control for this purpose.

(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, refinancing, transfer, leveraged buy-out or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee, as hereinafter defined, by an amount equal to or greater than twenty-five percent (25%) of such Net Worth of Lessee as it was represented to Lessor at the time of full execution and delivery of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, at whichever time said Net Worth of Lessee was or is greater, shall be considered an assignment of this Lease by Lessee to which Lessor may reasonably withhold its consent. "Net Worth of Lessee" for purposes of this Lease shall be the net worth of Lessee (excluding any Guarantors) established under generally accepted accounting principles consistently applied.

(d) An assignment or subletting of Lessee's interest in this Lease without Lessor's specific prior written consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1, or a non-curable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unconsented to assignment or subletting as a non-curable Breach, Lessor shall have the right to either: (i) terminate this Lease, or (ii) upon thirty (30) days' written notice ("Lessor's Notice"), increase the monthly Base Rent for the Premises to the greater of the then fair market rental value of the Premises, as reasonably determined by Lessor, or one hundred ten percent (110%) of the Base Rent then in effect. Pending determination of the new fair market rental value, if disputed by Lessee, Lessee shall pay the amount set forth in Lessor's Notice, with any overpayment credited against the next installment(s) of Base Rent coming due, and any underpayment for the period retroactively to the effective date of the adjustment being due and payable immediately upon the determination thereof. Further, in the event of such Breach and rental adjustment, (i) the purchase price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to the then fair market value as reasonably determined by Lessor (without the Lease being considered an encumbrance or any deduction for depreciation or obsolescence, and considering the Premises at its highest and best use and in good condition) or one hundred ten percent (110%) of the price previously in effect, (ii) any index-oriented rental or price adjustment formulas contained in this Lease shall be adjusted to require that the base index be determined with reference to the index applicable to the time of such adjustment, and (iii) any fixed rental adjustments scheduled during the remainder of the Lease term shall be increased in the same ratio as the new rental bears to the Base Rent in effect immediately prior to the adjustment specified in Lessor's Notice.

(e) Lessee's remedy for any breach of this Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

12.2 TERMS AND CONDITIONS APPLICABLE TO ASSIGNMENT AND SUBLETTING.

(a) Regardless of Lessor's consent, any assignment or subletting shall not (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, nor (iii) alter the primary liability of Lessee for the payment of Base Rent and other sums due Lessor hereunder or for the performance of any other obligations to be performed by Lessee under this Lease.

(b) Lessor may accept any rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of any rent for performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for the Default or Breach by Lessee of any of the forms, covenants or conditions of this Lease.

(c) The consent of Lessor to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting by Lessee or to any subsequent or successive assignment or subletting by the assignee or sublessee. However, Lessor may consent to subsequent sublettings and assignments of the sublease or any amendments or modifications thereto without notifying Lessee or anyone else liable under this Lease or the sublease and without obtaining their consent, and such action shall not relieve such persons from liability under this Lease or the sublease.

(d) In the event of any Default or Breach of Lessee's obligation under this Lease, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of the Lessee's obligations under this Lease, including any sublessee, without first exhausting Lessor's remedies

against any other person or entity responsible therefor to Lessor, or any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a non-refundable deposit of $1,000 or ten percent (10%) of the monthly Base Rent applicable to the portion of the Premises which is the subject of the proposed assignment or sublease, whichever is greater, as reasonable consideration for Lessor's considering and processing the request for consent. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested by Lessor.

(f) Any assignee of, or sublessee under, this Lease shall, by reason of accepting such assignment or entering into such sublease, be deemed, for the benefit of Lessor, to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented in writing.

(g) The occurrence of a transaction described in Paragraph 12.2(c) shall give Lessor the right (but not the obligation) to require that the Security Deposit be increased by an amount equal to six (6) times the then monthly Base Rent, and Lessor may make the actual receipt by Lessor of the Security Deposit increase a condition to Lessor's consent to such transaction.

(h) See paragraph 58.

12.3 ADDITIONAL TERMS AND CONDITIONS APPLICABLE TO SUBLETTING. The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all rentals and income arising from any sublease of all or a portion of the Premises heretofore or hereafter made by Lessee, and Lessor may collect such rent and income and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach (as defined in Paragraph 13.1) shall occur in the performance of Lessee's obligations under this Lease, Lessee may, except as otherwise provided in this Lease, receive, collect and enjoy the rents accruing under such sublease. Lessor shall not, by reason of the foregoing provision or any other assignment of such sublease to Lessor, nor by reason of the collection of the rents from a sublessee, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee under such Sublease. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor the rents and other charges due and to become due under the sublease. Sublessee shall rely upon any such statement and request from Lessor and shall pay such rents and other charges to Lessor without any obligation or right to inquire as to whether such Breach exists and notwithstanding any notice from or claim from Lessee to the contrary. Lessee shall have no right or claim against such sublessee, or, until the Breach has been cured, against Lessor, for any such rents and other charges so paid by said sublessee to Lessor.

(b) In the event of a Breach by Lessee in the performance of its obligations under this Lease, Lessor, at its option and without any obligation to do so, may require any sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any other prior defaults or breaches of such sublessor under such sublease.

(c) Any matter or thing requiring the consent of the sublessor under a sublease shall also require the consent of Lessor herein.

(d) No sublessee under a sublease approved by Lessor shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

13. DEFAULT; BREACH; REMEDIES.

13.1 DEFAULT; BREACH. Lessor and Lessee agree that if an attorney is consulted by Lessor in connection with a Lessee Default or Breach (as hereinafter defined), $350.00 is a reasonable minimum sum per such occurrence for legal services and costs in the preparation and service of a notice of Default, and that Lessor may include the cost of such services and costs in said notice as rent due and payable to cure said default. A "Default" by Lessee is defined as a failure by Lessee to observe, comply with or perform any of the terms, covenants, conditions or rules applicable to Lessee under this Lease. A "Breach" by Lessee is defined as the occurrence of any one or more of the following Defaults, and, where a grace period for cure after notice is specified herein, the failure by Lessee to cure such Default prior to the expiration of the applicable grace period, and shall entitle Lessor to pursue the remedies set forth in Paragraphs 13.2 and/or 13.3:

(a) The vacating of the Premises without the intention to reoccupy same, or the abandonment of the Premises.

(b) Except as expressly otherwise provided in this Lease, the failure by Lessee to make any payment of Base Rent, Lessee's Share of Common Area Operating Expenses, or any other monetary payment required to be made by Lessee hereunder as and when due, the failure by Lessee to provide Lessor with reasonable evidence of insurance or surety bond required under this Lease, or the failure of Lessee to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of three (3) days following written notice thereof by or on behalf of Lessor to Lessee.

(c) Except as expressly otherwise provided in this Lease, the failure by Lessee to provide Lessor with reasonable written evidence (in duly executed original form, if applicable) of (i) compliance with Applicable Requirements per Paragraph 6.3, (ii) the inspection, maintenance and service contracts required under Paragraph 7.1(b), (iii) the recission of an unauthorized assignment or subletting per Paragraph 12.1, (iv) a Tenancy Statement per Paragraphs 16 or 37, (v) the subordination or non-subordination of this Lease per Paragraph 30, (vi) the guaranty of the performance of Lessee's obligations under this Lease if required under Paragraphs 1.11 and 37, (vii) the execution of any document

requested under Paragraph 42 (easements), or (viii) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of ten (10) days following written notice by or on behalf of Lessor to Lessee.

(d) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 40 hereof that are to be observed, complied with or performed by Lessee, other than those described in Subparagraphs 13.1(a), (b) or (c), above, where such Default continues for a period of thirty (30) days after written notice thereof by or on behalf of Lessor to Lessee; provided, however, that if the nature of Lessee's Default is such that more than thirty (30) days are reasonably required for its cure, then it shall not be deemed to be a Breach of this Lease by Lessee if Lessee commences such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion.

(e) The occurrence of any of the following events: (i) the making by Lessee of any general arrangement or assignment for the benefit of creditors; (ii) Lessee's becoming a "debtor" as defined in 11 U.S. Code Section 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within sixty (60) days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within thirty (30) days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within thirty (30) days; provided, however, in the event that any provision of this Subparagraph 13.1(e) is contrary to any applicable law, such provision shall be of no force or effect, and shall not affect the validity of the remaining provisions.

(f) The discovery by Lessor that any financial statement of Lessee or of any Guarantor, given to Lessor by Lessee or any Guarantor, was materially false.

(g) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject to a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory breach basis, and Lessee's failure, within sixty (60) days following written notice by or on behalf of Lessor to Lessee of any such event, to provide Lessor with written alternative assurances of security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.

13.2 REMEDIES. If Lessee fails to perform any affirmative duty or obligation of Lessee under this Lease, within ten (10) days after written notice to Lessee (or in case of an emergency, without notice), Lessor may at its option (but without obligation to do so), perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. The costs and expenses of any such performance by Lessor shall be due and payable by Lessee to Lessor upon invoice therefor. If any check given to Lessor by Lessee shall not be honored by the bank upon which it is drawn, Lessor, at its own option, may require all future payments to be made under this Lease by Lessee to be made only by cashier's check. In the event of a Breach of this Lease by Lessee (as defined in Paragraph 13.1), with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach, Lessor may:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease and the term hereof shall terminate and Lessee shall immediately surrender possession of the Premises to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the worth at the time of the award of the unpaid rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco or the Federal Reserve Bank District in which the Premises are located at the time of award plus one percent (1%). Efforts by Lessor to mitigate damages caused by Lessee's Default or Breach of this Lease shall not waive Lessor's right to recover damages under this Paragraph 13.2. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding the unpaid rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit for such rent and/or damages. If a notice and grace period required under Subparagraph 13.1(b), (c) or (d) was not previously given, a notice to pay rent or quit, or to perform or quit, as the case may be, given to Lessee under any statute authorizing the forfeiture of leases for unlawful detainer shall also constitute the applicable notice for grace period purposes required by Subparagraph 13.1(b), (c) or (d). In such case, the applicable grace period under the unlawful detainer statue shall run concurrently after the one such statutory notice, and the failure of Lessee to cure the Default within the

greater of the two (2) such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statue.

(b) Continue the Lease and Lessee's right to possession in effect (in California under California Civil Code Section 1951.4) after Lessee's Breach and recover the rent as it becomes due, provided Lessee has the right to sublet or assign, subject only to reasonable limitations. Lessor and Lessee agree that the limitations on assignment and subletting in this Lease are reasonable. Acts of maintenance or preservation, efforts to relet the Premises, or the appointment of a receiver to protect the Lessor's interest under this Lease, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available to Lessor under the laws or judicial decisions of the state wherein the Premises are located.

(d) The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 INDUCEMENT RECAPTURE IN EVENT OF BREACH. Any agreement by Lessor for free or abated rent or other charges applicable to the Premises, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as "Inducement Provisions" shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and conditions of this Lease to be performed or observed by Lessee during the term hereof as the same may be extended. Upon the occurrence of a Breach (as defined in Paragraph 13.1) of this Lease by Lessee, any such Inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an inducement Provision shall be immediately due and payable by Lessee to Lessor, and recoverable by Lessor, as additional rent due under this Lease, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this Paragraph 13.3 shall not be deemed a waiver by Lessor of the provisions of this Paragraph 13.3 unless specifically so stated in writing by Lessor at the time of such acceptance.

13.4 LATE CHARGES. Lessee hereby acknowledges that late payment by Lessee to Lessor of rent and other sums due hereunder will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by the terms of any ground lease, mortgage or deed of trust covering the Premises. Accordingly, if any installment of rent or other sum due from Lessee shall not be received by Lessor or Lessor's designee within ten (10) days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a late charge equal to six percent (6%) of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of late payment by Lessee. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent Lessor from exercising any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for three (3) consecutive installments of Base Rent, then notwithstanding Paragraph 4.1 of any other provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 BREACH BY LESSOR. Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph 13.5, a reasonable time shall in no event be less than thirty (30) days after receipt by Lessor, and by any Lender(s) whose name and address shall have been furnished to Lessee in writing for such purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than thirty (30) days after such notice are reasonably required for its performance, then Lessor shall not be in breach of this Lease if performance is commenced within such thirty (30) day period and thereafter diligently pursued to completion.

14. CONDEMNATION. If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (all of which are herein called "condemnation"), this Lease shall terminate as to the part so taken as of the date the condemning authority takes title or possession, whichever first occurs. If more than ten percent (10%) of the floor area of the Premises, or more than twenty-five percent (25%) of the portion of the Common Areas designated for Lessee's parking, is taken by condemnation, Lessee may, at Lessee's option, to be exercised in writing within ten (10) days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within ten (10) days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in the same proportion as the rentable floor area of the Premises taken bears to the total rentable floor area of the Premises. No reduction of Base Rent shall occur if the condemnation does not apply to any portion of the Premises. Any award for the taking of all or any part of the Premises under the power of eminent domain or any payment made under threat of the exercise of such power shall be the property of Lessor, whether such award shall be made as compensation for diminution of value of the leasehold or for the taking of the fee, or as severance damages; provided, however, that Lessee shall be entitled to any compensation, separately awarded to Lessee for Lessee's relocation expenses and/or loss of Lessee's Trade Fixtures. In the event that this Lease is not terminated by reason of such condemnation, Lessor shall to the extent of its net severance damages received, over and above Lessee's Share of the legal and other expenses incurred by Lessor in the condemnation matter, repair any damage to the Premises caused by such condemnation authority. Lessee shall be responsible for the payment of any amount in excess of such net severance damages required to complete such repair.

16. TENANCY AND FINANCIAL STATEMENTS.

16.1 TENANCY STATEMENT. Each Party (as "Responding Party") shall within ten (10) days after written notice from the other Party (the "Requesting Party") execute, acknowledge and deliver to the Requesting Party a statement in writing in a form similar to the then most current "Tenancy Statement" form published by the American Industrial Real Estate Association, plus such additional

information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

16.2 FINANCIAL STATEMENT. If Lessor desires to finance, refinance, or sell the Premises or the Building, or any part thereof, Lessee and all Guarantors shall deliver to any potential lender or purchaser designated by Lessor such financial statements of Lessee and such Guarantors as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past three (3) years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. LESSOR'S LIABILITY. The term "Lessor" as used herein shall mean the owner or owners at the time in question of the fee title to the Premises. In the event of a transfer of Lessor's title or interest in the Premises or in this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor at the time of such transfer or assignment. Except as provided in Paragraph 15.3, upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined.

18. SEVERABILITY. The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. INTEREST ON PAST-DUE OBLIGATIONS. Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor within ten (10) days following the date on which it was due, shall bear interest from the date due at the prime rate charged by the largest state chartered bank in the state in which the Premises are located plus four percent (4%) per annum, but not exceeding the maximum rate allowed by law, in addition to the potential late charge provided for in Paragraph 13.4.

20. TIME OF ESSENCE. Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

21. RENT DEFINED. All monetary obligations of Lessee to Lessor under the terms of this Lease are deemed to be rent.

22. NO PRIOR OR OTHER AGREEMENTS; BROKER DISCLAIMER. This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party. Each Broker shall be an intended third party beneficiary of the provisions of this Paragraph 22.

23. NOTICES.

23.1 NOTICE REQUIREMENTS. All notices required or permitted by this Lease shall be in writing and may be delivered in person (by hand or by messenger or courier service) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission during normal business hours, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature of this Lease shall be that Party's address for delivery or mailing of notice purposes. Either Party may by written notice to the other specify a different address for notice purposes, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for the purpose of mailing or delivering notices to Lessee. A copy of all notices required or permitted to be given to Lessor hereunder shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate by written notice to Lessee.

23.2 DATE OF NOTICE. Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail, the notice shall be deemed given forty-eight (48) hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantees next day

delivery shall be deemed given twenty-four (24) hours after delivery of the same to the United States Postal Service or courier. If any notice is transmitted by facsimile transmission or similar means, the same shall be deemed served or delivered upon telephone or facsimile confirmation of receipt of the transmission thereof, provided a copy is also delivered via delivery or mail. If notice is received on a Saturday or a Sunday or a legal holiday, it shall be deemed received on the next business day.

24. WAIVERS. No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or any other term, covenant or condition hereof. Lessor's consent to, or approval of, any such act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent. Regardless of Lessor's knowledge of a Default or Breach at any time of accepting rent, the acceptance of rent by Lessor shall not be a waiver of any Default or Breach by Lessee of any provision hereof. Any payment given Lessor by Lessee may be accepted by Lessor on account of moneys or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

26. NO RIGHT TO HOLDOVER. Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or earlier termination of this Lease. In the event that Lessee holds over in violation of this Paragraph 26 then the Base Rent payable from and after the time of the expiration or earlier termination of this Lease shall be increased to two hundred percent (200%) of the Base Rent applicable during the month immediately preceding such expiration or earlier termination. Nothing contained herein shall be construed as a consent by Lessor to any holding over by Lessee.

27. CUMULATIVE REMEDIES. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. COVENANTS AND CONDITIONS. All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions.

29. BINDING EFFECT; CHOICE OF LAW. This Lease shall be binding upon the Parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. SUBORDINATION; ATTORNMENT; NON-DISTURBANCE.

30.1 SUBORDINATION. This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, "Security Device"), now or hereafter placed by Lessor upon the real property of which the Premises are a part, to any and all advances made on the security thereof, and to all renewals, modifications, consolidations, replacements and extensions thereof. Lessee agrees that the Lenders holding any such Security Device shall have no duty, liability or obligation to perform any of the obligations of Lessor under this Lease, but that in the event of Lessor's default with respect to any such obligation, Lessee will give any Lender whose name and address have been furnished Lessee in writing for such purpose notice of Lessor's default pursuant to Paragraph 13.5 and allow Lender thirty (30) days following receipt of such notice for the cure of such default before invoking any remedies Lessee may have by reason thereof. If any Lender shall elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device and shall give written notice thereof to Lessee, this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 ATTORNMENT. Subject to the non-disturbance provisions of Paragraph 30.3, Lessee agrees to attorn to a Lender or any other party who acquires ownership of the Premises by reason of a foreclosure of a Security Device, and that in the event of such foreclosure, such new owner shall not: (i) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership, (ii) be subject to any offsets or defenses which Lessee might have against any prior lessor, or (iii) be bound by prepayment of more than one month's rent.

30.3 NON-DISTURBANCE. With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of the Lease shall be subject to receiving assurance (a "non-disturbance agreement") from the Lender that Lessee's possession and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises.

30.4 SELF-EXECUTING. The agreements contained in this Paragraph 30 shall be effective without the execution of any further documents; provided, however, that upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Less shall execute such further writings as may be reasonably required to separately document any such subordination or non-subordination, adornment and/or non-disturbance agreement as is provided for herein.

31. ATTORNEY'S FEES. If any Party or Broker brings an action or proceeding to enforce the terms hereof or declare rights hereunder, the Prevailing Party (as hereafter defined) or Broker in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorney's fees. Such fees may be awarded in

the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, "Prevailing Party" shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party or Broker of its claim or defense. The attorney's fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorney's fees reasonably incurred. Lessor shall be entitled to attorney's fees, costs and expenses incurred in the preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach. Broker(s) shall be intended third party beneficiaries of this Paragraph 31.

32. LESSOR'S ACCESS; SHOWING PREMISES; REPAIRS. Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times for the purpose of showing the same to prospective purchasers, lenders, or lessees, and making such alterations, repairs, improvements or additions to the Premises or to the building of which they are a part, as Lessor may reasonably deem necessary. Lessor may at any time place on or about the Premiss or building any ordinary "For Sale" signs and Lessor may at any time during the last one hundred eighty (180) days of the term hereof place on or about the Premises any ordinary "For Lease" signs. All such activities of Lessor shall be without abatement of rent or liability to Lessee.

33. AUCTIONS. Lessee shall not conduct, nor permit to be conducted, either voluntarily or involuntarily, any auction upon the Premises without first having obtained Lessor's prior written consent. Notwithstanding anything to the contrary in this Lease, Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to grant such consent.

34. SIGNS. Lessee shall not place any sign upon the Premises, except that Lessee may, with Lessor's prior written consent, install (but not on the roof) such signs as are reasonably required to advertise Lessee's own business so long as such signs are in a location designated by Lessor and comply with Applicable Requirements and the signage criteria established for the Industrial Center by Lessor. The installation of any sign on the premises by or for Lessee shall be subject to the provisions of Paragraph 7 (Maintenance, Repairs, Utility Installations, Trade Fixtures and Alterations). Unless otherwise expressly agreed herein, Lessor reserves all rights to the use of the roof of the Building, and the right to install advertising signs on the Building, including the roof, which do not unreasonably interfere with the conduct of Lessee's business; Lessor shall be entitled to all revenues from such advertising signs.

35. TERMINATION; MERGER. Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, Lessor shall, in the event of any such surrender, termination or cancellation, have the option to continue any one or all of any existing subtenancies. Lessor's failure within ten (10) days following any such event to make a written election to the contrary by written notice to the holder of any such lesser interest, shall constitute Lessor's election to have such event constitute the termination of such interest.

36. CONSENTS.

(a) Except for Paragraph 33 hereof (Auctions) or as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent pertaining to this Lease or the Premises, including but not limited to consents to an assignment, a subletting or the presence or use of a Hazardous Substance, shall be paid by Lessee to Lessor upon receipt of an invoice and supporting documentation therefor. In addition to the deposit described in Paragraph 12.2(e) Lessor may, as a condition to considering any such request by Lessee, require that Lessee deposit with Lessor an amount of money (in addition to the Security Deposit held under Paragraph 5) reasonably calculated by Lessor to represent the cost Lessor will incur in considering and responding to Lessee's request. Any unused portion of said deposit shall be refunded to Lessee without interest. Lessor's consent to any act, assignment of this Lease or subletting of the Premises by Lessee shall not constitute an acknowledgement that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent.

(b) All conditions to Lessor's consent authorized by this Lease are acknowledged by Lessee as being reasonable. The failure to specify herein any particular condition to Lessor's consent shall not preclude the impositions by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given.

38. QUIET POSSESSION. Upon payment by Lessee of the rent for the Premises and the performance of all of the covenants, conditions, and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession of the Premises for the entire term hereof subject to all of the provisions of this Lease.

40. RULES AND REGULATIONS. Lessee agrees that it will abide by, and keep and observe all reasonable rules and regulations ("Rules and Regulations") which Lessor may make from time to time for the management, safety, care, and cleanliness of the grounds, the parking and unloading of vehicles and the preservation of good order, as well as for the convenience of other occupants or tenants of the Building and the Industrial Center and their invitees.

41. SECURITY MEASURES. Lessee hereby acknowledges that the rental payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties.

42. RESERVATIONS. Lessor reserves to itself the right, from time to time, to grant, without the consent or joinder of Lessee, such easements, rights of way, utility raceways, and dedications that Lessor deems necessary, and to cause the recordation of parcel maps and restrictions, so long as such easements, rights of way, utility raceways, dedications, maps and restrictions do not reasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate any such easement rights, dedication, map or restrictions.

43. PERFORMANCE UNDER PROTEST. If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay under the provisions of this Lease.

44. AUTHORITY. If either Party hereto is a corporation, trust, or general or limited partnership, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on its behalf. If Lessee is a corporation, trust or partnership, Lessee shall, within thirty (30) days after request by Lessor, deliver to Lessor evidence satisfactory to Lessor of such authority.

45. CONFLICT. Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions.

46. OFFER. Preparation of this Lease by either Lessor or Lessee or Lessor's agent or Lessee's agent and submission of same to Lessee or Lessor shall not be deemed an offer to lease. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

47. AMENDMENTS. This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. The parties shall amend this Lease from time to time to reflect any adjustments that are made to the Base Rent or other rent payable under this Lease. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by an institutional insurance company or pension plan Lender in connection with the obtaining of normal financing or refinancing of the property of which the Premises are a part.

48. MULTIPLE PARTIES. Except as otherwise expressly provided herein, if more than one person or entity is named herein as either Lessor or Lessee, the obligations of such Multiple Parties shall be the joint and several responsibility of all persons or entities named herein as such Lessor or Lessee.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

IF THIS LEASE HAS BEEN FILLED IN, IT HAS BEEN PREPARED FOR YOUR ATTORNEY'S REVIEW AND APPROVAL. FURTHER, EXPERTS SHOULD BE CONSULTED TO EVALUATE THE CONDITION OF THE PROPERTY FOR THE POSSIBLE PRESENCE OF ASBESTOS, UNDERGROUND STORAGE TANKS OR HAZARDOUS SUBSTANCES. NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OR BY THE REAL ESTATE BROKER(S) OR THEIR CONTRACTORS, AGENTS OR EMPLOYEES AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES; THE PARTIES SHALL RELY SOLELY UPON THE ADVICE OF THEIR OWN COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE. IF THE SUBJECT PROPERTY IS IN A STATE OTHER THAN CALIFORNIA, AN ATTORNEY FROM THE STATE WHERE THE PROPERTY IS LOCATED SHOULD BE CONSULTED.

The parties hereto have executed this Lease at the place and on the dates specified above their respective signatures.

Executed at: Palo Alto, CA	Executed at: Palo Alto, CA
on: 9-25-96	on: 9/25/96
By LESSOR:	By LESSEE:
WINDY PACIFIC PARTNERS,	PACIFIC MAILING CORPORATION,
a general partnership	a California corporation
	DBA PACIFIC LINK
By: WINDY HILL INVESTMENT COMPANY,	By: /s/ Michael Tuite
Its: Managing Partner	Name Printed: Michael Tuite
	Title: President
By: /s/ William J. Hurwick	By:
Name Printed: William J. Hurwick, Trustee	Name Printed:
By: CALIFORNIA PACIFIC COMMERCIAL CORPORATION	Title:
	Address:
By: /s/ Daniel J. McGanney, III	
Name Printed: Daniel J. McGanney, III	
Telephone: (415) 688-8550	Telephone: ( )
Faxsimile: (415) 321-0719	Facsimile: ( )

BROKER: c/o CORNISH & CAREY COMMERCIAL
245 Lytton Avenue
Palo Alto, CA 94301

ADDENDUM TO LEASE
DATED 9/25, 1996
BETWEEN WINDY PACIFIC PARTNERS
AND PACIFIC DIRECT MARKETING CORP.
DBA PACIFIC LINK

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49. PREMISES. The Premises shall consist of: that portion identified on Exhibit A of the building being constructed by Lessor on that certain real property commonly known as Lot #4, Dumbarton Business Center, Newark, California and more particularly described on Exhibit B attached hereto (the "Building").

50. TERM. The term of this lease shall commence thirty (30) days after Lessor notifies Lessee that the improvements described in paragraph 54 below are substantially complete and ready for occupancy (the "Commencement Date") and end fifteen (15) years after the Commencement Date (the "Expiration Date").

51. BASE RENT. The monthly Base Rent, which shall be payable on the first day of each month commencing on the Commencement Date, shall be as follows:

YEAR	BASE RENT
1-2	$ 20,006
3-4	$20,806.24
5-6	$21,638.49
7-8	$22,504.03
9-10	$23,404.19
11-12	$24,340.36
13-14	$25,313.97
15	$26,326.53

52. BASE RENT PAID UPON EXECUTION; SECURITY DEPOSIT. Concurrently with the signing of this lease, Lessee is paying Lessor an amount equal to $40,012, $20,006 of which is payment of the first month's Base Rent and $20,006 of which is a security deposit to be held in accordance with paragraph 5.

53. ADDITIONAL RENTAL.

53.1. Lessee shall pay Lessor as additional rental the management expenses incurred by Lessor in connection with the Premises, which expense shall be an amount equal to two percent (2%) of the Base Rent. Said additional rent shall be payable monthly at the same time and in the same manner as Base Rent.

53.2. PAYMENT OF ADDITIONAL RENTAL. At Lessor's option, Lessor may require that Lessee pay all or some portion of the additional rental owing under paragraphs 4.2, 7.1, 8.1, and 53.1 in the following manner. Lessee shall pay monthly on the first day of each month an amount equal to one twelfth (1/12th) of Lessor's estimate of the amount of such rent due during the year. Within a reasonable time after the end of each calendar year, Lessor shall compute the amount payable for the prior year. In the event that the actual additional rental is more than Lessor's estimate, the difference between the amount owing and the amount of rent adjustment actually paid by Lessee for the prior year shall

be payable in full at the time the next monthly rent payment is due. In the event that the actual additional rental is less than Lessor's estimate, Lessee shall be entitled to a credit against the next rental payment payable by Lessee hereunder in the amount of such difference.

54. IMPROVEMENTS TO THE PREMISES.

54.1 LESSOR'S BASE BUILDING IMPROVEMENTS. Prior to the Commencement Date, Lessor shall have constructed the base building improvements to the Premises as set forth in Base Building Plans. As used herein, the term "Base Building Plans" shall mean the plans and specifications for the Building described as Dumbarton Business Park dated March 1, 1996, and prepared by LRS Associates. Lessee acknowledges that it has reviewed and approved the Base Building Plan. Lessor may make the following revisions to such Base Building Plans: (i) such changes as may be required by governmental authorities; and (ii) such changes as Lessor may deem necessary or appropriate, as long as the improvements, when constructed, will be comparable in appearance, design, efficiency and quality initially described in the Base Building Plans. The base building improvements shall be deemed complete upon certification by Lessor's architect or contractor that such improvements are substantially complete excluding punch list items, the completion or correction of which will not materially interfere with the construction of the Tenant Improvements.

54.2. LESSOR'S TENANT IMPROVEMENTS. Lessor shall construct the tenant improvements to the Premises in accordance with the work letter attached hereto as Exhibit C.

55. HOLDING OVER. If Lessee remains in possession of the Premises or any part thereof after the expiration or early termination of this Lease, without Lessor's consent, such occupancy shall be a tenancy from month-to-month subject to all the provisions of this Lease, except that the Base Rent shall become one hundred fifty percent (150%) of the Base Rent last in effect. In addition, Lessee shall reimburse Lessor for and indemnify Lessor against all damages incurred by Lessor from any delay by Lessee in vacating the Premises.

56. INSURANCE. Lessor shall be a named additional insured on all policies required to be maintained by Lessee under this Lease. Lessor shall have the right to raise the amounts of insurance coverage required by Lessee if, in Lessor's opinion, the amount of such coverage is no longer equal to prevailing standards.

57. LIMITATION ON LIABILITY; COMMENCEMENT OF ACTIONS. If Lessee obtains a money judgment against Lessor resulting from any default or other claim arising under or in connection with this Lease, such judgment shall be satisfied only out of Lessor's interest in the Premises. Except as provided in the preceding sentence, no other real or personal property of Lessor shall be subject to levy to satisfy any such judgment and Lessor shall have no personal liability under this Lease. Any claim, demand, right or defense of any kind by Lessee which is based upon or arises in connection with this Lease or the negotiations prior to its execution, shall be barred unless Lessee commences an action thereon, or interposes in a legal proceeding a defense by reason thereof, within six (6) months after the date of the inaction or omission or the date of the occurrence of the event or of the action to which the claim, demand, right or defense relates, whichever applies.

58. ASSIGNMENT AND SUBLETTING. Any net profit from any subletting or assignment shall be paid one-half to Lessor and one-half to Lessee by any assignee or subtenant after payment to Lessee of real estate commissions, reasonable attorneys' fees and other reasonable out-of-pocket costs incurred by Lessee in connection therewith. Such net profit shall include, without limitation, any increase in rental over that paid by Lessee under this Lease and any other consideration (or its cash equivalent) for execution of the assignment or sublease. As a condition to any subletting or assignment, all assignees and subtenants shall verify in writing to Lessor all consideration paid or given or to be paid or given for such sublease or assignment.

59. ADJACENT PARCEL. The parties acknowledge that Lessor and Lessee are parties to leases (the "Adjacent Parcel Leases") for the adjacent parcels of real estate commonly known as Lots 2 and 3, Dumbarton Business Center, Newark, California. Any default by Lessee under either of the Adjacent Parcel Leases shall, at Lessor's option, constitute a default under this Lease.

60. CONFLICTS. In the event of any inconsistency or conflict between the terms and conditions of this Addendum and the Lease form, the terms and conditions of this Addendum shall control.

61. REVIEW OF LEASE. The parties hereto acknowledge and agree that each has had the opportunity to review the Lease and this Addendum with legal counsel and each party or its legal counsel has been instrumental in the drafting of the Lease and this Addendum. Accordingly, this Lease shall be interpreted and construed in accordance with its fair meaning and the doctrine that ambiguities shall not be construed against the party drafting the document shall not be applicable to the Lease and this Addendum.

62. RIGHT OF FIRST OFFER. Provided Lessee is not in default under the terms of this Lease either at the time of exercise of this right or at the time of taking possession of additional space, Lessee shall have a one-time right of first offer commencing as of the eighty fifth (85) month of the Lease term through the term of this Lease to lease any other space in the building as such space becomes available. Such right of first offer shall be exercised only by compliance with the terms of this paragraph. Commencing as of the eighty-fifth (85) month of the Lease term Lessor shall not enter into a lease with any third party tenant for such space without first offering such space to Lessee as follows. Lessor shall provide Lessee with a ten (10) day right of first offer to lease such space by notifying Lessee in writing of its intent to lease such space and the terms and conditions upon which it is prepared to do so. If within ten (10) days of the date of such notice Lessor has received written notice from Lessee of its election to lease such space on the terms and conditions set forth in Lessor's notice, Lessor and Lessee shall within the ten (10) days following the date of Lessee's notice enter into a lease amendment setting forth said terms. If Lessee fails to respond to said notice within said ten (10) day period, or if, after giving written notice of its exercise of its right of first offer, Lessor and Lessee do not enter into said lease amendment within said ten (10) day period, Lessee's rights under this paragraph shall be deemed to have been waived, and Lessor shall be free to lease the space without any further obligation to Lessee. As used herein, "third-party tenant" excludes any tenant, or party in possession of any portion of the premises subject to this right of first offer as of the date of Lessor's notice, which may desire to extend or renegotiate its lease or rental agreement. Nothing contained herein shall require Lessor to lease to Lessee any portion of the Building which would leave Lessor with any remaining portion of the Building which was not commercially and economically rentable to third parties. Should Lessee decline to take any space offered it pursuant to this paragraph, this right of first offer shall lapse and be void

thereafter. The rights granted to Lessee are personal to Pacific Direct Marketing Corp. DBA Pacific Link, and said rights are not assignable by Pacific Direct Marketing Corp. DBA Pacific Link either a part of an assignment of this Lease or separately or apart therefrom; provided that said right may be assigned by Pacific Direct Marketing Corp. DBA Pacific Link as part of the assignment of the Lease by Pacific Direct Marketing Corp. DBA Pacific Link (a) to a parent, subsidiary, affiliate, division, or corporation controlling, controlled by or under common control with Pacific Direct Marketing Corp. DBA Pacific Link, (b) to a successor corporation of Pacific Direct Marketing Corp. DBA Pacific Link by merger, consolidation or non-bankruptcy reorganization, or (c) to a successor corporation which purchases all or substantially all of the assets of Pacific Direct Marketing Corp. DBA Pacific Link, provided that in each such case the assignee or successor entity expressly assumes and agrees to perform for the benefit of Lessor all of the obligations of Lessee hereunder.

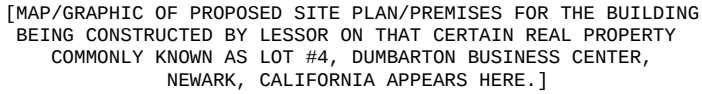
[MAP/GRAPHIC OF PROPOSED SITE PLAN/PREMISES FOR THE BUILDING
BEING CONSTRUCTED BY LESSOR ON THAT CERTAIN REAL PROPERTY
COMMONLY KNOWN AS LOT #4, DUMBARTON BUSINESS CENTER,
NEWARK, CALIFORNIA APPEARS HERE.]

EXHIBIT "A"

[GRAPHIC REPRESENTATION OF THE BUILDING BEING CONSTRUCTED BY LESSOR ON THAT
CERTAIN REAL PROPERTY COMMONLY KNOWN AS LOT #4, DUMBARTON BUSINESS CENTER,
NEWARK, CALIFORNIA MORE PARTICULARLY DESCRIBED HERETO (THE "BUILDING").]

EXHIBIT "B"

WORK LETTER AGREEMENT

This Work Letter Agreement supplements the Lease dated September 26, 1996, executed concurrently herewith by and between WINDY PACIFIC PARTNERS ("Lessor") and PACIFIC DIRECT MARKETING CORP. DBA PACIFIC LINK ("Lessee").

1. TENANT IMPROVEMENTS. Lessor shall construct and install tenant improvements in the Premises in accordance with the applicable Final Plans approve by Lessee and otherwise in accordance with this Work Letter Agreement.

2. PLANS AND SPECIFICATIONS.

2.1 PREPARATION OF PRELIMINARY PLANS. Not later than five (5) days after Lessee's execution of this Lease, Lessee shall furnish and submit to Lessor's architect such information as Lessor's architect may request from Lessee to prepare preliminary plans for the Premises, including information regarding the location of all partitions, doors, light fixtures, electrical outlets, telephone outlets and other standard and special installations required by Lessee, as well as wall finishes and floor coverings. Lessee's preliminary plans submission shall include any special mechanical, electrical and structural engineering requirements. Thereafter, Lessor shall cause its architect to prepare preliminary plans and specifications for the tenant improvements in the Premises.

2.2 REVIEW AND APPROVAL OF PRELIMINARY PLANS. Upon Lessor's receipt from Lessor's architect, Lessor shall promptly submit the preliminary plans to Lessee for review and approval. Lessee shall give written notice of its approval or disapproval of the preliminary plans within five (5) days after its receive thereof. If Lessee disapproves the preliminary plans, Lessee shall specify the reasons for such disapproval and Lessor and Lessee shall thereafter promptly meet and negotiate in good faith to resolve any of Lessee's objections.

2.3 PREPARATION OF FINAL PLANS. As soon as may be reasonably practicable after Lessee's approval of the preliminary plans, Lessor's architect shall prepare plans, specifications and working drawings, including architectural, mechanical and electrical engineering plans, specifications, working drawings and details (collectively, "Final Plans"). Lessee shall furnish and submit promptly to Lessor's architect such information as Lessor's architect may request from Lessee and otherwise cooperate with Lessor and Lessor's architect to assist in preparation of the Final Plans. The Final Plans shall be in form and substance ready for pricing and construction.

2.4 LESSEE'S APPROVAL OF FINAL PLANS. Upon receipt from Lessor's architect, each party shall have the right to review and approval the Final Plans. Each party shall give written notice of its approval or disapproval of the Final Plans within five (5) days after the date of receipt thereof. If either party disapproves the Final Plans, such party shall specify the reasons for its disapproval, and Lessor and Lessee shall thereafter promptly meet and negotiate in good faith to remove such party's objections. Lessee's written approval of the Final Plans shall be deemed Lessee's authorization for Lessor to proceed with Lessor's Work (defined below) in accordance with the approved Final Plans. Lessor shall not be obligated to proceed with Lessor's Work until both Lessor and Lessee have approved the Final Plans. As used herein, the term "Lessor's Work" shall mean the work contemplated by the Final Plans and the term "Improvement Costs" shall mean the cost of the Lessor's Work as performed in accordance with the Final Plans.

EXHIBIT C

2.5 LIABILITY FOR APPROVAL. Neither preparation of plans by Lessor's architect, engineer or consultant nor any approval thereof by Lessor shall constitute any representation or warranty by or on behalf of Lessor as to the adequacy, efficiency, suitability, fitness or desirability of any space layout or improvements or otherwise constitute assumption by Lessor of any responsibility for the accuracy or sufficiency thereof, or be interpreted as a statement of compliance with code requirements.

3. CONSTRUCTION OF TENANT IMPROVEMENTS. Lessor shall select the general contractor to be used to construct Lessor's Work. Lessee acknowledges that Lessor intends to use Vance M. Brown & Sons, Inc. as the contractor and that the relationship between Lessor and said contractor has been disclosed to Lessee. Following approval of the Final Plans by Lessee, and issuance of applicable building permits and any other governmental approvals necessary to construct the Lessor's Work, Lessor's contractor shall be instructed to commence and diligently proceed with the construction of Lessor's Work substantially in accordance with the approved Final Plans.

4. CHANGES, ADDITIONS OR ALTERATIONS.

4.1 CHANGES REQUESTED BY LESSEE. Any change in Lessor's Work requested by Lessee after approval of the Final Plans shall be at Lessee's sole cost and expense and shall be subject to Lessor's approval. Lessee shall pay all costs incurred by Lessor in reviewing any requested change, whether such change is approved by Lessor or not. If Lessor approves any such request, Lessor's architect shall prepare (or revise) plans, specifications and working drawings with respect to such change. Lessee shall reimburse Lessor for the cost of preparing such additional (or revised) plans. As soon as practical after completion of the additional (or revised) plans, Lessor shall notify Lessee of the estimated cost and the estimated delay, if any, which will be chargeable to Lessee by reason of such change. Within three (3) days after the date of receipt of such estimated cost, Lessee shall notify Lessor in writing whether Lessee approves such change. If Lessee approves, Lessee shall promptly pay Lessor the estimated cost of such change in excess of Lessor's Contribution, and Lessor's contractor shall proceed with the change as soon as reasonably practicable thereafter. If Lessee does not promptly so approve and pay any such cost, Lessor shall be entitled to proceed in accordance with the previously approved plans.

4.2 CHANGES BY LESSOR. Lessor shall have the right to make such changes in the approved Final Plans (or in Lessor's Work pursuant thereto), as Lessor may deem reasonably necessary for coordinating and completing Lessor's Work or as required by governmental authorities. Lessee agrees and understands that any minor changes or deviations from the approved Final Plans that may be reasonably necessary during construction of the Premises shall not affect, change or invalidate the Lease, or give rise to any claims by Lessee for any offset, credit, loss, damage or delay, or otherwise.

5. TENANT IMPROVEMENT ALLOWANCE. Lessor shall contribute to the cost of constructing Lessor's Work a tenant improvement allowance of up to a maximum of One Hundred Fifty Thousand and Forty Five Dollars ($150,045) ("Lessor's Contribution").

The Improvement Costs to be paid by Lessor from said allowance shall include without limitation:

(a) The cost of preliminary space planning and final architectural and engineering plans and specifications (i.e., Final Plans) for Lessor's Work;

(b) All costs of obtaining building permits and other necessary authorizations from appropriate governmental authorities;

(c) All costs of interior design and finish schedule plans and specifications including as-built drawings;

(d) All direct and indirect costs of performing Lessor's Work in the Premises, including the construction fee for overhead and profit and the cost of all on-site supervisory and administrative staff, office, equipment and temporary services rendered by Lessor's contractor in connection with Lessor's Work;

(e) All fees payable to Lessor's architectural and engineering firm if it is required by Lessee to redesign any portion of the tenant improvements following Lessee's approval of the Final Plans;

In no event shall the Improvement Costs include any costs of procuring or installing in the Premises any trade fixtures, equipment, furniture, furnishings, telephone equipment or other personal property (collectively, "Personal Property") to be used in the Premises by Lessee, and the cost of such Personal Property shall be paid by Lessee.

If the Improvement Costs exceed Lessor's Contribution, then Lessee shall pay all Improvement Costs in excess of Lessor's Contribution ("Lessee's Share of the Improvement Costs") within ten (10) days after the date of receipt of Lessor's invoice therefor.

6. DELAY. Lessee shall be responsible for and pay any and all costs and expenses incurred by Lessor in connection with any delay (each a "Lessee Delay") in the commencement or completion of Lessor's Work caused by: (a) Lessee's failure to furnish information as required for timely completion of the preliminary plans or the Final Plans; (b) Lessee's failure to approve or disapprove the preliminary plans or the Final Plans within the time periods specified herein; (c) Lessee's request for changes in materials, finishes, installations or improvements after approval of the Final Plans; (d) any changes, additions or alterations requested by or on behalf of Lessee after approval by Lessee of the Final Plans; (e) Lessee's failure to pay any amount when due hereunder; (f) failure or refusal by Lessee to observe and perform fully and promptly any other provision of this Work Letter Agreement or the Lease on Lessee's part to be observed or performed; or (g) any other delay of any kind or nature caused by any act or omission of Lessee, or any contractor, agent, servant or employee of Lessee. If there is any Tenant Delay, the Premises shall be deemed completed, for purposes of determining the date for commencement of the Term of the Lease and Lessee's rental obligations thereunder, on the date the Premises would have been completed but for such Lessee Delay.

7. FORCE MAJEURE. Lessor shall not be responsible for any delays in construction or delivery of the Premises caused by strikes, lockouts, labor disputes, acts of God, governmental restrictions or regulations, judicial orders, enemy or hostile governmental actions, civil commotion, fire or flood or other casualty, or any other causes beyond Lessor's reasonable control.

8. PUNCHLIST. Within seven (7) days following date of delivery of the Premises to Lessee, Lessee shall provide Lessor with a list of items for which Lessor has obligated to Lessee, which items were defective or incomplete as at the date of delivery (the "Punchlist"). Lessor or its agents shall immediately proceed to correct or complete the items on the Punchlist. Upon completion or correction of the items on the Punchlist, Lessee shall be deemed to have accepted the Leased Premises as being in good and sanitary order, condition and repair.

9. COMPLETION. Upon the date (the "Completion Date") that Lessor's architect furnishes a Certificate of Substantial Completion ("Certificate of Substantial Completion") confirming that the work has

been substantially completed subject only to Punchlist items, the completion or correction of which will not materially interfere with Lessee's use or occupancy of the Leased Premises, the Leased Premises will be deemed completed and possession of the Leased Premises deemed delivered to Lessee for all purposes of the Lease.

10. OTHER WORK (BY LESSEE AT LESSEE'S COST).

(a) If Lessee desires to install any alterations, additions, or other items through a contractor other than Lessor's contractor, no such work (hereinafter referred to as "Other Work") shall proceed without:

(i) Lessor's prior written approval of Lessee's plans and specifications for the Other Work, which approval shall not be unreasonably withheld or delayed.

(ii) Lessee's contractor providing labor and materials bond(s) satisfactory to Lessor.

(iii) A Certificate of Insurance from an approved company, furnished to Lessor by Lessee's contractor, in an amount of not less than $500,000 per occurrence and $1,000,000 aggregate for public liability, endorsed to show Lessor as an additional insured.

(b) All Other Work by Lessee or its contractor(s) shall be scheduled through Lessor .

(c) Lessee shall reimburse Lessor for any extra expense incurred by Lessor's contractor as a result of Other Work by Lessee, including, without limitation, rectification of faulty work done by Lessee or its contractor(s), or by reason of delays caused by such Other Work, or by reason of inadequate cleanup.

(d) Lessee shall reimburse Lessor for the use, by its contractor(s), of those site services provided by Lessor's contractor such as hoist engineers and rubbish removal from site.

(e) Lessor or its contractor(s) will, in no event, be allowed to install sprinkler, plumbing, mechanical, electrical power, or lighting items unless the subcontractors for such work have been approved in writing by Lessor.

(f) All Other Work shall be diligently and continuously pursued to its completion.

(g) All special electrical equipment and related wiring shall be installed only under the supervision of Lessor or its electrical contractor and Lessee shall reimburse Lessor for any fees or costs arising therefrom.

(h) Any delay arising in the completion of Other Work shall have no bearing on the Commencement Date.

(i) The installation of communication and data equipment, including cabling, shall be the sole responsibility of Lessee.

11. DEFAULT AND REMEDIES. Failure or refusal by Lessee to perform any obligation on Lessee's part to be performed in accordance with the provisions of this Work Letter Agreement shall constitute an event of default by Lessee under this Work Letter Agreement and under Article 13 of the Lease.

EXHIBIT C

IN WITNESS WHEREOF, the parties hereto have executed this Work Letter Agreement as of the date first set forth above.

LESSOR:

WINDY PACIFIC PARTNERS,
a general partnership

By: WINDY HILL INVESTMENT COMPANY,
Its: Managing Partner

By: /s/ William J. Hurwick

William J. Hurwick,
Trustee

By: CALIFORNIA PACIFIC
COMMERCIAL CORPORATION
a California corporation

By: /s/ Daniel J. McGanney, III

Daniel J. McGanney, III

LESSEE:

PACIFIC DIRECT MARKETING CORP.
DBA PACIFIC LINK
a California corporation

By: /s/ Michael Tuite

Its: President

EXHIBIT C

Exhibit 10.45

SUMMARY OF MANAGEMENT'S INTERESTS
IN THE @VENTURES III VENTURE CAPITAL FUNDS

During fiscal year 1999, CMGI announced the formation of the @Ventures III venture capital funds to invest in emerging Internet service and technology companies. Certain members of the management of these funds and David S. Wetherell and Andrew J. Hajducky, each an executive officer of CMGI, Inc., have indirect compensatory interests in the funds. Because the written documents pertaining to the funds are not yet completed in all respects, the following is a summary of the interests of Messrs. Wetherell and Hajducky in the funds.

INTERESTS IN @VENTURES PARTNERS III, LLC

The @Ventures III funds consist of three funds that generally invest together in each portfolio company according to stated percentages:

- @ Ventures III, L.P. (with total committed capital of approximately $168.0 million);
- @Ventures Foreign Fund III, L.P. (with total committed capital of approximately $50.5 million); and
- CMG @Ventures III, LLC. (with total committed capital of approximately $56.0 million, all of which is from CMGI)

Each of the three funds is managed by @Ventures Partners III, LLC, which is entitled to approximately 20% of the cumulative net gains from the funds. Mr. Wetherell and Mr Hajducky are each managing members of @Ventures Partners III, LLC, and entitled to approximately 25% and 6%, respectively, of all amounts distributed by the funds to @Ventures Partners III, LLC. Mr. Wetherell's and Mr. Hajducky's interests in @Ventures Partners III, LLC are subject to vesting and forfeiture based on their continued provision of services to the funds, with the interests vesting in 20 equal quarterly installments commencing with the date of formation of @Ventures Partners III, LLC. The other members of @Ventures Partners III, LLC consist of (i) individuals who provide management services to the funds and (ii) CMG @Ventures Capital Corp., a direct wholly-owned subsidiary of CMGI, which has a 10% interest in all of the amounts distributed by @Ventures Partners III, LLC.

INTERESTS IN @VENTURES INVESTORS, LLC

@Ventures Investors, LLC is required to co-invest with the other @Ventures III funds. @Ventures Investors, LLC invests 2.0% of the aggregate amount to be invested by the three funds and @Ventures Investors, LLC in each portfolio company investment. Mr. Wetherell owns an approximately 27% interest in @Ventures Investors, LLC and Mr. Hajducky owns an approximately 7% interest. Mr. Wetherell's and Mr. Hajducky's future right to participate in investments of @Ventures Investors, LLC is contingent upon their continued involvement with the @Ventures III funds, CMGI, or any affiliates of either.

INTERESTS IN @VENTURES MANAGEMENT, LLC

@Ventures Management, LLC was formed in May 1998 to provide management services to investment funds, including:

- CMG @Ventures I, LLC;
- CMG @Ventures II, LLC;
- @Ventures III, L.P;
- @Ventures Foreign Fund III, L.P; and
- CMG @Ventures III, LLC

@Ventures Management, LLC receives management fees from each of @Ventures III, L.P., @Ventures Foreign Funds III, L.P. and CMG @Ventures III, LLC equal to 2% of the capital committed to such fund. Mr. Wetherell has an approximately 33% interest in the net income of @Ventures Management, LLC and Mr. Hajducky has an approximately 8% interest.

EXHIBIT 10.46

CMG @ VENTURES III, LLC

LIMITED LIABILITY COMPANY AGREEMENT

CMG @ VENTURES III, LLC

LIMITED LIABILITY COMPANY AGREEMENT

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CMG @ VENTURES III, LLC

LIMITED LIABILITY COMPANY AGREEMENT

THIS LIMITED LIABILITY COMPANY AGREEMENT OF CMG @ VENTURES III, LLC (the "Company"), dated as of August 7, 1998 is among CMG@Ventures Capital Corp., a Delaware corporation (the "Capital Member"), and @Ventures Partners III, LLC, a Delaware limited liability company (the "Managing Member" and together with the Capital Member, the "Members"). Definitions of certain capitalized terms used in this Agreement are specified in Article Ten.

RECITALS

WHEREAS, the Company was formed as a limited liability company pursuant to the Limited Liability Company Act of the State of Delaware, 6 Del. C. ch. 18 et. seq., by the filing on September 4, 1998 of a Certificate of Formation in the Office of the Secretary of State of the State of Delaware; and

WHEREAS, the Members wish to set out fully their respective rights, obligations and duties with respect to the Company.

NOW THEREFORE, in consideration of the mutual covenants expressed herein, the parties hereto hereby agree as follows:

ARTICLE ONE

THE COMPANY

Section 1.1 Organization; Name. The Company was organized as a limited liability company pursuant to the provisions of the Act. The name of the Company is CMG @ Ventures III, LLC. The business of the Company may be conducted under any other name designated in writing by the Managing Member upon compliance with applicable law.

Section 1.2 Purpose and Character of Business. The Company's purpose and the character of its business shall be to (a) make investments directly or through holding companies in equity and equity-related securities, notes, debentures, limited partnership interests, limited liability company interests, or other equity or debt instruments or other interests or investments of any nature whatsoever, including, without limitation, notes, debentures and common or preferred stock (whether or not convertible or exchangeable), and rights, options and warrants to purchase notes, debentures and common or preferred stock or other securities or debt instruments, or direct or indirect interests in tangible or intangible assets of any kind whatsoever (all of the foregoing being hereafter referred to as "Investments" or as "Portfolio Securities"), in privately or publicly held or solely owned operating or investment businesses or other entities or parts thereof or assets, (b) manage, supervise and dispose of such investments, receiving the profits, losses and income from such

activities and engaging in all other activities that are necessary, incidental and ancillary thereto, and (c) pending utilization or disbursement of funds, to invest such funds in Temporary Investments. The Company shall invest only in Investments and Portfolio Securities in which @ Ventures III, L.P., a Delaware limited partnership (the "Domestic Fund"), invests, and in which @ Ventures Foreign Fund III, L.P., a Delaware limited partnership (the "Foreign Fund"), may invest, all in the manner and on the terms contemplated by the Limited Partnership Agreement for the Domestic Fund, as from time to time in effect (the "Domestic Fund Agreement") and by the Limited Partnership Agreement for the Foreign Fund, as from time to time in effect (the "Foreign Fund Agreement"). The Domestic Fund and the Foreign Fund are sometimes hereinafter referred to individually as a "Fund" and collectively as the "Funds," and the Domestic Fund Agreement and the Foreign Fund Agreement are sometimes hereinafter referred to individually as a "Fund Agreement" and collectively as the "Fund Agreements."

Section 1.3 Place of Business; Registered Agent. The principal place of business of the Company shall be maintained at 100 Brickstone Square, Andover, Massachusetts 01810. The name and address of the resident agent of the Company in the State of Delaware and the address of the registered office of the Company in the State of Delaware is The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801. The Managing Member may at any time change the location of the Company's principal place of business, establish additional offices and places of business and change the registered agent and registered office of the Company and upon any such change shall give prompt notice to each Member of any such change.

Section 1.4 Term. The term of the Company commenced on September 4, 1998, and shall continue until terminated pursuant to Section 8.1.

Section 1.5 Statutory Compliance; Qualification In Other Jurisdictions. The Company shall exist under and be governed by, and this Agreement shall be construed in accordance with, the applicable laws of the State of Delaware including the Act. The Managing Member promptly shall make such filings as it believes necessary or as are required by applicable law to give effect to the provisions of this Agreement and to cause the Company to be treated as a limited liability company under the laws of the State of Delaware. The Managing Member shall cause the Company to be registered or qualified under its own name or under an assumed or fictitious name pursuant to a foreign limited liability company statute or similar laws in any jurisdictions in which the Company owns property or transacts business if such registration or qualification is necessary to protect the limited liability of the Members or to permit the Company lawfully to own property or transact business in such jurisdiction.

ARTICLE TWO

MEMBERS AND CAPITAL CONTRIBUTIONS

Section 2.1 Capital Commitments and Contributions. The Members hereby commit and agree to make cash contributions to the capital of the Company in such amounts and at such times as may be necessary to enable the Capital Member to satisfy (i) its obligations under the Fund Agreements, and (ii) such other capital needs of the Company as the Members unanimously may agree upon, all of which cash contributions shall be made by the Members in proportion to their respective Percentage Interests as set forth on Schedule I attached hereto. The amount of such commitment of each Member is referred to herein as a Member's "Capital Commitment." The amount of capital actually contributed by a Member to the Company is referred to as such Member's "Capital Contribution." All calls for Capital Contributions shall be made in writing or by electronic mail and shall specify the intended use of such called capital. Such call shall be made, to the extent reasonably practicable, at least ten (10) Business Days before the date on which the contribution is due. No Capital Contribution returned to the Members shall be callable by the Managing Member pursuant to this Section 2.1 thereafter.

Section 2.2 Admission of Additional Members. Additional Members may be admitted to the Company at such times and on such terms as shall be unanimously approved in advance by the Members.

Section 2.3 Capital Accounts. The Company shall establish and maintain a capital account (a "Capital Account") for each Member. Such Capital Account shall be adjusted in accordance with Treasury Regulations under Section 704 of the Code. To the extent consistent with such Treasury Regulations, the adjustments to such accounts shall include the following:

2.3.1 There shall be credited to each Member's Capital Account the amount of any cash actually contributed by such Member to the capital of the Company, the fair market value of any property contributed by such Member to the capital of the Company, the amount of liabilities of the Company assumed by the Member or to which property distributed to the Member was subject and such Member's share of the Profit of the Company and of any items in the nature of income or gain separately allocated to the Members; and there shall be charged against each Member's Capital Account the amount of all cash distributions to such Member, the fair market value of any property distributed to such Member by the Company, the amount of liabilities of the Member assumed by the Company or to which property contributed by the Member to the Company was subject and such Member's share of the Loss of the Company and of any items in the nature of losses or deductions separately allocated to the Members.

2.3.2 If the Company at any time distributes any of its assets in-kind to any Member, the Capital Account of each Member shall be adjusted to account for that Member's allocable share of the Profit, Loss or items thereof that would be realized by the Company if it sold the assets that were distributed at their respective fair market values (taking Code Section 7701(g) into account) immediately prior to their distribution.

2.3.3 If elected by the Company in accordance with Section 4.3 hereof, at any time specified in Treasury Regulation Section 1.704-1(b)(2)(iv)(f), the Capital Account balance of each Member shall be adjusted to the extent provided under such Treasury Regulation to reflect the Member's allocable share (as determined under Article Three) of the items of Profit or Loss that would be realized by the Company if it sold all of its property at its fair market value (taking Code Section 7701(g) into account) on the day of the adjustment.

Section 2.4 No Rights to Demand Return of Capital Contributions. No Member shall be entitled to withdraw any part of its or his Capital Contribution, to receive any distribution from the Company or to cause a partition of the assets of the Company except as expressly provided in this Agreement. No Member shall be paid interest on any Capital Contribution or receive any salary or compensation with respect to its Capital Contribution or Capital Account or for services rendered to or on behalf of the Company or otherwise in its capacity as a Member, except as specifically provided in this Agreement.

Section 2.5 Liabilities of Members. Except as otherwise expressly set forth herein or in the Act, the Members shall not have, and the Managing Member shall at all times conduct its affairs and the affairs of the Company so that no Member shall have, any personal liability whatsoever in his capacity as a Member, whether to the Company, to any Member or to the creditors of the Company, for the debts, liabilities, contracts or other obligations of the Company or for any losses of the Company.

ARTICLE THREE

ALLOCATIONS; DISTRIBUTIONS

Section 3.1 Allocations of Net Profits and Net Losses.

3.1.1 Subject to Sections 3.3 through 3.5, Net Profits of the Company shall be allocated as follows, and in the following order of priority as of the close of such Fiscal Year or other accounting period:

3.1.1.1 First, to the Members in proportion to their respective Percentage Interests until the aggregate cumulative amount of Profits allocated to each Member pursuant to this Section 3.1.1.1 equals the aggregate cumulative amount of Net Losses allocated to the Members pursuant to Section 3.1.2.2; and

3.1.1.2 Thereafter, eighty (80%) percent to the Members in proportion to their respective Percentage Interests, and twenty (20%) percent to the Managing Member.

3.1.2 Subject to Sections 3.3 through 3.5, Net Losses of the Company shall be allocated as follows and in the following order of priority as of the close of such Fiscal Year or other accounting period:

3.1.2.1 First, eighty percent (80%) to the Members in proportion to their respective Percentage Interests and twenty percent (20%) to the Managing Member until the aggregate cumulative amount of Losses allocated to each Member pursuant to this Section 3.1.2.1 equals the aggregate cumulative amount of Profits allocated to such Member pursuant to Section 3.1.1.2; and

3.1.2.2 Second, to the Members in proportion to their respective Percentage Interests.

Section 3.2 Special Allocation Rules. Before any allocations are made pursuant to Section 3.1, the following special allocations shall be made in the following order:

3.2.1 If any Member unexpectedly receives any adjustment, allocation or distribution described in Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) or 1.704-1(b)(2)(ii)(d)(6) of the Regulations which causes it to have an, or increases the amount of its, Adjusted Capital Account Deficit, items of Company income and gain (computed with the adjustments set forth in clauses (i), (ii) and (iii) of the definition of "Profits" and "Losses") shall be specially allocated to such Member in an amount and manner sufficient to eliminate, to the extent required by the Regulations, such Member's Adjusted Capital Account Deficit as quickly as possible, provided that an allocation pursuant to this Section 3.2.1 shall be made to a Member only if and to the extent that such Member would have an Adjusted Capital Account Deficit after all other allocations provided for in this Article Three have been tentatively made as if this Section 3.2.1 were not in this Agreement. This Section 3.2.1 is intended to constitute a "qualified income offset" as defined in Section 1.704-1(b)(2)(ii)(d) of the Regulations.

3.2.2 If any Member has an Adjusted Capital Account Deficit as of the end of any Fiscal Year or other accounting period of the Company that is in excess of the amount such Member is deemed to be obligated to restore to his Capital Account pursuant to the penultimate sentences of Sections 1.704-2(g)(1) and 1.704-2(h)(5) of the Regulations (the so-called deficit restoration rule), items of Company income and gain (computed with the adjustments set forth in clauses (i), (ii) and (iii) of the definition of

"Profits" and "Losses") in the amount of such excess shall be specially allocated to such Member as quickly as possible, provided that an allocation pursuant to this Section 3.2.2 shall be made to a Member only if and to the extent that such Member would have an Adjusted Capital Account Deficit that is in excess of the amount such Member is deemed to be obligated to restore to his Capital Account pursuant to the penultimate sentences of Sections 1.704-2(g)(1) and 1.704-2(h)(5) of the Regulations after all other allocations provided for in this Article Three have been tentatively made as if this Section 3.2.2 were not in this Agreement.

3.2.3 To the extent an adjustment to the adjusted tax basis of any asset of the Company pursuant to Section 734(b) or Section 743(b) of the Code is required, pursuant to Section 1.704-1(b)(2)(iv)(m) of the Regulations, to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases the basis of the asset), and such gain or loss shall be specially allocated to the Members in a manner that is consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to Section 1.704-1(b)(2)(iv)(m) of the Regulations.

3.2.4 Notwithstanding Section 3.1, an allocation of Loss shall not be made to a Member to the extent that such allocation would cause such Member to have an Adjusted Capital Account Deficit. An allocation of Loss that would be made to a Member but for this Section 3.2.4 shall instead be made to the other Members to the extent of and in proportion to the amounts of such loss that they could then be allocated without themselves having Adjusted Capital Account Deficits (or, if such other Members would not have Adjusted Capital Account Deficits, in proportion to their respective Capital Contributions) and thereafter to the Capital Member.

Section 3.3 Corrective Allocations. The allocations set forth in Section 3.2 (the "Regulatory Allocations") are intended to comply with certain requirements of Sections 1.704-1(b) and 1.704-2 of the Regulations. Notwithstanding any other provision of this Article Three, the Regulatory Allocations shall be taken into account in making allocations of items of income, gain, loss, deduction and expenditure among the Members so that, to the extent possible consistent with the Code and the Regulations and on a cumulative basis, the respective net amounts of such allocations of other items and the Regulatory Allocations to the Members are equal to the respective net amounts that would have been allocated to the Members had no Regulatory Allocations been made. The Managing Member shall apply this Section 3.3 at such times and in whatever order, and shall divide allocations made pursuant to this Section 3.3 among the Members in such manner, as it determines is likely to minimize any economic distortions that might otherwise be caused by the Regulatory Allocations.

Section 3.4 Tax Allocations.

3.4.1 Tax allocations for each Fiscal Year or other accounting period of the Company shall be made consistent with the allocations of Profit and Loss and items specially allocated pursuant to Sections 3.2 and 3.3 for such year or period, except that, solely for tax purposes, (i) items of income, gain, loss and deduction with respect to Company assets reflected hereunder in the Members' Capital Accounts and on the books of the Company at values that differ from the Company's adjusted tax bases in such assets shall be allocated among the Members so as to take account of those differences pursuant to Section 1.704-3 of the Regulations and in such manner as the Managing Member reasonably determine is in accordance with the principles of Section 704(c) of the Code and with Sections 1.704-1(b)(2)(iv)(f), 1.704-1(b)(2)(iv)(g), 1.704-1(b)(4)(i) and 1.704-3 of the Regulations, and (ii) adjustments made pursuant to Section 734(b) or Section 743(b) of the Code shall be taken into account.

3.4.2 The Members are aware of the federal income tax consequences of the allocations made by this Article Three and agree to report their shares of Company income and loss for income tax purposes in accordance with this Article Three.

Section 3.5 Distributions Prior to Liquidation.

3.5.1 Subject to Sections 3.6 and 3.7, Available Cash for each Fiscal Year (or fractional portion thereof) shall be distributed to the Members at such time or times determined by the Managing Member (but not less frequently than annually) in proportion to their respective Capital Account balances.

3.5.2 The Managing Member shall endeavor (if practical and reasonable to do so in light of the circumstances of the Company) to distribute, if available, sufficient amounts of Available Cash to the Members in accordance with this Section 3.5 to enable all Members to make timely payment of any Federal, state, local and foreign income tax liabilities incurred by them as a result of their participation in the Company.

Section 3.6 Distributions Upon Liquidation.

3.6.1 Upon the liquidation of the Company, the assets of the Company shall first be applied to the payment of, or the establishment of adequate reserves or other provision for the payment of, the debts and obligations of the Company. Thereafter, there shall be made a final allocation of Profit or Loss, as the case may be, and other items to the Members' Capital Accounts in accordance with Sections 3.1 through 3.3. The assets of the Company (or the proceeds of sales or other dispositions in liquidation of assets of the Company) remaining after the payment or other provision for the Company's debts and obligations shall then be distributed to the Members in

proportion to the positive balances in their Capital Accounts determined after the final allocation of Profit or Loss and other items to Capital Accounts has been made. Amounts reserved or otherwise set aside in connection with the Company's liquidation for the payment of Company debts and obligations shall be distributed to the Members, in the same proportions that such amounts would have been distributed hereunder if distributed upon the Company's liquidation, as soon as practicable. No Member shall be required or otherwise obligated to restore or contribute any deficit balance in such Member's Capital Account upon the liquidation of the Company.

3.6.2 The Managing Member, or an authorized liquidating trustee if one is appointed, may distribute assets of the Company in kind upon the liquidation of the Company. Any asset to be distributed in kind shall be distributed on the basis of its Fair Market Value as determined in accordance with the provisions of Section 3.8. For purposes of making the final allocation of Profit or Loss, and other items required by Section 3.6.1, any asset other than cash that is to be distributed to one or more Members in kind shall be treated as having then been sold by the Company for its Fair Market Value as determined in accordance with the provisions of Section 3.8. Any Member entitled to any interest in such assets shall, unless otherwise determined by the Members, receive separate assets of the Company and not an interest as a tenant-in-common with other Members so entitled in any asset being distributed.

Section 3.7 Distributions of Securities in Kind.

3.7.1 The Managing Member shall distribute to the Members Portfolio Securities which are Marketable Securities, unless the Capital Member determines that a distribution of such securities would not be in the best interests of the Company. Such Portfolio Securities shall be distributed in accordance with Section 3.5 or 3.6, as applicable, based on their respective Fair Market Values. The Managing Member shall promptly notify the Members each time a Portfolio Security becomes a Marketable Security. The Managing Member shall not distribute Portfolio Securities that are not Marketable Securities at any time other than upon the liquidation of the Company.

3.7.2 The Managing Member may cause certificates evidencing any securities to be distributed to be imprinted with legends as to such restrictions on transfers that it may deem necessary, including legends as to applicable Federal or state securities laws or other legal or contractual restrictions, and may require any Member to which securities are to be distributed to agree in writing that such securities will not be transferred except in compliance with such restrictions and applicable law.

Section 3.8 Valuation. For all purposes of this Agreement, the Fair Market Value of securities and other property of the Company shall be determined as follows:

3.8.1 Marketable Securities shall (i) if traded on a national securities exchange, be valued at the average of their last sales price on the exchange on which

such Marketable Securities are traded on the last ten trading days immediately preceding the date of determination, or (ii) if the trading of such Marketable Securities is reported through the National Association of Securities Dealers Automated Quotation System, such Marketable Securities shall be valued at the average of the last sale prices as shown by the National Association of Securities Dealers Automated Quotation System on the last ten trading days on which such Marketable Securities were traded immediately preceding the date of determination.

3.8.2 All property other than Marketable Securities shall be valued by the Managing Member in good faith. Factors considered in valuing individual securities shall include, but need not be limited to, purchase price, estimates of liquidation value, the price at which Members receiving a distribution of securities will be able to sell them and the time at which such securities may be sold, the existence of restrictions on transferability, prices received in recent significant private placements of securities of the same issuer, prices of securities of comparable public companies engaged in similar businesses and changes in the financial condition and prospects of the issuer.

3.8.3 Upon any valuation of securities or other property of the Company pursuant to this Section 3.8 (other than Marketable Securities, to which this Section 3.8.3 shall not apply), the Managing Member shall notify the Capital Member in writing of the Fair Market Value of such securities or other property as determined by the Managing Member in accordance with the provisions of Section 3.8. The Capital Member shall, not more than ten Business Days after the receipt of such notice from the Managing Member, furnish notice in writing to the Managing Member stating whether or not it has approved or has not approved the Managing Member's valuation. If the Capital Member approves such valuation (or shall have failed to provide the Managing Member with the aforementioned notice within such ten Business Days), such valuation shall constitute the Fair Market Value of such property for all purposes hereof. If the Capital Member does not approve such valuation, and if the Managing Member and the Capital Member cannot agree on a valuation within five Business Days (or such other period of time as the Managing Member and the Capital Member may determine) of the date on which the Capital Member advises the Managing Member that it has not approved such valuation, the Managing Member and the Capital Member shall jointly select an independent appraiser who shall be retained to determine, as promptly as practicable, the Fair Market Value of the property to be distributed. The Company shall pay the expenses of such appraiser.

ARTICLE FOUR

MANAGEMENT; PAYMENT OF EXPENSES

Section 4.1 Description of Managing Member. The Managing Member of the Company shall be @Ventures Partners III, LLC.

Section 4.2 Management by the Managing Member. The management, policy and operation of the Company shall be vested exclusively in the Managing Member which shall perform all acts and enter into and perform all contracts and other undertakings which it deems necessary or advisable to carry out any and all of the purposes of the Company. Without limiting the foregoing general powers and duties, and except as is otherwise expressly set forth herein, the Managing Member is hereby authorized and empowered on behalf of the Company and, as relevant herein, is required:

4.2.1 To make investments on behalf of the Company in securities in which the Domestic Fund and/or the Foreign Fund invest, on the same terms upon which such Funds invest in such securities, arrange additional financing needed to consummate such investments and monitor such investments.

4.2.2 To invest the assets of the Company in Temporary Investments.

4.2.3 To exercise all rights, powers, privileges and other incidents of ownership with respect to the Portfolio Securities, including, without limitation the voting of such Portfolio Securities, the approval of a restructuring of an investment, participation in arrangements with creditors, the institution and settlement or compromise of suits and administrative proceedings, and other similar matters.

4.2.4 To sell, transfer, liquidate or otherwise terminate investments made by the Company.

4.2.5 To employ or consult brokers, accountants, attorneys, or specialists in any field of endeavor whatsoever, including, subject to the provisions of Article Five, such persons or firms who may be Members.

4.2.6 To deposit any funds of the Company in any bank or trust company or money market fund provided that, in the case of any bank or trust company such bank or trust company qualifies as a Financial Institution and in the case of any money market fund such fund would qualify as a money market fund in which the Company may make a Temporary Investment, and to entrust to such bank or trust company any of the securities, monies, documents and papers belonging to or relating to the Company; provided, however, that from time to time, in order to facilitate any transaction, any of the said securities, monies, documents and papers belonging to or relating to the Company may be deposited in and entrusted to any brokerage firm that is a member of the New York Stock Exchange and which has minimum net capital of $10 million as calculated in accordance with the Securities Exchange Act of 1934.

4.2.7 To determine, settle and pay all expenses, debts and obligations of and claims against the Company and, in general, to make all accounting and financial determinations and decisions.

4.2.8 To provide bridge financing to Portfolio Companies, on the same terms upon which one or more of the Funds provides such bridge financing.

4.2.9 To enter into, make and perform all contracts, agreements and other undertakings as may be determined to be necessary or advisable or incident to the carrying out of the foregoing objectives and purposes, the execution thereof by the Managing Member to be conclusive evidence of such determination.

4.2.10 To execute all other instruments of any kind or character which the Managing Member determines to be necessary or appropriate in connection with the business of the Company, the execution thereof by the Managing Member to be conclusive evidence of such determination.

4.2.11 To make Follow-on Investments in Portfolio Companies from either Capital Contributions called from the Members pursuant to Section 2.1 or Available Cash, and to guarantee the obligations of Portfolio Companies, such Follow-on Investments and guarantees to be on the same terms upon which one or more of the Funds makes such follow-on investments or guarantees in such Companies.

4.2.12 To interpret and construe the terms, conditions and other provisions of this Agreement or any agreement entered into in connection herewith such construction or interpretation to be binding on the Members.

Section 4.3 Actions Requiring Member Consent.

Notwithstanding any other provision of this Agreement, the Managing Member shall have no authority without the Consent of the Capital Member to (i) do any act that is in contravention of this Agreement or that is not consistent with the purposes of the Company, (ii) do any act that would make it impossible to carry on the ordinary business of the Company, (iii) guarantee obligations of Portfolio Companies, (iv) invest more than 25% of the aggregate Capital Commitments in the securities of any one issue, (v) to make an election to adjust the Capital Accounts of the Members as contemplated by Section 2.3.3 or (vi) amend the Management Contract. Other than as set forth in this Section 4.3 or elsewhere in the Agreement, the Capital Member shall not participate in the management, operation or control of the Company.

Section 4.4 Payment of Fees and Expenses; Management Fee.

4.4.1 The Management Company, so long as the Management Contract is in effect, shall be responsible for and shall pay all of its out-of-pocket expenses and those of the Managing Member, including expenses which relate to salaries, office space, supplies and other facilities of their businesses.

4.4.2 The Management Company shall serve as the management company of the Company in accordance with the terms of the Management Contract, and shall be entitled to receive a Management Fee in the amount and payable in the manner provided in such Contract.

4.4.3 The Managing Member, the Management Company and their respective Affiliates shall be entitled to receive management, directors', consulting and other similar fees and compensation from Portfolio Companies; provided that the amount of such fees and other compensation is reasonable in relation to the work involved and bears a reasonable relation to fees and compensation charged for similar work by third parties. One-half of such fees shall be credited against the Management Fee payable by the Company and the Funds in proportion to their respective aggregate capital commitments and if such portion of such fees exceeds the Management Fee, such excess shall be credited against the Management Fee payable by the Company and the Funds in subsequent periods in proportion to their respective aggregate capital commitments. To the extent such amounts exceed total future installments of the Management Fee, they shall be paid to the Company and the Funds in proportion to their respective aggregate capital commitments and included in their respective operating receipts.

Any Break-Up Fee payable to the Company, the Managing Member, the Management Company or their respective Affiliates shall be paid as follows. An amount equal to the aggregate unreimbursed fees and expenses paid by the Company, the Managing Member, the Management Company or their Affiliates which were specific to the transaction giving rise to such fee shall be paid to each such entity in proportion to the fees and expenses incurred by it. The balance of any such Break-Up Fee shall be paid to the Management Company; provided that one-half of the remaining Break-Up Fee shall be credited against the Management Fee payable by the Company and the Funds in subsequent periods in proportion to their respective aggregate capital commitments.

4.4.4 Except as provided in the Management Contract, the Company shall be responsible for and shall pay all fees and reasonable expenses of the Company; provided that, with respect to consummated investments, it is expected, and the Management Company will use its reasonable best efforts to ensure that such fees and expenses are paid by the Portfolio Company in which the investment is made.

ARTICLE FIVE

OTHER ACTIVITIES OF MEMBERS; CONFLICTS OF INTEREST

Section 5.1 Commitment of Members. The Managing Member hereby agrees to use its best efforts in connection with the purposes and objectives of the Company and to devote to such purposes and objectives such of its time and resources as shall be necessary for the

management of the affairs of the Company. Subject to the other provisions of this Agreement, the Members and any of their respective Affiliates may act as a director, officer, employee or advisor of any corporation, a trustee of any trust, or a partner of any partnership; may receive compensation for its services as an advisor with respect to, or participation in profits derived from, the investments of any such corporation, trust or partnership; and may acquire, invest in, hold and sell securities of any entity. Neither the Company, the Capital Member nor Managing Member shall have by virtue of this Agreement, any right, title or interest in or to such other corporation, trust, partnership, investment or security.

Section 5.2 Agreements with Portfolio Companies. The Managing Member, the Parent and its or their Affiliates may enter into contracts, commitments and agreements with Portfolio Companies consistent with Section 5.4 for the benefit of said Managing Member, the Parent and/or its or their Affiliates.

Section 5.3 Obligations and Opportunities for Members. The Managing Member shall be obligated to refer investment opportunities, consistent with the purposes and objectives of the Company, to the Company. Any determination as to the appropriateness of an investment opportunity for the Company or for an Affiliate of the Company or for the Parent shall be made by the Capital Member.

Section 5.4 Conflicts of Interest. No contract or transaction between the Capital Member or the Company and one or more of its Members or Affiliates, or between the Capital Member or the Company and any other corporation, partnership association or other organization in which one or more of its Members or affiliates are directors, officers or partners or have a financial interest, shall be void or voidable solely for such reason, or solely because the Member or any such Affiliate is present at or participates in any meeting of directors or partners or Members which authorizes the contract or transaction, or solely because his, her or its vote is counted for such purpose, if:

5.4.1 the material facts as to his, her or its interest as to the contract or transaction are disclosed or are known to the directors, partners or members and the directors, partners or members authorize the contract or transaction by a vote sufficient for such purpose without counting the vote of the interested director, partner or member even though the disinterested directors, partners or members be less than a quorum; or

5.4.2 the material facts as to his, her or its interest and as to the contract or transaction are disclosed or are known to the partners, directors or members entitled to vote thereon, and the contract or transaction is specifically approved by a vote of the partners or directors; or

5.4.3 the contract or transaction is fair to the Capital Member, the Company or its or their Affiliates as of the time it is authorized, approved or ratified by the directors or the partners.

ARTICLE SIX

TRANSFERABILITY

Section 6.1 Assignment of Member Interest.

6.1.1 Subject to Section 6.2 below, the Capital Member may transfer or assign all or any part of its interest in the Company as set forth in this Section to a substitute Member ("Substitute Member"). A transferee or assignee of the Capital Member's interest in the Company that does not comply with the provisions of this Section 6.1 shall not be admitted to the Company as a Substitute Member and shall have none of the rights of the Capital Member and the assigning or transferring Capital Member in such case shall remain fully liable for all obligations hereunder as if such assignment or transfer had not occurred. The assignee or transferee of the Capital Member's Interest in the Company (an "Assignee") shall have the right to become a Substitute Member only if the following conditions are satisfied:

6.1.1.1 A duly executed and acknowledged written instrument of assignment shall have been delivered to the Company.

6.1.1.2 The Capital Member and the Assignee shall have executed and acknowledged such other instruments and taken such other action as the Managing Member shall reasonably deem necessary or desirable to effect such substitution, including, without limitation, the execution by the Assignee of a transfer document and an appropriate amendment to this Agreement.

6.1.1.3 The restrictions on transfer contained in Section 6.2 shall be inapplicable, and, if requested by the Managing Member, the Capital Member or the Assignee shall have obtained an opinion of counsel reasonably satisfactory to the Managing Member as to the legal matters set forth in that Section.

6.1.1.4 The Capital Member or the Assignee shall have paid all expenses incurred by or on behalf of the Company in connection with such substitution.

6.1.1.5 The Managing Member shall have Consented, in its sole and absolute discretion, to such substitution.

Any assignment or transfer not in compliance with this Article Six shall have no force or effect, and the assigning or transferring Member shall continue for all purposes under the Act and this Agreement to be a Member of the Company.

6.1.2 The Managing Member may not sell, assign or otherwise transfer all or any part of its interest as a Managing Member of the Company in any respect whatsoever, without the Consent of the Capital Member.

Section 6.2 Restrictions on Transfer. Notwithstanding any other provision of this Agreement, no Member may assign or otherwise transfer all or any part of its interest in the Company, and no attempted or purported assignment or transfer of such interest shall be effective, if, in the opinion of counsel to the Company, such assignment or transfer (i) may not be effected without registration under the Securities Act of 1933, as amended, (ii) would result in the violation of any applicable state securities laws, (iii) would result in a termination of the Company under Section 708 of the Code, unless such a transfer is consented to by all of the Members or (iv) would result in the treatment of the Company as an association taxable as a corporation or as a "publicly-traded limited partnership" for tax purposes, unless such a transfer is consented to by all of the Members. The Company shall not be required to recognize any assignment until the instrument conveying such interest has been delivered to the Company for recordation on the books of the Company. Unless an assignee becomes a substituted Member in accordance with the provisions of Section 6.1, it shall not be entitled to any of the rights granted to a Member hereunder, other than the right to receive all or part of the share of the Profits, Losses, distributions of cash or property or returns of capital to which his assignor would otherwise be entitled.

ARTICLE SEVEN

LIABILITY OF MEMBERS; INDEMNIFICATION

Section 7.1 Liability of Managing Member.

7.1.1. The Managing Member shall not be liable to the Company or any Member for any act or omission taken by the Managing Member in good faith and in the belief that such act or omission is in the best interests of the Company; provided that such act or omission is not in violation of this Agreement and does not constitute negligence, misconduct, fraud or a willful violation of law by the Managing Member. The Managing Member shall not be liable to the Company or any other Member for any action taken by any other Member, nor shall any Managing Member (in the absence of negligence, misconduct, fraud or a willful violation of law by the Managing Member) be liable to the Company or any other Member for any action of any employee or agent of the Company provided that the Managing Member shall have exercised appropriate care in the selection and supervision of such employee or agent.

7.1.2 Whenever in this Agreement the Managing Member is permitted or required to make a decision (i) in its "discretion" or "sole discretion" or under a grant of similar authority or latitude, the Managing Member shall be entitled to consider only such interests and factors as it desires, including its own interests, and shall have no duty or obligation to give any consideration to any interests of or factors affecting

the Company or any other Person, or (ii) in its "good faith" or under another express standard, the Managing Member shall act under such express standard and shall not be subject to any other or different standard imposed by this Agreement or other applicable law.

Section 7.2 Indemnification of the Managing Member and the Capital Member. Each Member and its respective partners, agents, employees and Affiliates (the "Indemnitees") shall be and hereby are (i) indemnified and held harmless by the Company and (ii) released by the other Members from and against any and all claims, demands, liabilities, costs, expenses, damages, losses, suits, proceedings and actions for which such Indemnitee has not otherwise been reimbursed (collectively, "Liabilities"), whether judicial, administrative, investigative or otherwise, of any nature whatsoever, known or unknown, liquidated or unliquidated, that may accrue to the Company or any other Member or in which any of the Indemnitees may become involved, as a party or otherwise, arising out of the conduct of the business or affairs of the Company by the respective Indemnitee or otherwise relating to this Agreement, provided that an Indemnitee shall not be entitled to indemnification or release hereunder if it shall have been determined by (i) in the case of the Capital Member or an Indemnitee claiming by or through the Capital Member, a court of competent jurisdiction, or (ii) in the case of the Managing Member or an Indemnitee claiming by or through the Managing Member, by the Capital Member, that (x) such person did not act in good faith and in a manner such person reasonably believed to be in the best interests of the Company and, in the case of a criminal proceeding, did not have reasonable cause to believe that its conduct was lawful, or (y) such Liabilities shall have arisen from a violation of this Agreement or the negligence, misconduct, fraud or willful violation of law by such Indemnitee, or actions of such Indemnitee outside the scope of and unauthorized by this Agreement, and provided further that an Indemnitee shall not be entitled to indemnification or release hereunder with respect to any liability arising in connection with its activities performed for or on behalf of any Portfolio Company, the securities of which have been sold or have been distributed to the Members pursuant to Section 3.9, if such activities were performed after the date on which such securities were sold or distributed. The termination of any proceeding by settlement shall not, of itself, create a presumption that the Indemnitee did not act in good faith and in a manner that such person reasonably believed to be in the best interests of the Company or that the Indemnitee did not have reasonable cause to believe that its conduct was lawful. The indemnification rights provided for in this Section shall survive the termination of the Company or this Agreement.

Expenses incurred by an Indemnitee in defense or settlement of any claim that may be subject to a right of indemnification hereunder may be advanced by the Company prior to the final disposition thereof provided that the following conditions are satisfied: (i) the claim relates to the performance of duties or services by the Indemnitee on behalf of the Company and (ii) the Indemnitee undertakes to repay the advanced funds to the Company if it is ultimately determined that the Indemnitee is not entitled to be indemnified hereunder or under applicable law. The right of any Indemnitee to the indemnification provided herein shall be cumulative of, and in addition to, any and all rights to which such Indemnitee may otherwise

be entitled by contract or as a matter of law or equity and shall extend to such Indemnitee's successors, assigns and legal representatives. The obligations of the Members under this Article Seven shall be satisfied only after any applicable insurance proceeds have been exhausted and then only out of Company assets and, to the extent required by law, distributions made by the Company to the Members, and the Members shall have no liability to fund indemnification payment hereunder.

ARTICLE EIGHT

DISSOLUTION, LIQUIDATION AND TERMINATION OF THE COMPANY

Section 8.1 Events Causing Dissolution.

The Company shall dissolve upon and its affairs shall be wound up after the happening of any of the following events:

8.1.1 the Consent of all of the Members;

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

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

Section 8.2 Wind Up and Liquidation.

8.2.1 The Managing Member, or an authorized liquidating trustee for the Company if one is appointed, shall be responsible for the winding up and liquidation of the Company. Subject to Section 3.8, the Managing Member or such liquidating trustee shall have full right and unlimited discretion to determine the time, manner and terms of any sale or sales of Company assets pursuant to such liquidation for the purpose of obtaining fair value for such assets, having due regard to the activity and condition of the relevant markets and general financial and economic conditions. Prior to the distribution of all of the assets of the Company and the cancellation of the Company's Certificate of Formation, the business of the Company and the affairs of the Members, as such, shall continue to be governed by this Agreement.

8.2.2 Profit or Loss and other items arising from sales upon liquidation shall be allocated, and the proceeds of such liquidation shall be applied, as provided in Article Three.

8.2.3 In connection with the dissolution and liquidation of the Company, the Managing Member or authorized liquidating trustee shall file an instrument evidencing the cancellation of the Certificate in accordance with the Act.

ARTICLE NINE

BOOKS AND RECORDS; ACCOUNTING; TAX ELECTIONS

Section 9.1 Accounting for the Company. The Company shall use the accrual method of accounting and its financial statements shall be prepared in accordance with generally accepted accounting principles. The Company's tax return shall be prepared on an accrual basis. The Fiscal Year of the Company shall end on July 31.

Section 9.2 Books and Records. The Managing Member shall keep or cause to be kept complete and appropriate records and books of account. Except as otherwise expressly provided herein, such books and records shall be maintained on the basis used in preparing the Company's Federal income tax returns. Such information as is necessary to reconcile such books and records with generally accepted accounting principles shall also be maintained. The books and records shall be maintained at the principal office of the Company and shall be available for inspection and copying by any Member at its expense during ordinary business hours following reasonable notice.

Section 9.3 Reports to Members. Promptly after consummation of each investment in a Portfolio Company, the Managing Member shall prepare and deliver to each Member a description of such investment and the Portfolio Company in which it was made. Within forty-five (45) days after the end of each calendar quarter, the Managing Member will prepare and deliver to each Member (i) an unaudited balance sheet and income statement of the Company for such quarter, accompanied by a report on any material developments in existing investments which occurred during such quarter and (ii) a statement showing the balance in such Member's Capital Account and a reconciliation of such balance. After the end of each Fiscal Year, the Managing Member shall cause an audit of the Company to be made by an independent public accountant of nationally recognized status of the financial statements of the Company for that year. Such audit shall be certified and a copy thereof shall be delivered to each Member within ninety (90) days after the end of each of the Company's Fiscal Years. Such certified financial statements shall also be accompanied by a report on the Company's activities during the year prepared by the Managing Member. Within ninety (90) days after the end of each Fiscal Year, the Company will deliver to each Member the Managing Member' good faith estimate of the fair value of the Company's investments as of the end of such year, a statement showing the balances in each Member's Capital Account as of the end of such year, and such other information, reports and forms as are necessary to assist each Member in the preparation of his federal, state and local tax returns. The Managing Member shall give prompt notice to the Members if at any time the Company's general counsel or accountants withdraw or are replaced.

Section 9.4 Elections. The Managing Member shall cause the Company to make such elections under the Code and the Regulations, including those permitted by Sections 709(b) and 754 of the Code, and state tax or similar laws as it shall determine to be in the Members' best interests.

ARTICLE TEN

DEFINITIONS

The defined terms used in this Agreement shall, unless the context otherwise requires, have the meanings specified in this Article Twelve. The singular shall include the plural and the masculine gender shall include the feminine, the neuter and vice versa, as the context requires:

"Act" means the Delaware Limited Liability Company Act as amended from time to time, and any successor to such Act.

"Adjusted Capital Account Deficit" means, with respect to any Member, the deficit balance, if any, in such Member's Capital Account as of the end of the relevant Fiscal Year or other accounting period determined after (i) crediting to such Capital Account any amounts which such Member is obligated to restore thereto hereunder or is deemed to be obligated to restore thereto pursuant to the penultimate sentences of Sections 1.704-2(g)(1) and 1.704-2(h)(5) of the Regulations and (ii) debiting to such Capital Account the items described in Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), and 1.704-1(b)(2)(ii)(d)(6) of the Regulations. The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Section 1.704-1(b)(2)(ii)(d) of the Regulations and shall be interpreted consistently therewith.

"Affiliate" means with respect to any Person, any officer, director, member, employee or partner of, or any Person that directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such Person.

"Agreement" means this Limited Liability Company Agreement, as originally executed and as amended, modified, supplemented or restated from time to time, as the context requires.

"Assignee" is as defined in Section 6.1.

"Available Cash" means amounts received by the Company from all sources including with respect to (including payments and distributions on and proceeds of dispositions of) interests in and assets of Portfolio Companies, net of (i) amounts necessary to pay all expenses, debts and obligations of the Company, including without limitation, the Management Fee, or to establish reserves therefor, and (ii) amounts deemed necessary by the

Managing Member, in its sole discretion, to make Follow-on Investments pursuant to Section 4.2.11. Available Cash shall include the amount of any fees paid to the Company.

"Break-up Fee" means any fee, reimbursement or other form of compensation payable by a third party as a result of the failure to consummate an investment.

"Business Day" means any day, including Saturday, Sunday and any other day on which commercial banks in Boston, Massachusetts are required by law not to be open for business.

"Capital Account" means, with respect to any Member, the capital account established and maintained for such Member pursuant to Section 2.3.

"Capital Commitment" is as defined in Section 2.1.

"Capital Contribution" is as defined in Section 2.1.

"Carrying Value" means, with respect to any asset, the asset's adjusted basis for federal income tax purposes; provided, however, that (i) the initial Carrying Value of any asset contributed to the Company shall be adjusted to equal its gross fair market value at the time of its contribution and (ii) the Carrying Values of all assets held by the Company shall be adjusted to equal their respective gross fair market values (taking Code Section 7701(g) into account) upon an adjustment to the Capital Accounts of the Members described Section 2.3.3. The Carrying Value of any asset whose Carrying Value was adjusted pursuant to the preceding sentence thereafter shall be adjusted in accordance with the provisions of Section 1.704-1(b)(2)(iv)(g) of the Regulations.

"Certificate" means the Certificate of Formation filed on behalf of the Company with the Secretary of State of the State of Delaware, as such certificate may be amended from time to time.

"Code" means the Internal Revenue Code of 1986, as amended, and, where applicable, any predecessor or successor thereto.

"Company" means CMG @Ventures III, LLC.

"Consent" means the prior written approval of a Member to an action or matter.

"Financial Institution" means a bank, savings institution, trust company, insurance company, pension or profit sharing trust, or similar entity which is a member of any group of such persons, having assets of at least $100 million, or other entity (other than an individual) a substantial part of whose business consists of investing in, purchasing or selling the securities of others.

"Fiscal Year" means the fiscal year ending on the last day of July in any year. In the case of the first and last fiscal years, the fraction thereof commencing on the date on which the Company is formed or ending on the date on which the winding up of the Company is completed, as the case may be.

"Follow-on Investment" means any investment in Portfolio Securities of a Portfolio Company in which the Company holds, immediately prior thereto, Portfolio Securities.

"Investments" is as defined in Section 1.2.

"Management Company" means @Ventures Management, LLC, a Delaware limited liability company.

"Management Contract" means the management contract between the Company and the Management Company.

"Management Fee" means the management fee payable by the Company to the Management Company pursuant to the Management Contract.

"Marketable Securities" means securities (i) that are freely tradeable pursuant to a registration under the Securities Act of 1933, as amended, or an exemption therefrom, (ii) that immediately after giving effect to their distribution will not be subject to any contractual restriction on transfer, (iii) that are traded on a national securities exchange or reported through the National Association of Securities Dealers Automated Quotation System, and (iv) that may be sold without regard to volume limitations.

"Notification" means a writing, containing the information required by this Agreement to be communicated to any Person, sent as provided in Section 11.2.

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

"Person" means any individual, corporation, Company, trust, unincorporated organization or association, or other entity.

"Portfolio Companies" means companies in which the Company makes investments in accordance with the provisions of this Agreement.

"Portfolio Securities" is as defined in Section 1.2.

"Profits" and "Losses" mean the taxable income or loss, as the case may be, for a period as determined in accordance with Code Section 703(a) computed with the following adjustments:

(i) Items of gain, loss, and deduction shall be computed based upon the Carrying Values of the Company's assets (in accordance Sections 1.704(b)(2)(iv)(g) and/or 1.704-3(d) of the Regulations) rather than upon the assets' adjusted bases for federal income tax purposes;

(ii) Any tax-exempt income received by the Company shall be included as an item of gross income;

(iii) The amount of any adjustments to the Carrying Values of any assets of the Company pursuant to Code Section 743 shall not be taken into account;

(iv) Any expenditure of the Company described in Code Section 705(a)(2)(B) (including any expenditures treated as being described in Section 705(a)(2)(B) pursuant to Treasury Regulations under Code Section 704(b)) shall be treated as a deductible expense;

(v) The amount of items of income, gain, loss or deduction specially allocated to any Members pursuant to Section 3.2 shall not be included in the computation; and

(vi) The amount of any items of Profits or Losses deemed realized pursuant to Sections 2.3.2 and 2.3.3 shall be included in the computation.

"Regulations" means the Income Tax Regulations promulgated from time to time under the Code. References to specific sections of the Regulations shall be to such sections as amended, supplemented or superseded by Regulations currently in effect.

"Substitute Member" is as defined in Section 6.1.

"Temporary Investments" means

(i) Investments in direct obligations of the United States of America, or obligations of any instrumentality or agency thereof, payment of principal and interest of which is unconditionally guaranteed by the United States of America, having a final maturity of not more than one hundred eighty (180) days from the date of issue thereof.

(ii) Investments in certificates of deposit or repurchase agreements having a final maturity not more than one hundred eighty (180) days from the date of acquisition thereof issued by any bank or trust company organized under the laws of the United States of America or any state thereof having capital and surplus of at least $100,000,000;

(iii) Investments in money market funds; and

(iv) Commercial paper payable on demand or having a final maturity not more than 180 days from the date of acquisition thereof which has the highest credit rating of either Standard & Poor's Corporation or Moody's Investors Service, Inc.

ARTICLE ELEVEN

MISCELLANEOUS PROVISIONS

Section 11.1 Appointment of Tax Matters Partner. The Managing Member shall be the "Tax Matters Partner" for the Company as defined in Section 6231(a)(7) of the Code. As Tax Matters Partner, the Managing Member shall have all of the rights, duties, obligations and powers of a Tax Matters Partner, as so defined, set forth in Sections 6221 through 6233 of the Code, but shall have no authority to bind the Capital Member.

Section 11.2 Notification.

11.2.1 Except as otherwise specifically provided in this Agreement, any Notification to a Member shall be at the address of such Member or appointee set forth in the books and records of the Company or such other mailing address of which such Member shall advise the Managing Member in writing. Any Notification to the Company or the Managing Member shall be at the principal office of the Company or the address of the Managing Member, as the case may be, as set forth in the books and records of the Company. The Managing Member may at any time change the location of its principal office. Notification of any such change shall be given to the Members on or before the date of any such change.

11.2.2 Any Notification shall be deemed to have been duly given if personally delivered or sent by United States mail or express mail service or by telegram confirmed by letter and will be deemed given, unless earlier received, (1) if sent by certified or registered mail, return receipt requested, or by first-class mail, five calendar days after being deposited in the United States mails, postage prepaid, (2) if sent by United States Express Mail or other express mail service, two Business days after being deposited therein, (3) if sent by telegram or telecopy, on the date sent provided confirmatory notice is sent by first-class mail, postage prepaid, and (4) if delivered by hand, on the date of receipt.

Section 11.3 Amendments. This Agreement may be amended from time to time with the consent of all Members.

Section 11.4 Binding Provisions. The covenants and agreements contained herein shall be binding upon and inure to the benefit of the heirs, executors, administrators, successors and assigns of the respective parties hereto.

Section 11.5 No Waiver. The failure of any Member to seek redress for violation, or to insist on strict performance, of any covenant or condition of this Agreement shall not prevent a subsequent act which would have constituted a violation from having the effect of an original violation.

Section 11.6 Applicable Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware.

Section 11.7 Separability of Provisions. Each provision of this Agreement shall be considered separable, and if for any reason any provision or provisions of this Agreement, or the application of such provision to any Person or circumstance, shall be held invalid or unenforceable in any jurisdiction, such provision or provisions shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without invalidating the remaining provisions hereof, or the application of the affected provision to Persons or circumstances other than those to which it was held invalid or unenforceable, and any such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 11.8 Entire Agreement. This Agreement constitutes the entire agreement among the parties governing the relationship established hereby. This Agreement supersedes any prior agreement or understanding among the parties and may not be modified or amended in any manner other than as set forth herein or therein.

Section 11.9 Section Titles. Section titles are for descriptive purposes only and shall not control or alter the meaning of this Agreement as set forth in the text.

Section 11.10 Counterparts. This Agreement may be executed in several counterparts, all of which together shall constitute one agreement binding on all parties hereto notwithstanding that all the parties have not signed the same counterpart.

Section 11.11 Variation of Pronouns. When used herein, pronouns and variations thereof shall be deemed to refer to the masculine, feminine or neuter or to the singular or plural as the identity of the Person or Persons referenced or the context may require.

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

MANAGING MEMBER:	CAPITAL MEMBER:
@VENTURES PARTNERS III, LLC	CMG@VENTURES CAPITAL CORP.
By: /s/ Andrew J. Hajducky, III	By: /s/ Andrew J. Hajducky, III
Name: Andrew J. Hajducky, III	Name: Andrew J. Hajducky, III
Title: Managing Member	Title: Chief Financial Officer

SCHEDULE 1

Percentage Interests

Name	Percentage Interest
CMG@Ventures Capital Corp.	99.9%
@Ventures Partners III, LLC	0.1%

EXHIBIT 10.47

AGREEMENT OF
LIMITED PARTNERSHIP OF
@VENTURES III, L.P.

August 7, 1998

AGREEMENT OF
LIMITED PARTNERSHIP OF
@VENTURES III, L.P.

TABLE OF CONTENTS

AGREEMENT OF
LIMITED PARTNERSHIP OF
@VENTURES III, L.P.

AGREEMENT OF LIMITED PARTNERSHIP dated as of August 7, 1998 (the "Agreement"), by and among @Ventures Partners III, LLC (referred to as the "General Partner") and the undersigned limited partners (together with any other limited partner which may hereafter be admitted referred to as the "Limited Partners"). The General Partner and the Limited Partners are sometimes collectively referred to herein as the "Partners" and individually as a "Partner". Definitions of certain terms used in this Agreement are contained in Article I.

AGREEMENT

In consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

I.

DEFINITIONS

As used herein, the following terms have the following meanings:

@Ventures III:

@Ventures Partners III, LLC, a Delaware limited liability company, or any successor general partner of the Partnership.

Accredited Investor:

An investor which qualifies as an "accredited investor" as defined in Regulation Section 230.501 of Regulation D promulgated under the Securities Act.

Act:

The Delaware Revised Uniform Limited Partnership Act, as amended from time to time.

Adjusted Capital Account Deficit:

With respect to any Partner, the deficit balance, if any, in such Partner's Capital Account as of the end of the relevant fiscal year or other accounting period determined after (i) crediting to such Capital Account any amounts which such Partner is obligated to restore thereto hereunder or is deemed to be obligated to restore thereto pursuant to the penultimate sentences of

Sections 1.704-2(g)(1) and 1.704-2(i)(5) of the Treasury Regulations and (ii) debiting to such Capital Account the items described in Sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6) of the Treasury Regulations. The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Section 1.704-1(b)(2)(ii)(d) of the Treasury Regulations and shall be interpreted consistently therewith.

Affiliates:
- ----------

With respect to any person, any officer, director, employee or general partner of, or any person that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with, such person. The General Partner and its individual members shall all be deemed Affiliates of one another.

Assignee:
- --------

As defined in Section 8.3.

Break-up Fee:
- ------------

Any fee, reimbursement or other form of compensation payable by a third party as a result of the failure to consummate an investment.

Bridge Financing:
- ----------------

As defined in Section 4.1.

Business Day:
- ------------

Any day, excluding Saturday, Sunday and any other day on which commercial banks in Boston, Massachusetts are authorized or required by law not to be open for business.

CMGI:
- ----

CMG Information Services, Inc., a Delaware corporation.

CMGI Funds:
- ----------

The Prior Funds and any other corporation, partnership or limited liability company organized by CMGI in order to facilitate its co-investment obligation under Section 7.4 hereof.

Capital Account:
- ---------------

As defined in Section 3.2.

Capital Commitment:
- ------------------

As defined in Section 3.1.

Capital Contribution:
- --------------------

As defined in Section 3.1.

Capital Contribution Allocable to Liquidated Portfolio Securities:
- ---

With respect to any Partner or class of Partners as of any time of determination, that portion of the Capital Contributions of such Partner or Partners equal to the cost basis of Portfolio Securities that have been liquidated or otherwise disposed of. Capital Contributions Allocable to Liquidated Portfolio Securities shall include (i) the unreimbursed cost to the Partnership of acquiring, holding and selling Portfolio Securities, (ii) any Deemed Portfolio Loss and (iii) that portion of the expenses of the Partnership described in Section 6.5.A(1) that is equal to the ratio of the cost basis of such liquidated Portfolio Security to the total Capital Commitments of the Partnership (provided, however, that in the case of the last investment by the Partnership in a Portfolio Security, any such expenses that have not previously been allocated shall be allocated in their entirety to such last investment for purposes of determining the Capital Contribution of the Partners allocable to such Portfolio Security). For the purposes of Section 5.2B(1) Capital Contributions Allocable to Liquidated Portfolio Securities shall be reduced by any Deemed Portfolio Loss previously distributed with respect to that security pursuant to Section 5.2B(1).

Capital Contribution Allocable to Portfolio Securities:
- --

With respect to any Partner or class of Partners as of any time of determination, (i) that portion of the Capital Contributions of such Partner or Partners that have been invested in Portfolio Securities, including the unreimbursed cost to the Partnership of acquiring, holding and selling Portfolio Securities (to the extent not paid by break-up and other fees as provided in Sections 6.5.E and 6.5.F), and (ii) that portion of the expenses of the Partnership described in Section 6.5.A(1) that is equal to the ratio of the cost basis of Portfolio Securities to the total Capital Commitments of the Partnership (provided, however, that in the case of the last investment by the Partnership in a Portfolio Security, any such expenses that have not previously been allocated shall be allocated in their entirety to such last investment for purposes of determining the Capital Contribution of the Partners allocable to such Portfolio Security).

Code:
- ----

The Internal Revenue Code of 1986, as amended.

Co-investment Obligation:
- ------------------------

As defined in Section 7.4.

Committed Investment:
- --------------------

An investment in Portfolio Securities in which the Partnership had an obligation to invest as of the last day of the Commitment Period pursuant to either (i) a commitment to make an initial investment in a Portfolio Company or (ii) a commitment made at the time of the initial investment in a Portfolio Company.

Commitment Period:
- -----------------

The period from the Initial Closing Date to four years from such date.

Continuity Mode:
- ---------------

Status which the Limited Partners can impose upon the Partnership in the event of a Triggering Event as described in Section 6.4.

Deemed Portfolio Loss:
- ---------------------

As defined in Section 5.2.D.

Defaulting Partner:
- ------------------

As defined in Section 3.4.

Dissolution Sale:
- ----------------

Sales and liquidations by or on behalf of the Partnership of all or substantially all of its assets in connection with or in contemplation of the winding up of the Partnership.

DOL Regulations:
- ---------------

The United States Department of Labor Regulations as in effect from time to time.

Eighty Percent (80%) in Interest of the Limited Partners:
- ---

At any time, those Limited Partners whose aggregate Percentage of Contributed Capital equals or exceeds eighty percent (80%).

ERISA:
- -----

The Employee Retirement Income Security Act of 1974 as amended.

ERISA Affiliate:
- ---------------

Any "plan sponsor" (within the meaning of Section 3(16)(B) of ERISA) with respect to an ERISA Partner, and any other persons that would be aggregated with any plan sponsor and treated as a single employer for purposes of Section 414 of the Code or Title I of ERISA.

ERISA Partner:
- -------------

A Limited Partner that is either (a) an employee benefit plan as defined in Section 3(3) of ERISA which is subject to Title I of ERISA (after taking into account Section 4 of ERISA), or (b) a plan described in Section 4975(e)(1) of the Code (after taking into account Section 4975(g) of the Code).

Escrow Account:
- --------------

As defined in Section 5.2.F.

Financial Institution:
- ---------------------

A bank, savings institution, trust company, insurance company, pension or profit sharing trust, or similar entity which is a member of any group of such persons having assets of at least $100 million, or other entity (other than an individual) a substantial part of whose business consists of investing in, purchasing or selling the securities of others.

Follow-on Investment:
- --------------------

An investment, other than a Committed Investment, in Portfolio Securities of a Portfolio Company in which the Partnership holds, immediately prior thereto, Portfolio Securities.

Foreign Fund:
- ------------

Any limited partnership or other investment vehicle formed or organized by the General Partner or an Affiliate of the General Partner and designed for investors formed or organized in a

jurisdiction other than the United States or any state, district or territory thereof, which will coinvest with the Partnership in the acquisition of Portfolio Securities.

General Partner:
- ---------------

@Ventures Partners III, LLC or any successor general partner of the Partnership.

Incentive Distributions:
- -----------------------

As defined in the last paragraph of Section 5.2.B.

Indemnitees:
- -----------

As defined in Section 9.3.

Initial Closing Date:
- --------------------

The first date on which any Limited Partner, other than the Initial Limited Partner, is admitted to the Partnership.

Investment Company Act:
- ----------------------

The Investment Company Act of 1940, as amended.

Investment Gain:
- ---------------

For any fiscal year or other accounting period of the Partnership, the amount, if any, by which the Partnership's gross taxable income and gains with respect to interests in Portfolio Companies exceed the Partnership's gross taxable deductions and losses with respect to such interests in Portfolio Companies. The following amounts shall be included in determining Investment Gain: (i) any interest, dividend or similar distribution with respect to Portfolio Securities, and (ii) any and all payments arising out of the disposition of Portfolio Securities, including without limitation any option payment, lump sum payment, principal or interest paid or imputed under any promissory note, and any payment made pursuant to a royalty or earn-out arrangement or similar form of contingent payment. Calculations of Investment Gain shall be consistent with calculations made for federal income tax purposes, except that Investment Gain shall be determined (w) by taking into account unrealized gains and losses with respect to Portfolio Securities that are revalued pursuant to the penultimate sentence of Section 3.2 or distributed in kind hereunder, (x) with reference to the book value rather than the adjusted tax basis of any Portfolio Security that has been revalued pursuant to the penultimate sentence of Section 3.2, (y) without regard to any amounts that are specially allocated pursuant to

Sections 5.8. and 5.9, and (z) without giving effect to any adjustments made pursuant to Sections 743 or 734 of the Code. Notwithstanding the foregoing, Investment Gain shall not include (i) interest or dividends received from, or gain received upon the disposition of, Temporary Bridge Financing or Permanent Bridge Financing, (ii) the amount of any fees paid to the Partnership pursuant to Section 6.5.E, and (iii) the amount of any fees paid to the Partnership pursuant to Section 6.5.F.

Investment Loss:
- ---------------

For any fiscal year or other accounting period of the Partnership, the amount, if any, by which the Partnership's gross taxable deductions and losses with respect to interests in Portfolio Companies exceed the Partnership's gross taxable income and gains with respect to interests in Portfolio Companies. Calculations of Investment Loss shall be consistent with calculations made for federal income tax purposes and with the calculation of Investment Gain.

Investment Receipts:
- -------------------

Amounts received by the Partnership with respect to (including payments and distributions on and proceeds of dispositions of) interests in and assets of Portfolio Companies, net of amounts necessary to pay all expenses, debts and obligations of the Partnership or to establish reserves therefor. Investment Receipts shall exclude (i) interest or dividends received from, or gain received upon the disposition of, Temporary or Permanent Bridge Financing, (ii) the amount of any fees paid to the Partnership pursuant to Section 6.5.E, and (iii) the amount of any fees paid to the Partnership pursuant to Section 6.5.F.

Liabilities:
- -----------

As defined in Section 9.3.

Liquidated Portfolio Securities:
- -------------------------------

Portfolio Securities that have been liquidated or otherwise disposed of.

Limited Partners:
- ----------------

As defined in the recitals.

Majority in Interest of Limited Partners:
- --

At any time, those Limited Partners whose aggregate Percentage of Contributed Capital exceeds fifty percent (50%).

Management Company:
- ------------------

@Ventures Management, LLC, a Delaware limited liability company.

Management Contract:
- -------------------

The management contract with the Management Company in the form attached hereto as Exhibit A.

Management Fee:
- --------------

The management fee payable by the Partnership to the Management Company pursuant to the Management Contract.

Marketable Securities:
- ---------------------

Securities (i) that are freely tradeable pursuant to a registration under the Securities Act of 1933, as amended, or an exemption therefrom, (ii) that immediately after giving effect to their distribution will not be subject to any contractual restriction on transfer, (iii) that will be traded on a national securities exchange or reported through the National Association of Securities Dealers Automated Quotation System, and (iv) that may be sold without regard to volume limitations.

Net Investment Gain:
- -------------------

As of any time of determination, the amount, if any, by which the sum of the Investment Gains for all fiscal years and other accounting periods of the Partnership exceeds the sum of the Investment Losses for all fiscal years and other accounting periods of the Partnership.

Net Operating Income:
- --------------------

As of any time of determination, the amount, if any, by which the sum of the Operating Income for all fiscal years and other accounting periods of the Partnership exceeds the sum of the Operating Losses for all fiscal years and other accounting periods of the Partnership.

Operating Income (Loss):
- ------------------------

For any fiscal year or other accounting period of the Partnership the excess (deficiency) of all income and gains of the Partnership, from whatever source derived, over the losses and expenses borne by the Partnership (including the Management Fee), including any income, gain, losses or expenses relating to Temporary Bridge Financing or Permanent Bridge Financing but excluding Investment Gain (Loss) all as calculated for federal income tax purposes, except that Operating Income (Loss) shall be computed with the following adjustments: (i) income of the Partnership that is exempt from federal income tax and that is not otherwise taken into account in computing income or loss shall be added to Operating Income (Loss); (ii) expenditures of the Partnership that are neither deductible for Federal income tax purposes nor allowable as additions to the basis of Partnership property (or that are so treated pursuant to Section 1.704-1(b)(2)(iv)(i) of the Treasury Regulations) shall be subtracted from such taxable income or loss; and (iii) there shall not be taken into account any items that are specially allocated pursuant to Sections 5.8.A, 5.8.C, 5.8.D and 5.9.

Operating Receipts:
- -------------------

All amounts received by the Partnership other than Investment Receipts, net of amounts necessary to pay all expenses, debts and obligations of the Partnership or to establish reserves therefor.

Partners:
- --------

As defined in the recitals hereof.

Partnership:
- -----------

@Ventures III, L.P., a Delaware limited partnership.

Percentage of Contributed Capital:
- ---------------------------------

In the case of each Partner, except as provided in Sections 3.3 and 3.4, the Capital Contributions of such Partner divided by the sum of the Capital Contributions of all Partners.

Permanent Bridge Financing:
- --------------------------

As defined in Section 4.3.

Portfolio Companies:
- -------------------

Companies in which the Partnership makes investments in accordance with the provisions of this Agreement.

Portfolio Securities:
- --------------------

Equity and equity-related securities of Portfolio Companies in which the Partnership invests in accordance with the provisions of this Agreement. Temporary Bridge Financing and Permanent Bridge Financing shall not be considered to be Portfolio Securities except for the purpose of calculating the amount of Investment Receipts to be distributed and allocated pursuant to Sections 5.2.B(2) and 5.7.B(4).

Prior Funds:
- -----------

CMG@Ventures I, LLC and CMG@Ventures II, LLC.

Prohibited Transaction:
- ----------------------

A non-exempt prohibited transaction (within the meaning of Section 406 of ERISA or Section 4975 of the Code).

Removal Date Securities:
- -----------------------

As defined in Section 8.5.

Securities Act:
- --------------

The Securities Act of 1933, as amended.

Special Limited Partner:
- -----------------------

As defined in Section 8.5.

Substitute Limited Partner:
- --------------------------

As defined in Section 8.3.

Subscription Agreement:
- ----------------------

Each of the several Subscription Agreements between the Partnership and the Limited Partners.

Target Allocation:
- -----------------

With respect to any Partner as of the close of any fiscal year or other accounting period of the Partnership for which an allocation of Investment Loss is to be made pursuant to Section 5.7.C(1), the amount of Net Investment Gain that would then be allocated to such Partner if (i) the Net Investment Gain for all periods through the close of such fiscal year or other period were equal to the Net Investment Gain as of the close of the immediately preceding fiscal year or other accounting period of the Partnership less the amount of Investment Loss to be then allocated pursuant to Section 5.7.C(1) and (ii) the Net Investment Gain as then calculated pursuant to clause (i) were then allocated to the Partners pursuant to Sections 5.7.B(3), 5.7.B(4) and 5.7.B(5) as if there had been no prior allocations of Investment Gain or Investment Loss.

Tax Exempt Partner:
- ------------------

Any individual retirement account or trust formed as part of a Keogh or corporate pension or profit-sharing plan qualified under Section 401(a) of the Code, any organization described in Section 501(c) of the Code and any governmental entity tax-exempt under Section 115 of the Code, or any entity which has ninety percent (90%) or more of its equity interests owned by one or more entities of the type referred to above.

Temporary Bridge Financing:
- --------------------------

Bridge Financing that has not been converted into Permanent Bridge Financing pursuant to Section 4.3.

Temporary Investments:
- ---------------------

(i) Investments in direct obligations of the United States of America, or obligations of any instrumentality or agency thereof payment of principal and interest of which is unconditionally guaranteed by the United States of America, all of such obligations having a final maturity not more than one year from the date of issue thereof;

(ii) Investments in certificates of deposit or repurchase agreements having a final maturity not more than one year from the date of acquisition thereof issued by any bank or trust company organized under the laws of the United States of America or any state thereof having capital and surplus of at least $100 million;

(iii) Investments in money market funds, provided that such funds invest primarily in government securities described in subparagraph (i) or in municipal obligations

that receive a rating of AAA or AA, or Aaa or Aa from a nationally recognized financial rating service such as Standard & Poor's Corporation or Moody's Investors Service, Inc., respectively;

(iv) Investments in interest-bearing accounts of Financial Institutions; and

(v) Commercial paper payable on demand or having a final maturity not more than one year from the date of acquisition thereof which has the highest credit rating by either Standard & Poor's Corporation or Moody's Investors Service, Inc.

Treasury Rate:
- -------------

An interest rate calculated quarterly at the average of the ninety (90) day United States Treasury Bill weekly auction rates for the preceding quarter.

Treasury Regulations:
- --------------------

Income Tax Regulations promulgated from time to time under the Code. References to specific sections of the Treasury Regulations shall be to such sections as amended, supplemented or superseded by Treasury Regulations currently in effect.

Triggering Event:
- ----------------

As defined in Section 6.4.

Two-Thirds in Interest of the Limited Partners:
- --

Those Limited Partners whose aggregate Percentage of Contributed Capital equals or exceeds sixty-six and two-thirds percent (66 2/3%).

UBTI:
- ----

Unrelated business taxable income as defined in Section 512 of the Code and including unrelated debt-financed income as defined in Section 514 of the Code.

Venture Capital Operating Company:
- ---------------------------------

A venture capital operating company as defined in the United States Department of Labor regulation published at Section 2510.3-101 of Title 29 of the Code of Federal Regulations or corresponding provisions of subsequent laws or regulations.

II.

FORMATION

Section 2.1 Purpose.

Pursuant to the Act, the Partners hereby agree to form the Partnership as a limited partnership for the principal purpose of making equity and equity-related investments in Portfolio Companies, managing, supervising and disposing of such investments, receiving the profits and losses therefrom, and engaging in activities necessarily incidental or ancillary thereto.

Section 2.2 Name.

The name of the Partnership will be "@VENTURES III, L.P." or such other name or names as the General Partner may from time to time designate.

Section 2.3 Principal Place of Business.

The principal office of the Partnership will be located at 100 Brickstone Square, Andover, Massachusetts 01801, or such other location in the United States as the General Partner may from time to time determine. The General Partner shall give prompt notice of any change in the principal office of the Partnership to each Limited Partner.

Section 2.4 Registered Agent.

The initial address of the Partnership's registered office in Delaware is 1209 Orange Street, Wilmington, County of New Castle, and its initial registered agent at such address for service of process is The Corporate Trust Company.

Section 2.5 Term.

The Partnership shall continue in full force and effect until July 31, 2006, unless extended or until earlier terminated pursuant to Section 11.1.

III.

CAPITAL CONTRIBUTIONS; PARTNERS' ACCOUNTS

Section 3.1 Capital Commitments and Contributions.

Subject to the provisions of Sections 3.3 and 3.4, each Partner hereby commits and agrees to make cash contributions to the capital of the Partnership in the amount set forth opposite its name on Schedule 1 attached hereto. The amount of such commitment, reduced by any portion of the commitment which is released pursuant to Section 3.3 and increased or decreased by any amount pursuant to Section 3.4, is referred to herein as a "Capital Commitment". With respect to each Partner, the amount of capital contributed pursuant to such Capital Commitment and, after the end of the Commitment Period, amounts proportional to the Partner's Percentage of Contributed Capital that are reserved from Operating Receipts or Investment Receipts and invested in Follow-on Investments or Committed Investments, are referred to as "Capital Contributions". On any date when a Limited Partner makes a Capital Contribution to the Partnership, the General Partner shall contribute to the capital of the Partnership cash in such amount as is sufficient to cause the General Partner's Capital Contribution to equal one percent (1%) of the aggregate Capital Contributions of all Partners. Except as set forth in the Subscription Agreement, five percent (5%) of each Partner's Capital Commitment shall be paid in upon admission to the Partnership. The General Partner shall call for payment of the balance of each Partner's Capital Commitment as needed to fund the Partnership's investments in Portfolio Companies and other permitted uses under this Agreement; provided, however, that no call may be made at any time subsequent to the Commitment Period except to the extent necessary to (i) provide for the expenses of the Partnership including the Management Fee, (ii) make Committed Investments pursuant to Section 6.2.M or (iii) make Follow-on Investments pursuant to Section 6.2.L. All such calls shall be made in writing to all Partners pro rata in proportion to their respective Capital Commitments and shall specify the intended use of such called capital, including in the case of a capital call to invest in a Portfolio Company the name of the Portfolio Company. Such calls shall be made at least ten (10) Business Days before the date on which the installment payable in response to that call is due. The Capital Contributions of a Partner shall not in any case exceed the Capital Commitment of such Partner. No Capital Contribution returned to a Partner, other than a Capital Contribution that is allocable to a Temporary Bridge Financing which has been sold, refinanced or otherwise disposed of, shall be callable by the General Partner pursuant to this Section 3.1 again.

Section 3.2 Capital Accounts.

The Partnership shall establish and maintain a Capital Account for each Partner. A Partner's Capital Account shall be (i) increased by (a) the amount of such Partner's Capital Contributions, (b) such Partner's allocations of Operating Income and Investment Gain pursuant to Sections 5.7.A and 5.7.B, and (c) items of income or gain specially allocated to such Partner pursuant to Section 5.8 or 5.9, (ii) decreased by (x) the amount of money and the fair market value of any property distributed to such Partner by the Partnership, (y) such Partner's allocations of Operating Loss and Investment Loss pursuant to Sections 5.7.A and 5.7.C and (z) items of loss, deduction or expenditure specially allocated to such Partner pursuant to Section 5.8 or 5.9, and (iii) adjusted to reflect any liabilities that are assumed by such Partner or the Partnership or that are secured by property contributed by or distributed to such Partner, all in accordance with Sections 1.704-1(b)(2)(iv) and 1.704-2 of the Treasury Regulations. Except as otherwise provided in the Treasury Regulations, a transferee of an

interest in the Partnership shall succeed to the Capital Account of its transferor to the extent allocable to the transferred interest. Notwithstanding any provision of this Agreement other than Section 5.4, the General Partner shall revalue Partnership properties, and make corresponding adjustments to the Partners' Capital Accounts, as prescribed by Section 1.704-1(b)(2)(iv)(f) of the Treasury Regulations in connection with any contribution to or distribution by the Partnership of more than a de minimis amount of money or other property in exchange for an interest in the Partnership unless the General Partner reasonably determines that such revaluations and adjustments are not necessary to reflect the economic interests of the Partners in the Partnership. In addition, the book values of Partnership properties shall be increased or decreased, as the case may be, to reflect any adjustments to the adjusted tax bases of such properties pursuant to Section 734(b) or Section 743(b) of the Code to the extent that such basis adjustments are taken into account in determining Capital Account balances pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m) and have not been reflected in adjustments to the book values of such properties pursuant to the preceding sentence of this Section 3.2.

Section 3.3 Review or Modification of Capital Commitments.

Each Partner acknowledges that it is currently lawful for it to invest in the Partnership. Notwithstanding this acknowledgment and the provisions of Sections 3.1 and 3.4, no Partner shall be obligated to make any contribution of its Capital Commitment if at the time such contribution is due (i) such Partner is substantially likely to be prohibited from making investments in the Partnership under any applicable federal or state law or regulations thereunder then in effect, including ERISA, or is substantially likely to subject itself or an ERISA Affiliate to a tax for a Prohibited Transaction, (ii) if such Partner is a Tax Exempt Partner, the proposed investment in a Portfolio Company would result in such Partner having UBTI, or (iii) if such Partner is a bank holding company, it has a significant, pre-existing and continuing relationship with a Portfolio Company in which the Partnership has proposed to invest (in each case, a "Modification Event"). Prior to making an investment in a Portfolio Company which would result in a Partner having UBTI, the General Partner will advise the Partners in writing as to the investment and the circumstances giving rise to UBTI. In the case of a Modification Event, the affected Partner shall advise the General Partner of the specific terms of the Modification Event within five (5) Business Days of receiving the call notice pursuant to Section 3.1. The General Partner shall promptly notify all other Partners of the alleged Modification Event. Unless (x) in the case of a Modification Event set forth in clauses (i) or (ii) above, the Partner asserting such Modification Event shall, at the request of the General Partner, have delivered to the General Partner an opinion from counsel reasonably satisfactory to the General Partner confirming the existence of such Modification Event or (y) in the case of a Modification Event set forth in clause (iii) above, the affected Partner shall have provided the General Partner with such information and material, including, at the request of the General Partner an opinion of counsel reasonably satisfactory to the General Partner confirming, in the sole discretion of the General Partner, the existence of this Modification Event, the General Partner may, as of the date on which the contribution at issue was due and upon fifteen (15) days notice to the affected Partner, reduce the Capital Account and percentage of Contributed Capital of such Partner by one fourth

and correspondingly increase the Capital Account and Percentage of Contributed Capital of each other Partner in a manner similar to that provided in Section 3.4.B; provided, that the Partner asserting the prohibition shall not be deemed a Defaulting Partner, as defined in Section 3.4, for purposes of the provisions thereof. Such reduction shall be the exclusive remedy against a Limited Partner which fails to make a contribution of its Capital Commitment because of such an alleged prohibition or Prohibited Transaction. The Partner who asserted the prohibition or Prohibited Transaction may sue the Partnership to recover the amount of reduction to its Capital Account and Percentage of Contributed Capital made in accordance with this Section 3.3; provided, that the amount of its recovery shall be limited to the amount of such reduction and the reasonable costs and expenses (including reasonable fees of attorneys) incurred in bringing such suit. However, if a Partner loses such a suit brought against the Partnership, and the applicable period in which the decision in such suit can be appealed has passed, such Partner shall reimburse the Partnership for the reasonable costs and expenses (including reasonable fees of attorneys) incurred by the Partnership in defending such suit or any prior unsuccessful suit brought against the Partnership alleging the same cause of action; provided, however, that such Partner shall not be required to reimburse the Partnership for expenses of any prior unsuccessful suit with respect to which the Partnership has previously been reimbursed by a Partner pursuant to this Section 3.3.

Notwithstanding the provisions of this Agreement, the General Partner may refuse to permit a Limited Partner to participate in an investment in a Portfolio Company if, in the sole discretion of the General Partner, such Limited Partner's participation would impair the ability of the Partnership or the General Partner or make it impractical or inadvisable as a result of regulatory or competitive considerations or otherwise to consummate or to maintain the investment in the Portfolio Company. In this event, at the time of providing call notices to the Limited Partners, the General Partner shall notify the affected Limited Partner of its non-participation in the proposed investment and give such Partner such information and material as the General Partner determines is sufficient to warrant the non-participation of such Partner in the investment. The decision of the General Partner to refuse a Limited Partner the opportunity to participate in an investment shall be in the sole discretion of the General Partner.

Section 3.4 Default in Capital Commitment.

Except as provided in Section 3.3, in the event a Partner fails to fund its Capital Commitment as required under Section 3.1 in a timely manner, and such failure continues for ten (10) Business Days after written notice of such failure from the General Partner (or for such longer period (not to exceed twenty (20) business days) as the General Partner may in its sole discretion permit under extraordinary circumstances), then such Partner which failed to make payment shall be a Defaulting Partner, and the following provisions of this Section 3.4 shall apply:

A. Whenever the vote, consent or decision of the Partners is required or permitted pursuant to this Agreement, any Defaulting Partner shall not be entitled to participate in such vote or

consent, or to make such decision, and such vote, consent or decision shall be made as if such Defaulting Partner were not a Partner. Notwithstanding this prohibition, any such vote, consent or decision shall be binding upon such Defaulting Partner.

B. The Defaulting Partner shall not be required to make any further Capital Contributions to the Partnership and there shall be released that portion of a Defaulting Partner's unfunded Capital Commitment (provided that such Defaulting Partner shall remain fully liable to the creditors of the Partnership to the extent of the installment of the Capital Commitment with respect to which the default occurred). Thereafter, the Defaulting Partner's Percentage of Contributed Capital in all investments made by the Partnership in Portfolio Companies after the date of default shall be zero, and the Percentages of Contributed Capital of the remaining Partners shall be adjusted accordingly.

C. Except as set forth in this Section 3.4.C, the Defaulting Partner shall not be entitled to receive any distribution of Operating Receipts or Investment Receipts until the termination of the Partnership. The General Partner shall establish a separate escrow account with a Financial Institution into which will be deposited all of the distributions of Operating Receipts and Investment Receipts that the Defaulting Partner would otherwise be entitled to receive. Upon the liquidation of the Partnership, the Defaulting Partner will be entitled to receive from the separate escrow account an amount equal to the lesser of (i) seventy-five percent (75%) of the distributions it was otherwise entitled to receive with respect to investments in Portfolio Companies that were consummated prior to the date of the Defaulting Partner's default (without the addition of interest that accrued on the amounts held in the separate escrow account), and (ii) its aggregate Capital Contributions to the Partnership reduced by all distributions made to the Defaulting Partner prior to the date of default. Any amounts remaining in the separate escrow account, including all interest earned on such amounts, shall thereafter be distributed to the General Partner to compensate the General Partner for any damages incurred as a result of the default and then to the non-defaulting Limited Partners in proportion to their respective Percentages of Contributed Capital recalculated as if the Defaulting Partner were not a Partner of the Partnership. The Defaulting Partner shall be allocated Operating Income and Loss and Investment Gain and Loss only with respect to investments in Portfolio Companies that were consummated prior to the date of the Defaulting Partner's default.

D. The provisions of Sections 3.4.B and C shall not apply more than once to any Defaulting Partner.

E. No Defaulting Partner shall be entitled to assign its interest in the Partnership in accordance with Section 8.3 without the consent of the General Partner, which it may withhold in its sole discretion.

F. No right, power or remedy available to the General Partner in this Section 3.4 shall be exclusive, and each such right, power or remedy shall be cumulative and in addition to any other right, power or remedy available at law or in equity. No course of dealing between the General Partner

and any Defaulting Partner, and no delay in exercising any right, power or remedy shall operate as a waiver or otherwise prejudice the exercise of such right, power or remedy.

IV.

BRIDGE FINANCING

Section 4.1 Extension of Bridge Financing.

Solely in order to facilitate the making of investments in Portfolio Securities as expeditiously as practicable with the most favorable pricing reasonably available, the Partnership may from time to time provide interim financing ("Bridge Financing") to one or more Portfolio Companies until permanent financing is arranged. All such Bridge Financing shall be designated as such by the General Partner at the time it is first provided. All Bridge Financing will be senior to the permanent investment of the Partnership in such Portfolio Company, and bear interest or carry other compensation at rates not less favorable to the Partnership than those available from an unaffiliated Financial Institution. The General Partner will use its best efforts to cause Bridge Financing to be converted into Portfolio Securities, and if not so converted, to be sold or refinanced as promptly as practicable, and in any event will use its best efforts to cause such conversion, sale or refinancing to occur within one year after such Bridge Financing is first provided by the Partnership. Bridge Financing may be provided to any single Portfolio Company only to the extent that the sum of the Partnership's investment in such Portfolio Company, including Portfolio Securities, Bridge Financings and the amount of any guarantees, shall not exceed the lesser of (i) thirty-five percent (35%) of the Partnership's aggregate Capital Commitments, or (ii) the remaining unfunded Commitments as of the date of such Bridge Financing.

Section 4.2 Funding of Bridge Financing.

The Partnership may fund Bridge Financing by borrowing pursuant to Section 6.2.Q from one or more Financial Institutions, by calling upon the Partners' Capital Commitments, or by guarantying indebtedness incurred by the Portfolio Company, in each case solely in order to facilitate the making of investments in Portfolio Securities as expeditiously as practicable with the most favorable pricing reasonably available. The proceeds of the sale, refinancing or other disposition of Temporary Bridge Financing which has been funded by the call of Capital Commitments shall, to the extent of the Partners' Capital Contributions allocable thereto, be returned to the Partners in proportion to such Partners' Capital Contributions allocable to such investment within five (5) days after the receipt thereof by the Partnership. The Partners' Capital Commitments remaining to be called shall thereafter include that portion of such allocable Capital Contributions returned.

Section 4.3 Permanent Bridge Financing.

If and to the extent that Temporary Bridge Financing is not converted into Portfolio Securities or sold or refinanced within one year after it is provided, it promptly shall be converted as of the end of such one year period into financing ("Permanent Bridge Financing") on terms and in proportions not less favorable to the Partnership, than those most recently offered by the Partnership to prospective investors during the period that the financing remained outstanding pursuant to Temporary Bridge Financing. If the Temporary Bridge Financing was funded through borrowings by a Portfolio Company guaranteed by the Partnership, the Partnership, shall purchase its portion of the Permanent Bridge Financing as if it were a permanent investment in a Portfolio Company.

V.

DISTRIBUTIONS; WITHHOLDING; VALUATION; ALLOCATIONS

Section 5.1 Withdrawal of Capital.

No Partner shall have the right to withdraw capital from the Partnership or, except as otherwise set forth in this Agreement, to receive any distribution or return of its Capital Contribution.

Section 5.2 Distributions Prior to Liquidation.

A. Subject to Sections 5.3 and 5.4, and except to the extent deemed necessary by the General Partner to reserve for Follow-on Investments pursuant to Section 6.2.L and for Committed Investments pursuant to 6.2.M, Operating Receipts for each fiscal year (or fractional portion thereof) shall be distributed to the Partners in proportion to their respective Percentages of Contributed Capital. Such distributions shall be made by the General Partner within ninety (90) days after the close of each fiscal year and at such other time or times as the General Partner shall determine.

B. Subject to Sections 5.3 and 5.4, and except to the extent deemed necessary by the General Partner to reserve for Follow-on Investments pursuant to Section 6.2.L and for Committed Investments pursuant to 6.2.M, the General Partner shall determine from time to time (but not less often than annually) the amount of Investment Receipts that are available for distribution, and shall distribute such Investment Receipts as follows:

(1) First, to the Partners in proportion to their Percentages of Contributed Capital, until such Partners have received from all distributions then or theretofore made pursuant to this Section 5.2.B(1), on a cumulative basis, an amount of distributions equal to the sum of (i) their Capital Contributions Allocable to Liquidated Portfolio Securities and (ii) all Management Fees that have been paid out of the Capital Contributions of the Limited Partners to the Management Company as of any date on which a distributions pursuant to this Section 5.2 will be made;

(2) Second, twenty percent (20%) to the Partners in proportion to their Percentages of Contributed Capital and eighty percent (80%) to the General Partner until the General Partner has received pursuant to this Section 5.2.B(2) an amount of distributions equal to twenty percent (20%) of the sum of (x) amounts distributed to the Partners in proportion to their Percentages of Contributed Capital pursuant to (A) clause (i) of Section 5.2.B(1), but only to the extent of the amount of Capital Contributions Allocable to Portfolio Securities attributable to expenses set forth in Sections 6.5.A(1) and (4) that have been allocated to a particular Portfolio Security and (B) clause (ii) of Section 5.2.B(1), and (y) amounts distributed pursuant to this Section 5.2.B(2); and

(3) Third, thereafter, eighty percent (80%) to the Partners in proportion to their Percentages of Contributed Capital and twenty percent (20%) to the General Partner.

For purposes of this Agreement, all amounts distributed to the General Partner pursuant to Sections 5.2.B(2) and 5.2.B(3) (other than in proportion to its Percentage of Contributed Capital) shall be referred to herein as Incentive Distributions.

C. In addition to any other obligations hereunder, the General Partner shall endeavor (if practical and reasonable to do so in light of the circumstances of the Partnership) to distribute, if available, sufficient amounts of Operating Receipts and/or Investment Receipts to the Partners in accordance with this Article V to enable them to make timely payment of any Federal, state, local and foreign income tax liabilities incurred by them or their principals as a result of their participation in the Partnership.

D. As of any date on which the General Partner determines to make a distribution of Investment Receipts, the General Partner shall determine, pursuant to Section 5.6, the fair market value of each investment in a Portfolio Company which has not been sold or disposed of. The extent to which the aggregate fair market values of all such investments are less than the aggregate cost bases of all such investments for book purposes shall constitute a "Deemed Portfolio Loss". That portion of each Liquidated Portfolio Security equal to the amount of Deemed Portfolio Loss allocated with respect thereto shall, upon the deemed or actual sale of that Liquidated Portfolio Security, be deemed to have been sold for an amount equal to the amount of Deemed Portfolio Loss and shall be deemed to have a tax basis of zero, and the tax basis of the remaining portion of the Liquidated Portfolio Security shall include the amount of such Deemed Portfolio Loss.

E. If upon the liquidation of the Partnership the General Partner shall have received as Incentive Distributions under Section 5.2B(3) (that have not been recontributed to the Partnership pursuant to Section 5.3) an aggregate amount in excess of the amount the General Partner would have received

as Incentive Distributions pursuant to Section 5.2B(3), including liquidating distributions, had the entire amount of Investment Receipts actually received by the Partnership been received by the Partnership on the date of liquidation of the Partnership, then the General Partner shall, to the extent of all distributions received as Incentive Distributions pursuant to Section 5.2B(3) (that have not been recontributed to the Partnership pursuant to Section 5.3), pay to the Partners in proportion to their Percentages of Contributed Capital such excess.

F. The General Partner shall establish in its name, but for the benefit of the Partners, a separate bank account at a Financial Institution (the "Escrow Account"), in which it will maintain an amount equal to the lesser of (i) twenty-five percent (25%) of all Incentive Distributions paid to the General Partner, and (ii) the amount required to be added to the fair market value of the existing Portfolio Securities of the Partnership, determined pursuant to Section 5.6, so that the resulting total exceeds the total amount of Capital Contributions allocable to such investments by twenty-five percent (25%). Upon the liquidation of the Partnership, the General Partner shall distribute to the Partners from the Escrow Account, in proportion to their Percentages of Contributed Capital, that portion of the escrowed funds equal to the General Partner's required payment under Section 5.2.E, or if such required payment is in excess of such escrowed funds, the total amount held in such Escrow Account plus an amount, paid directly by the General Partner, that when added to the escrowed funds equals the General Partner's required payment pursuant to Section 5.2.E. Any funds held in the Escrow Account upon liquidation of the Partnership and after the required payment pursuant to this Section and Section 5.2.E shall be distributed immediately to the General Partner. The General Partner will direct the investment of amounts held in the Escrow Account, which shall in any event be made solely in investments qualifying as Temporary Investments. All income earned on the amounts retained in the Escrow Account shall be distributed at the end of each calendar quarter immediately to the General Partner.

Section 5.3 Distributions Upon Liquidation.

Upon the liquidation of the Partnership, the assets of the Partnership shall first be applied to the payment of, or the establishment of adequate reserves or other provision for the payment of, the debts and obligations of the Partnership. Thereafter, there shall be made a final allocation of Operating Income or Loss and Investment Gain or Loss, as the case may be, and other items to the Partners' Capital Accounts in accordance with Section 5.7. If the General Partner has a negative balance in its Capital Account after such final allocation, it shall contribute to the Partnership an amount of cash equal to the excess of such negative balance over the amount that it is required to pay to the Partners pursuant to Section 5.2.E. Notwithstanding the foregoing, the General Partner's obligation to pay such excess pursuant to this Section 5.3 shall not inure to the benefit of, or be invoked or enforced by or for the benefit of, any creditor who has otherwise contractually obligated itself to look solely to all or a part of the assets of the Partnership and not to the assets of any Partner for satisfaction of any debt owed or owing to that creditor by the Partnership. The assets of the Partnership, including any Portfolio Securities, whether or not such securities are Marketable Securities (or the proceeds of sales or other

dispositions in liquidation of assets of the Partnership) remaining after the payment or other provision for the Partnership's debts and obligations shall then be distributed to the Partners in proportion to the positive balances in their Capital Accounts, determined after the final allocation of Operating Income or Loss and Investment Gain or Loss, and of other items to Capital Accounts has been made; provided that the name of the Partnership shall be transferred with a value of $1.00 ascribed thereto, to the General Partner. For purposes of making this distribution, such assets shall be valued pursuant to Section 5.6. Amounts reserved or set aside, in connection with the Partnership's liquidation, for the payment of Partnership debts and obligations, which are not utilized for such payment, shall be distributed to the Partners in the same proportions that such amounts would have been distributed hereunder if distributed upon the Partnership's liquidation, as soon as practicable.

Section 5.4 Distributions of Securities in Kind.

A. The General Partner shall distribute to the Partners as an Investment Receipt any Portfolio Securities that become Marketable Securities promptly upon their becoming Marketable Securities, unless the General Partner determines that a distribution of such securities would not serve the best interests of the Partnership. Factors to be considered by the General Partner in making such a determination shall include (i) the fiduciary obligations owed to the stockholders of the issuer of such Marketable Securities by any Affiliate of the General Partner who may serve as a director of such issuer, and (ii) whether retention of such Marketable Securities shall serve the best interests of the Partnership by maintaining control of or influence over the issuer of the securities, stabilizing the market for such securities until such time as the securities are either distributed to the Partners pursuant to this Section 5.4 or are sold or otherwise disposed of or facilitating subsequent offerings by the issuer which shall include such Marketable Securities. The General Partner shall notify the Limited Partners each time a Portfolio Security becomes a Marketable Security. The General Partner shall not distribute Portfolio Securities that are not Marketable Securities at any time other than upon the liquidation of the Partnership.

B. With respect to securities distributed in kind to the Partners in liquidation or otherwise, (i) any unrealized appreciation or unrealized depreciation in the values of such securities shall be deemed to be realized by the Partnership immediately prior to the liquidation or other distribution event; and (ii) such appreciation or depreciation shall be allocated to the Partners as part of the allocation of Investment Gain or Loss, as the case may be, for the year of the distribution in accordance with Section 5.7 hereof, and treating any property so distributed as a distribution of an amount in cash equal to the fair market value of the property determined pursuant to Section 5.6. For the purposes of this Section 5.4.B, "unrealized appreciation" or "unrealized depreciation" shall mean the difference between the fair market value of such assets and the adjusted basis of such assets for federal income tax purposes (or, in the case of any asset that is reflected on the books of the Partnership at a value that is different from the Partnership's federal tax basis in such asset in compliance with the Treasury Regulations, the value of such asset as shown on the Partnership's books). This Section 5.4.B is merely intended to provide a rule for allocating unrealized gains and losses upon liquidation or other

distribution event, and nothing contained in this Section 5.4.B or elsewhere in this Agreement is intended to treat or cause such distributions to be treated as sales for value.

C. If any Partner would otherwise receive a distribution of an amount of any securities that would cause such Partner to own or control in excess of the amount of such securities that it may lawfully own or control or which, by reason of any legal or contractual restriction, the General Partner may not distribute to such Partner, the Partner shall, solely for purposes of this Agreement, be treated as if it had received such securities as a distribution in kind pursuant to Section 5.4.B. The General Partner shall, at the written request of such Partner and to the extent it is practicable to do so, dispose of all or any portion of such securities on behalf of and as the agent for such Partner and distribute the proceeds of such disposition to such Partner; provided that such Partner shall bear all of the reasonable expenses (including, without limitation, underwriting costs) of such disposition. In the alternative, at the request of such Partner, the General Partner shall use reasonable efforts to recapitalize the Portfolio Company so as to distribute to such Partner non-voting securities. In either event, any discrepancy between the actual gain or loss recognized upon the sale or other disposition of Portfolio Securities (including Marketable Securities) and the unrealized appreciation or unrealized depreciation in the values thereof as determined under Section 5.4.B, shall constitute gain or loss of the Partner to whom the securities were constructively distributed, and shall in no event constitute gain or loss to the Partnership.

D. The General Partner may cause certificates evidencing any securities to be distributed to be imprinted with legends as to such restrictions on transfers that it may deem necessary, including legends as to applicable federal or state securities laws or other legal or contractual restrictions, and may require any Partner to which securities are to be distributed to agree in writing that such securities will not be transferred except in compliance with such restrictions and applicable law.

Section 5.5 Withholding.

Each Partner hereby authorizes the Partnership to withhold and to pay over any withholding taxes payable by the Partnership, to the extent required by applicable law, as a result of such Partner's status as a Partner hereunder. If and to the extent that the Partnership shall be required under applicable law to withhold any such taxes, such Partner shall be deemed for all purposes of this Agreement to have received a payment from the Partnership as of the time such withholding is required to be paid, which payment shall be deemed to be a distribution to the extent that the Partner is then entitled to receive a distribution. The amount of any distribution to which such Partner would otherwise be entitled shall be reduced by the amount of such deemed distribution. To the extent that the aggregate of such payments to a Partner for any period exceeds the distributions to which such Partner is entitled for such period, the amount of such excess shall be considered a loan from the Partnership to such Partner, with interest at the Treasury Rate, until discharged by such Partner by repayment, which may be made out of distributions to which such Partner would otherwise be subsequently entitled. The withholdings referred to in this Section 5.5 shall be made at the maximum statutory rate applicable to

such Partner under the applicable tax law unless the General Partner shall have received either (i) an opinion of counsel, satisfactory to the General Partner, to the effect that a lower rate is applicable, or that no withholding is applicable, or (ii) any form authorized by the relevant taxing authority signed by a Partner that establishes that no withholding is required for such Partner.

Section 5.6 Valuation.

For purposes of this Agreement, except as specifically provided in Sections 3.4.C, and 8.5, securities and other property of the Partnership shall be valued as follows:

A. The Portfolio Securities of the Partnership shall be valued by the General Partner pursuant to subparagraphs B, C, D and E hereof (i) at the time of any distribution pursuant to Section 5.2 in order to determine the amount of any Deemed Portfolio Loss, (ii) at the time of any distribution pursuant to Section 5.4, (iii) upon the distribution of Partnership assets in liquidation pursuant to Section 5.3 and (iv) annually pursuant to Section 10.3.

B. Marketable Securities shall (i) if traded on a national securities exchange, be valued at the average of their last sales prices on such exchange on which such Marketable Securities shall have traded on the last ten (10) trading days on which such Marketable Securities were traded immediately preceding the date of determination, or (ii) if the trading of such Marketable Securities is reported through the National Association of Securities Dealers Automated Quotation System, such Marketable Securities shall be valued at the average of the last closing "bid" prices as shown by the National Association of Securities Dealers Automated Quotation System on the last ten (10) trading days on which such Marketable Securities were traded immediately preceding the date of determination.

C. Except as provided in subparagraph E below, all property other than Marketable Securities shall be valued by the General Partner in such manner as it may determine in good faith. Factors considered in valuing individual securities will include purchase price, prices received in recent significant private placements of securities of the same issuer, prices of securities of comparable public and private companies engaged in similar businesses and changes in the financial condition and prospects of the issuer.

D. If within thirty (30) days after receipt of notice of any valuation made pursuant to subparagraph C above Two-Thirds in Interest of the Limited Partners shall so request, the General Partner shall obtain at the expense of the Partnership a valuation of any securities (other than Marketable Securities subject to valuation under subparagraph B) or other property from an independent firm of investment bankers of nationally recognized standing selected by the General Partner and approved by Two-Thirds in Interest of the Limited Partners, such approval not to be unreasonably withheld. The decision of such firm shall be binding on all Partners. Each distribution in kind of securities other than Marketable Securities subject to valuation under subparagraph B shall be

accompanied by a notice from the General Partner reminding the Limited Partners of their right to require an independent valuation under this subparagraph D.

E. Upon liquidation of the Partnership, all assets which will be distributed to the Partners in liquidation, other than Marketable Securities subject to valuation under subparagraph B above, shall, upon request by Two-Thirds in Interest of the Limited Partners, be valued by an independent firm of investment bankers of nationally recognized standing selected by the General Partner. The decision of such firm as to the liquidation value of all such assets shall be binding on all Partners.

Section 5.7 Allocations of Operating Income and Loss and Investment Gain and Loss.

A. Subject to Sections 5.8 and 5.9, all Operating Income and Operating Loss of the Partnership shall be allocated to the Partners in proportion to their Percentages of Contributed Capital.

B. Subject to Sections 5.8 and 5.9, an Investment Gain for any fiscal year or other accounting period of the Partnership shall be allocated as follows and in the following order of priority as of the close of such fiscal year or other accounting period:

(1) First, to the General Partner until there has been allocated on a cumulative basis pursuant to this Section 5.7.B(1) for all fiscal years and other accounting periods of the Partnership an amount of Investment Gain equal to the amount of Investment Loss that has been allocated pursuant to Section 5.7.C(3) for all fiscal years and other accounting periods of the Partnership;

(2) Second, to the Partners, in proportion to their Percentages of Contributed Capital, until there has been allocated on a cumulative basis pursuant to this Section 5.7.B(2) for all fiscal years and other accounting periods of the Partnership an amount of Investment Gain equal to the amount of Investment Loss that has been allocated pursuant to Section 5.7.C(2) for all fiscal years and other accounting periods of the Partnership;

(3) Third, to the Partners, in proportion to their Percentages of Contributed Capital, until there has been allocated on a cumulative basis for all fiscal years and other accounting periods of the Partnership pursuant to this Section 5.7.B(3), an amount of Net Investment Gain equal to the sum of (i) the amount of Deemed Portfolio Loss that has been included in the determination of Capital Contributions Allocable to Liquidated Portfolio Securities for purposes of making distributions pursuant to Section 5.2.B, and (ii) the amount of distributions made with respect to Management Fees pursuant to clause (ii) of Section 5.2.B(1);

(4) Fourth, eighty percent (80%) to the General Partner and twenty percent (20%) to the Partners in proportion to their Percentages of Contributed Capital until the General Partner has been allocated on a cumulative basis for all fiscal years and other accounting periods of the Partnership pursuant to this Section 5.7.B(4), in addition to allocations made to the General Partner pursuant to this Section 5.7 in proportion to its Percentage of Contributed Capital, an amount of Net Investment Gain of the Partnership equal to the amount distributed to the General Partner pursuant to Section 5.2.B(2);

(5) Fifth, thereafter with respect to the remaining Net Investment Gain, eighty percent (80%) to the Partners, in proportion to their Percentages of Contributed Capital, and twenty percent (20%) to the General Partner.

C. Subject to Sections 5.8 and 5.9, an Investment Loss for any fiscal year or other accounting period of the Partnership shall be allocated as follows and in the following order of priority as of the close of such fiscal year or other accounting period:

(1) First, to the extent of the Net Investment Gain, if any, that has been allocated hereunder for all prior fiscal years and other accounting periods, to the Partners in proportion to the respective amounts, if any, by which (i) their allocations of Net Investment Gain for all such prior years and other periods exceed (ii) their Target Allocations as of the close of the fiscal year or other period for which an Investment Loss is then being allocated;

(2) Second, to the Partners, in proportion to their Percentages of Contributed Capital, until the Limited Partners' Capital Accounts have been reduced to zero; and

(3) Third, thereafter, to the General Partner.

Section 5.8 Special Provisions.

The following provisions shall be complied with notwithstanding any provision of this Agreement other than Section 5.9:

A. If any Partner unexpectedly receives any adjustment, allocation or distribution described in Section 1.704-1(b)(2) (ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), or 1.704-1(b)(2)(ii)(d)(6) of the Treasury Regulations which causes it to have an, or increases the amount of its, Adjusted Capital Account Deficit, items of Partnership income and gain shall be specially allocated to such Partner in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations, such Partner's Adjusted Capital Account Deficit as quickly as possible, provided that an allocation pursuant

to this Section 5.8.A shall be made to a Partner only if and to the extent that such Partner would have an Adjusted Capital Account Deficit after all other allocations provided for in this Article V have been tentatively made as if this Section 5.8.A were not in this Agreement. This Section 5.8.A is intended to constitute a "qualified income offset" as defined in Section 1.704-1(b)(2)(ii)(d) of the Treasury Regulations.

B. Notwithstanding Section 5.7.C, an allocation of Operating Loss or Investment Loss shall not be made to a Partner to the extent that such allocation would cause such Partner to have an Adjusted Capital Account Deficit. An allocation that would be made to a Partner but for this Section 5.8.B shall instead be made to the other Partners to the extent, and in the proportions, that they could then be made such allocation without causing them to have Adjusted Capital Account Deficits. Any excess allocation of Operating Loss or Investment Loss shall be made to the General Partner.

C. The allocations set forth in Sections 5.8.A, 5.8.B, and 5.9 hereof (the "Regulatory Allocations") are intended to comply with certain provisions of the Treasury Regulations. Notwithstanding any other provision of this Article V, the Regulatory Allocations shall be taken into account in making allocations of other items of income, gain, loss, deduction and expenditure among the Partners so that, to the extent possible consistent with the Code and the Treasury Regulations, and on a cumulative basis, the respective net amounts of such allocations of other items and the Regulatory Allocations to the Partners are equal to the respective net amounts that would have been allocated to the Partners had no Regulatory Allocations been made. The General Partner shall apply this Section 5.8.C at such times, in such order and in such manner as it determines, in its sole discretion, is likely to minimize any economic distortions caused by the Regulatory Allocations.

D. If contributions that would otherwise be required pursuant to Section 3.1 with respect to the interest in the Partnership of a particular Limited Partner are excused hereunder or by law, such interest shall be treated for purposes of this Article V as an interest in a separate portfolio of assets in which, subject to all other provisions of this Agreement, only such Limited Partner (or his assignees or legatees) and the General Partner shall be entitled to participate (as provided in this Article V). Such separate portfolio shall consist of such Limited Partner's pro rata share (by allocable Capital Contribution) of each Portfolio Security the Partnership's interest in which was, or the assets of which were, acquired in part with capital contributions of such Limited Partner. Such Limited Partner (and his assignees and legatees) shall have no interest in the Partnership or its assets to the extent not included in, and shall have no right to participate in the results of the Partnership to the extent not attributable to, such separate portfolio. A separate portfolio shall be charged with portions of the Partnership's expenses, liabilities, costs and reserves in such manner as the General Partner reasonably determines to be fair and equitable.

E. Income, gain, loss and deduction with respect to property contributed to the Partnership by a Partner shall be shared among the Partners so as to take account of the variation

between the basis of the property to the Partnership and its fair market value at the time of contribution in accordance with the principles of Section 704(c) of the Code.

Section 5.9 Special Provisions in the Event of Borrowings or a Section 754 Election.

A. If the Partnership incurs any borrowings, the Partnership (i) shall allocate any "non-recourse deductions," computed and determined in accordance with Sections 1.704-2(b)(1), 1.704-2(c) and 1.704-2(j) of the Treasury Regulations, it may have twenty percent (20%) to the General Partner and eighty percent (80%) to the Partners in proportion to their Percentages of Contributed Capital, (ii) shall allocate any "partner non-recourse deductions," computed and determined in accordance with Sections 1.704-2(i)(1), 1.704-2(i)(2) and 1.704-2(j) of the Treasury Regulations, it may have so as to comply with Section 1.704-2(i) of the Treasury Regulations and (iii) shall make such allocations as are necessary to comply with the "minimum gain chargeback" provisions of Sections 1.704-2(f), 1.704-2(i) and 1.704-2(j) of the Treasury Regulations, taking into account all exceptions provided by such provisions to the applicability of this clause (iii).

B. To the extent an adjustment to the adjusted tax basis of any asset of the Partnership pursuant to Section 734(b) or Section 743(b) of the Code is required, pursuant to Section 1.704-1(b)(2)(iv)(m) of the Treasury Regulations, to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases the basis of the asset), and such gain or loss shall be specially allocated to the Partners in a manner that is consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to Section 1.704-1(b)(2)(iv)(m) of the Treasury Regulations.

VI.

MANAGEMENT; PAYMENT OF EXPENSES

Section 6.1 Description of General Partner.

@Ventures Partners III, LLC, a limited liability company comprised of David S. Wetherell, Guy M. Bradley, Jonathan Callaghan, Andrew Hajducky, Peter H. Mills and CMGI as its members, is the General Partner of the Partnership.

Section 6.2 Management by the General Partner.

The management, policy and operation of the Partnership shall be vested exclusively in the General Partner who shall perform all acts and enter into and perform all contracts and other undertakings which it deems necessary or advisable to carry out any and all of the purposes of the Partnership. Without limiting the foregoing general powers and duties, and except as is otherwise

expressly set forth herein, the General Partner is hereby authorized and empowered on behalf of the Partnership and, as relevant herein, is required:

A. To enter into a Management Contract with the Management Company on the terms, including those pertaining to payment of the Management Fee, set forth in Exhibit A attached hereto; provided that such Contract may not be
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amended without the written consent of Two-Thirds in Interest of the Limited Partners unless such Contract is amended to increase the Management Fee, in which case unanimous consent of the Limited Partners shall be required in accordance with Section 12.3.

B. To identify investment opportunities for the Partnership, negotiate and structure the terms of such investments, arrange additional financing needed to consummate such investments and monitor such investments.

C. To invest the assets of the Partnership in the securities of any organization, domestic or foreign, without other limitation as to kind and without other limitation as to marketability of the securities, and pending such investment, to invest the assets of the Partnership in Temporary Investments.

D. To exercise all rights, powers, privileges and other incidents of ownership with respect to the Portfolio Securities, including, without limitation the voting of such Portfolio Securities, the approval of a restructuring of an investment, participation in arrangements with creditors, the institution and settlement or compromise of suits and administrative proceedings, and other similar matters.

E. To sell, transfer, liquidate or otherwise terminate investments made by the Partnership.

F. To employ or consult brokers, accountants, attorneys, or specialists in any field of endeavor whatsoever, including such persons or firms who may be Partners, provided, however, that no Affiliate of the General Partner may be hired or employed without the approval of Two-Thirds in Interest of the Limited Partners.

G. To deposit any funds of the Partnership in any bank or trust company or money market fund provided that, in the case of any bank or trust company such bank or trust company qualifies as a Financial Institution and in the case of any money market fund such fund would qualify as a money market fund in which the Partnership may make a Temporary Investment, and to entrust to such bank or trust company any of the securities, monies, documents and papers belonging to or relating to the Partnership; provided, however, that from time to time, in order to facilitate any transaction, any of the said securities, monies, documents and papers belonging to or relating to the Partnership may be deposited in and entrusted to any brokerage firm that is a member of the

New York Stock Exchange and which has minimum net capital of $10 million as calculated in accordance with the Securities Exchange Act of 1934.

H. To determine, settle and pay all expenses, debts and obligations of and claims against the Partnership and, in general, to make all accounting and financial determinations and decisions.

I. To enter into, make and perform all contracts, agreements and other undertakings as may be determined to be necessary or advisable or incident to the carrying out of the foregoing objectives and purposes, the execution thereof by the General Partner to be conclusive evidence of such determination.

J. To execute all other instruments of any kind or character which the General Partner determines to be necessary or appropriate in connection with the business of the Partnership, the execution thereof by the General Partner to be conclusive evidence of such determination.

K. To provide Bridge Financing on the terms and subject to the conditions set forth in Section 4.1 to Portfolio Companies and to borrow funds and provide guarantees in the name and on behalf of the Partnership in connection therewith solely in order to facilitate or expedite the closing of investments in Portfolio Securities.

L. To make Follow-on Investments in Portfolio Companies from Capital Contributions called from the Partners pursuant to Section 3.1 and, after the end of the Commitment Period, from amounts reserved from Operating Receipts and Investment Receipts. The aggregate amount of Follow-on Investments made after the end of the Commitment Period shall not exceed the lesser of (x) the uncalled Capital Commitments as of the last day of the Commitment Period reduced by Capital Contributions used to make Committed Investments or (y) ten percent (10%) of the Capital Commitments of the Partnership. Except upon the approval of Two-Thirds in Interest of the Limited Partners, no Follow-on Investment may be made by the Partnership after the third anniversary of the last day of the Commitment Period.

M. To make Committed Investments in Portfolio Companies after the end of the Commitment Period from Capital Contributions called from the Partners pursuant to Section 3.1 and from amounts reserved from Operating Receipts and Investment Receipts. The General Partner shall notify the Limited Partners at the end of the Commitment Period of any Committed Investments of the Partnership described in clause (i) of the definition thereof. In addition, any Committed Investment of the Partnership described in clause (i) of the definition thereof, shall be consummated within six months of the end of the Commitment Period. The aggregate amount of Committed Investments shall not exceed the lesser of (x) the uncalled Capital Commitments as of the last day of the Commitment Period reduced by Capital Contributions used to make Follow-on Investments after the end of the Commitment Period or (y) fifteen percent (15%) of the Capital Commitments of the Partnership. Except upon the approval of Two-Thirds in Interest of the Limited Partners, no Committed Investment may be made by the Partnership after the third anniversary of the last day of the Commitment Period.

N. Subject to Section 6.2.O, to guarantee obligations of Portfolio Companies, provided that the sum of any such guarantee, the Partnership's investment in Portfolio Securities of such Portfolio Company and the amount of Bridge Financing provided that total guarantees made by the Partnership at any one time shall not exceed twenty percent (20%) of the aggregate Capital Commitments of the Partnership, exclusive of guarantees made in connection with Temporary Bridge Financing.

O. To use best efforts to avoid the generation of UBTI to Tax-Exempt Partners understanding that it is the intention of the General Partner not to make or structure investments by the Partnership or operate the Partnership in such a manner so that UBTI is generated to such Partners.

P. To take such steps as the General Partner shall consider necessary or appropriate in its sole discretion to cause the Partnership to qualify as a Venture Capital Operating Company as of the date of the Partnership's first acquisition of Portfolio Securities and at all relevant times thereafter.

Q. To cause the Partnership or one or more corporate subsidiaries of the Partnership to borrow funds (i) to purchase Portfolio Securities pending the receipt of Capital Contributions called from the Partners pursuant to Section 3.1, or (ii) to provide Bridge Financing to a Portfolio Company pursuant to Section 4.2; provided, however, that the Partnership shall not borrow funds as provided in this Section 6.2.Q, if as a result of such borrowing UBTI would be generated to Tax-Exempt Partners; and provided, further, that any borrowing shall be on terms that are no less favorable to such corporate subsidiary than those applicable to loans extended by the lender to borrowers comparable to such corporate subsidiary, and that the General Partner shall cause the corporate subsidiary to retire this indebtedness with such Capital Contributions immediately upon receipt thereof.

Section 6.3 Powers of Limited Partners.

The Limited Partners shall not participate in the control of the Partnership and shall have no authority to act for or bind the Partnership.

Section 6.4 Continuity Mode.

If during the Commitment Period, or during any eighteen month period after the end of the Commitment Period, both David S. Wetherell and Peter H. Mills cease to be members of either the General Partner or the Management Company or otherwise cease to be actively involved in the business thereof (such event hereinafter referred to as a "Triggering Event"), prompt notice of such Triggering Event shall be given to all Limited Partners. At any time within ninety (90) days after receipt of notice of a Triggering Event, Two-Thirds in Interest of the Limited Partners may by an election in writing

determine to put the Partnership in a Continuity Mode. While in a Continuity Mode (i) the General Partner shall only be permitted to retain the investments of the Partnership and to make further investments solely in (x) Temporary Investments, (y) securities of companies as to which the Partnership had an existing legal commitment to make an investment on the date the Partnership was put in the Continuity Mode and (z) investments in current Portfolio Companies being considered on the date the Partnership was placed in a Continuity Mode, and (ii) the General Partner shall not be permitted to call for payment of any remaining installments of Capital Commitments except for the purpose of funding investment commitments pursuant to (y) and (z) above and to pay current expenses of the Partnership pursuant to Section 6.6 of this Agreement. Except as hereinabove expressly provided, from and after the date the Partnership enters the Continuity Mode, the General Partner shall continue to act on behalf of the Partnership to perform the functions of the General Partner and to have all the rights and privileges of the General Partner hereunder. If within sixty (60) days after commencement of the Continuity Mode (or such shorter period of time as may be agreed to by Two-Thirds in Interest of the Limited Partners) Two-Thirds in Interest of the Limited Partners do not by an election in writing remove the General Partner or dissolve the Partnership, the Continuity Mode shall automatically terminate and all decisions with respect to the management and operation of the Partnership will again be made by the General Partner in accordance with the terms of this Agreement. As provided in the Management Contract, the Management Fee shall be reduced by one half while the Partnership is in the Continuity Mode.

Section 6.5 Payment of Fees and Expenses.

Fees and expenses incurred with respect to the business of the Partnership shall be payable as follows:

A. Subject to the provisions of Section 6.5.D, the Partnership shall be responsible for and shall pay all fees and reasonable expenses not specified in subparagraph B as being the responsibility of the Management Company, including without limitation:

(1) out-of-pocket expenses incurred and fees paid by the Partnership or the General Partner in connection with the formation of the Partnership and the offering and distribution of interests therein to the Limited Partners in an amount not in excess of $200,000 (when aggregated with amounts paid by the Foreign Fund);

(2) any government or regulatory filings, returns or reports, including without limitation fees and expenses for annual reports and foreign qualification certificates;

(3) expenses incurred in connection with the administration of the Partnership including without limitation, the Management Fee and fees paid to consultants, custodians, outside counsel, accountants, agents, investment bankers and other similar outside advisors;

(4) unreimbursed fees and out-of-pocket costs of acquiring, holding or selling, Temporary Investments, Portfolio Securities or Bridge Financing, whether or not such transactions close, including fees and expenses of consultants, outside counsel and accountants and similar outside advisors in connection with identifying, evaluating, structuring and consummating potential investments by the Partnership and recordkeeping expenses and finders', placement, brokerage and other similar fees; provided that with respect to consummated investments, it is expected, and the Management Company will use its reasonable best efforts to ensure, that such fees and expenses paid by the Partnership will be reimbursed by the Portfolio Company in which the investment is made;

(5) out-of-pocket costs of reporting to the Limited Partners;

(6) any taxes, fees or other governmental charges levied against the Partnership or on its income or assets or in connection with its business or operations;

(7) costs of litigation or other matters that are the subject of indemnification pursuant to Section 9.3; and

(8) costs of winding-up and liquidating the Partnership.

B. The Management Company, so long as the Management Contract is in effect, shall be responsible for and shall pay all of its out-of-pocket expenses and those of the General Partner, including expenses which relate to salaries, office space, supplies and other facilities of their businesses except as set forth in Section 6.5.A(4).

C. The Management Company shall serve as the management company of the Partnership in accordance with the terms of the Management Contract, and shall be entitled to receive a Management Fee in the amount and payable in the manner provided in such Contract.

D. The amount of any unreimbursed fees and expenses incurred directly in connection with a proposed or consummated investment in a Portfolio Company and payable by the Partnership under subparagraph A shall be allocated among the Partnership, the Foreign Fund and CMGI in proportion to the amount which would have been or which was invested by each.

E. Subject to Section 6.2.O, any Break-Up Fee payable to the Partnership, the General Partner, the Management Company or their respective Affiliates shall be paid as follows. An amount equal to the aggregate unreimbursed fees and expenses paid by the Partnership, the General Partner, the Management Company or their Affiliates which were specific to the transaction giving rise to such fee shall be paid to each such entity in proportion to the fees and expenses incurred by it. The balance of any such Break-Up Fee shall be paid to the Management Company; provided that one-half

of the remaining Break-Up Fee shall be credited against the Management Fee payable by the Partnership, the Foreign Fund and CMGI in subsequent periods in proportion to their respective aggregate capital commitments.

F. The General Partner, the Management Company and their respective Affiliates shall be entitled to receive management, directors', consulting and other similar fees and compensation from Portfolio Companies; provided that the amount of such fees and other compensation is reasonable in relation to the work involved and bears a reasonable relation to fees and compensation charged for similar work by third parties. One half of such fees shall be credited against the Management Fee payable by the Partnership, the Foreign Fund and CMGI in proportion to their respective aggregate capital commitments and if such portion of such fees exceeds the Management Fee, such excess shall be credited against the Management Fee payable by the Partnership, the Foreign Fund and CMGI in subsequent periods in proportion to their respective aggregate capital commitments. To the extent such amounts exceed total future installments of the Management Fee, they shall be paid to the Partnership, the Foreign Fund and CMGI in proportion to their respective aggregate capital commitments and included in their respective Operating Receipts.

VII.

OTHER ACTIVITIES OF PARTNERS; CO-INVESTMENT OBLIGATION

Section 7.1 Commitment of General Partner.

The General Partner hereby agrees to use its best efforts in furtherance of the purposes and objectives of the Partnership and to devote to such purposes and objectives such of its time as shall be necessary for the management of the affairs of the Partnership. During the Commitment Period, each of the members of the General Partner will devote substantially all of his business time to the affairs of the Partnership, the Foreign Fund and the CMGI Funds and the Management Company (solely with respect to its responsibilities to the Partnership, to the Foreign Fund and to the CMGI Funds); provided that David S. Wetherell and Andrew Hajducky shall be permitted to devote such business time to the affairs of CMGI and its subsidiaries as each of them deems necessary to fulfill his duties as an executive officer of CMGI. Following expiration of the Commitment Period, each of the members of the General Partner shall devote to the Partnership such time as may be reasonably necessary to manage the assets of the Partnership for the benefit of the investors therein.

Subject to the other provisions of this Agreement, the General Partner and any of its Affiliates (i) may act as a director, officer, employee or advisor of any corporation, a trustee of any trust, or a partner of any partnership; (ii) may receive compensation for his services as an advisor with respect to, or participation in profits derived from, the investments of any such corporation, trust or partnership; and (iii) may, subject to the time commitments as set forth above, acquire, invest in, hold and sell securities of any entity. Neither the Partnership nor any other Partner shall have

by virtue of this Agreement, any right, title or interest in or to such other corporation, trust, partnership or investment.

Section 7.2 Opportunity to Participate in Future Investment Vehicles.

The General Partner will not, without the consent of Two-Thirds in Interest of the Limited Partners, create, manage, sponsor or act as investment advisor to any limited partnership or other investment vehicle, other than the Foreign Fund, the CMGI Funds, the Partnership and CMGI (a "New Investment Vehicle") until the earlier of (i) the end of the Commitment Period, and (ii) the commitment by the Partnership of at least seventy-five percent (75%) of its Capital Commitments. In the event that prior to the termination of the Partnership, the General Partner or any of its Affiliates creates, manages, sponsors or acts as investment advisor to another limited partnership or other investment vehicle with primary investment objectives and policies substantially similar to those of the Partnership, each Partner will be offered an opportunity to invest in such limited partnership or other investment vehicle pursuant to the terms of the offering of interests in such limited partnership or other investment vehicle on terms no less favorable than those offered to other investors in such vehicles.

Section 7.3 Dealings with Limited Partners.

The General Partner shall not enter into any agreement, contract, modification or undertaking of any kind with any Limited Partner that would grant rights in the Partnership as a Limited Partner by the acquisition of a Capital Commitment that are more favorable than those offered to any other Limited Partner. Notwithstanding the foregoing, the General Partner may permit certain Limited Partners to co-invest with it and the Partnership in Portfolio Securities and may enter into agreements with any Limited Partner for the provision to the Partnership or the General Partners of any services thereunder, provided that any such agreement will be on terms equivalent to those entered into with independent third parties.

Section 7.4 Co-Investment Obligation.

A. CMGI will co-invest with the Partnership in Portfolio Companies an aggregate amount which shall be equal to the greater of (i) $30 million, and (ii) 19.9% of the sum of the aggregate Capital Commitments of the Partnership and the aggregate capital commitments to the Foreign Fund (the "Co-investment Obligation"). The Co-investment Obligation shall arise with respect to all investments made by the Partnership in Portfolio Companies (including Follow-on Investments, Committed Investments, Bridge Financing and through the funding of guarantees), shall be satisfied in cash and shall be made on the same terms, same price and in securities identical to the Portfolio Securities purchased by the Partnership. In the case of each investment in a Portfolio Company, the percentage of such investment made by the Partnership and CMGI will be computed as follows: (x) the percentage of such investment made by the Partnership will be equal to the sum of the aggregate Capital Commitments of the Partnership and the aggregate capital commitments to the Foreign Fund

divided by the sum of the aggregate Capital Commitments of the Partnership, the aggregate capital commitments of the Foreign Fund and the Co-investment Obligation, and (y) the percentage invested by CMGI will be equal to the Co-investment Obligation divided by the sum of the aggregate Capital Commitments of the Partnership, the aggregate capital commitments of the Foreign Fund and the Co-investment Obligation.

B. CMGI may assign all or any portion of its Co-investment Obligation to any of its Affiliates, including, without limitation, any CMGI Fund; however, for purposes of this Section 7.4, the Co-investment Obligation shall remain an obligation of CMGI.

Section 7.5 Other Co-Investment Rights.

In the case of any investment by the Partnership, the General Partner shall cause employees of the Management Company or other persons who perform services to or for the benefit of the Partnership (including without limitation, the members of the Management Company) to co-invest with the Partnership an amount equal to two percent (2%) of the aggregate amount to be invested by the Partnership, the Foreign Fund and CMGI, collectively; provided that the investment by such employees and other persons shall be on the same terms, same price and in securities identical to the Portfolio Securities purchased by the Partnership. The obligations of the employees or other persons under this Section 7.5 may be funded through a partnership or limited liability company, all of the equity holders of which are employees of the Management Company or other persons who perform services to or for the benefit of the Partnership (herein referred to as the "Employee Fund").

Section 7.6 Foreign Fund Co-Investment.

The General Partner shall cause the Partnership to coinvest with the Foreign Fund and to invest only in the same Portfolio Companies and on the same terms and at the same times as the Foreign Fund. Investments by the Foreign Fund, the Partnership and CMGI shall be made by the Foreign Fund, the Partnership and CMGI at the same times and shall be in proportion to their respective capital commitments.

Section 7.7 Co-investments by the Other Participating Funds. (a) In connection with each investment opportunity pursuant to which any investment is made under this Agreement at any time, the Foreign Fund, CMGI and the Employee Fund, including the employees or other persons who invest pursuant to Section 7.5 either directly or through the Employee Fund (the "Other Participating Funds") that participate in such investment pursuant to the terms of this Agreement shall at such time each make an investment as a co-investment with respect to such investment made pursuant to such investment opportunity, in the same class or series of securities as such investment and on terms substantially the same as those that apply to such investment in an amount that in the case of each Other Participating Fund that is participating in such investment opportunity, is in the same proportion to the aggregate amount invested by the Partnership and all such Other Participating Funds as the proportion

that the aggregate capital commitments of all partners of such Other Participating Fund at such time bears to the aggregate Capital Commitments plus the aggregate capital commitments of all partners of all such Other Participating Funds at such time.

(b) No Other Participating Fund shall at any time sell, exchange, transfer or otherwise dispose of any securities that were acquired as a co-investment with the Partnership in the same investment opportunity as contemplated by Section 7.7(a) unless (i) the Partnership also sells, exchanges, transfers or otherwise disposes of, at substantially the same time, securities that were acquired by the Partnership in such investment opportunity, and the aggregate amount of such securities sold, exchanged, transferred or otherwise disposed of by the Partnership and such Other Participating Fund is pro rata in proportion to the aggregate amount respectively invested by the Partnership and such Other Participating Fund and (ii) the terms of such sale, exchange, transfer or other disposition, except to the extent necessary to address regulatory or other legal considerations, are substantially the same as those applicable to such sale, exchange, transfer or other disposition by the Partnership at such time. In connection with any sale, exchange, transfer or other disposition by the Partnership at any time of any securities comprising all or part of an investment acquired pursuant to any investment opportunity, each of the Other Participating Funds shall, at substantially the same time, sell, exchange, transfer or otherwise dispose of securities in respect of its related co-investment in an aggregate amount equal to the amount determined pursuant to clause (i) of the immediately preceding sentence and on terms described in clause (ii) of the immediately preceding sentence.

(c) The General Partner undertakes, represents and warrants that the partnership agreement or other operative agreement for each of the Other Participating Funds will contain provisions substantially to the effect set forth in Sections 7.7(a) and 7.7(b) and that no such provision of such limited partnership agreements shall be amended or waived unless Sections 7.7(a) and 7.7(b) shall have been amended or waived in substantially the same manner.

VIII.

ADMISSIONS; ASSIGNMENTS; REMOVAL AND WITHDRAWALS

Section 8.1 Admission of Additional General Partner.

It is not contemplated that any additional general partners will be admitted to the Partnership. A person may be admitted to the Partnership as a general partner only with the written consent of the General Partner and Two-Thirds in Interest of the Limited Partners. Any such person so admitted as a general partner shall be liable for all the obligations of the Partnership arising before its admission as though it had been a general partner when such obligations were incurred. In the event of the addition of a general partner, the participation of such person in the management of the Partnership and the interest of such person in the Partnership's Operating Income and Loss and Investment Gain and Loss must be approved by the General Partner and Two-Thirds in Interest of the Limited Partners at the time of such person's admission.

Section 8.2 Admission of Additional Limited Partners.

After the expiration of the 270 day period commencing on the Initial Closing Date of the Partnership, additional Limited Partners (other than Substitute Limited Partners admitted pursuant to Section 8.3) shall be admitted to the Partnership only with the written consent of, and on the terms approved by, all Partners. Until such time, the General Partner may admit one or more additional Limited Partners, subject only to satisfaction of the following conditions: (i) each such additional Limited Partner shall execute and deliver a Subscription Agreement and an appropriate amendment to this Agreement pursuant to which such additional Limited Partner agrees to be bound by the terms and provisions hereof, (ii) such admission would not result in a violation of any applicable law, including the federal or state securities laws, or any term or condition of this Agreement and, as a result of such admission, the Partnership would not be required to register as an investment company under the Investment Company Act, and (iii) such additional Limited Partner shall pay to the Partnership, on the date of its admission to the Partnership, an amount equal to the sum of (x) the percentage of its Capital Commitment which is equal to the percentage of the other Limited Partners' Capital Commitments that shall have been payable at or prior to the admission of the additional Limited Partner, and (y) an amount equal to interest on that portion of the Capital Commitment payable upon admission at the Treasury Rate from the date such portion would have been payable if such additional Limited Partner had been admitted on the date of formation of the Partnership to the date of actual payment, which amount shall be treated as Operating Receipts. The Partnership shall pay, from such initial Capital Contribution of such additional Limited Partner, its allocable portion of the Management Fee computed as if such additional Limited Partner had been a Partner of the Partnership since the Initial Closing Date. The name and business address of each Limited Partner admitted to the Partnership under this Section 8.2 and the amount of its Capital Commitment shall be added to Schedule 1 hereto. Each additional Limited Partner admitted pursuant to this
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Section 8.2 during the 270 day period commencing with the formation of the Partnership shall be deemed for purposes of all allocations of Operating Income or Loss and Investment Gain or Loss to have been admitted on the date of formation of the Partnership. Admission of an additional Limited Partner shall not be a cause of dissolution of the Partnership.

Section 8.3 Assignment of Partnership Interest.

The General Partner shall not assign or otherwise transfer its interest as the general partner of the Partnership. A Limited Partner may assign or otherwise transfer all or any part of its interest in the Partnership (provided that such part shall include a Capital Commitment, whether funded or unfunded, of at least $1 million), subject to the limitations set forth in Section 8.4. The assignee or transferee of a Limited Partner's interest in the Partnership (an "Assignee") shall have the right to become a Substitute Limited Partner only if the following conditions are satisfied:

A. A duly executed and acknowledged written instrument of assignment shall have been filed with the Partnership.

B. The Limited Partner and the Assignee shall have executed and acknowledged such other instruments and taken such other action as the General Partner shall reasonably deem necessary or desirable to effect such substitution, including, without limitation, the execution by the Assignee of a Subscription Agreement, an appropriate amendment to this Agreement and a Power of Attorney substantially similar to that referred to in Section 12.8 hereof.

C. The restrictions on transfer contained in Section 8.4 shall be inapplicable, and, if requested by the General Partner, the Limited Partner or the Assignee shall have obtained an opinion of counsel reasonably satisfactory to the General Partner as to the legal matters set forth in that Section. The Limited Partner may request that the General Partner seek to obtain the required opinion from counsel recommended by such Limited Partner which is reasonably satisfactory to the General Partner, provided that the expense of such counsel shall be an expense of the Partnership that is paid out of the Capital Commitment of such Partner.

D. The Limited Partner or the Assignee shall have paid to the Partnership such amount of money as is sufficient to cover all expenses incurred by or on behalf of the Partnership in connection with such substitution.

E. The General Partner shall have consented, in its sole and absolute discretion, to such substitution.

The pledge or hypothecation of a Partner's interest in the Partnership shall not be deemed an assignment or transfer; provided, that such pledge or hypothecation shall nonetheless be subject to the restrictions set forth in Section 8.4. An Assignee who is not admitted to the Partnership as a Substitute Limited Partner shall have none of the rights of a Partner and the assignor in such case shall remain fully liable for the unpaid portion of its Capital Commitment.

Section 8.4 Restrictions on Transfer.

Notwithstanding any other provision of this Agreement, no Limited Partner may assign or otherwise transfer all or any part of its interest in the Partnership, and no attempted or purported assignment or transfer of such interest shall be effective, unless (i) after giving effect thereto, the aggregate of all the assignments or transfers by the Partners of interests in the Partnership within the 12 month period ending on the proposed date of such assignment or transfer would not equal or exceed 50% of the total interests of the Partners in the capital or profits of the Partnership, and such assignment or transfer would not otherwise terminate the Partnership for the purposes of Section 708 of the Code, (ii) such assignment or transfer would not result in a violation of applicable law, including the federal and state securities laws, or any term or condition of this Agreement and, as a result of such assignment or

transfer, the Partnership would not be required to register as an investment company under the Investment Company Act, (iii) if requested by the General Partner, such Limited Partner shall deliver a favorable opinion of counsel satisfactory to the General Partner that such transfer would not result in (x) a violation of the Securities Act or any blue sky laws or other securities laws of any state of the United States applicable to the Partnership or the interest to be transferred, (y) the Partnership being required to register, or seek an exemption from registration, under the Investment Company Act, and (z) the Partnership being deemed to be a "publicly traded partnership" within the meaning of Section 7704 of the Code, (iv) the General Partner shall have consented thereto, which consent may be granted or withheld in its sole discretion, and (v) such assignment or transfer is to an entity which is an Accredited Investor.

Section 8.5 Removal of General Partner.

A. The General Partner may be removed by the Limited Partners only upon the approval of at least Two-Thirds in Interest of the Limited Partners, (i) if any act or omission of the General Partner in connection with the Partnership constitutes bad faith, willful misconduct or fraud, (ii) if the General Partner is in material violation of its obligations hereunder or (iii) if a Triggering Event occurs; provided, however, that the Limited Partners may remove the General Partner pursuant to clauses (i) and (ii) above only if a court of competent jurisdiction or, at the election of Two-Thirds in Interest of the Limited Partners, an arbitration committee (which shall conduct its proceedings in accordance with the commercial rules of the American Arbitration Committee and shall consist of three individuals, of whom one shall be selected by the General Partner, one shall be selected by Two-Thirds in Interest of the Limited Partners and one shall be selected by written agreement of the other two) has previously determined that any act or omission of the General Partner in connection with the Partnership constitutes bad faith, willful misconduct or fraud or that the General Partner is in material violation of its obligations hereunder.

B. In the event of any such removal of the General Partner, the Partnership shall, within sixty (60) days of the date of such removal, obtain an appraisal of the Portfolio Securities of the Partnership, including Portfolio Securities the purchase of which the Partnership has committed to as of such removal date (together "Removal Date Securities") from an independent firm of investment bankers of nationally recognized standing selected by the removed General Partner and approved by Two-Thirds in Interest of the Limited Partners, which approval shall not unreasonably be withheld. As of the removal date, the removed General Partner shall become a Special Limited Partner. The Special Limited Partner shall be entitled to receive as distributions pursuant to Section 5.2 that portion of all distributions made with reference to its Percentage of Contributed Capital, and that portion of all Incentive Distributions it would have received pursuant to Section 5.2 with respect to the Removal Date Securities, provided that all such distributions received in connection with such Removal Date Securities do not in the aggregate exceed the aggregate fair market value determinations for such securities made pursuant to this Section 8.5.C. Notwithstanding the foregoing, if after the removal of the General Partner the Partnership then terminates under Article XI without there having been elected a successor

General Partner, the General Partner shall be entitled to the same allocations and distributions arising out of the Dissolution Sale as if it had not been removed. The Special Limited Partner shall not have the limited approval rights accorded to Limited Partners in this Agreement, and as a Special Limited Partner, the General Partner and its Affiliates shall be released from all commitments and obligations under Article VII effective upon the date of such removal.

Section 8.6 Withdrawals.

Except as provided in this Section 8.6 or in Section 8.7 below, no Partner shall have the right to withdraw from the Partnership. Any Limited Partner may withdraw from the Partnership in the event that (a) continuation of the Partner as a Limited Partner of the Partnership is substantially likely to be prohibited under any applicable federal or state law or regulations thereunder then in effect, including ERISA, or (b) the continuation of any Tax-Exempt Partner as a Limited Partner of the Partnership is substantially likely to result in the loss of tax-exempt status by such Partner. In such event, such Partner shall advise the General Partner of the specific legal prohibition or other reason against continuing as a Partner of the Partnership. The General Partner may, in its sole discretion, require the Limited Partner to provide an opinion to the General Partner from counsel reasonably satisfactory to the General Partner to the effect that such Partner is so prohibited from continuing as a Limited Partner of the Partnership as provided in clauses (a) or (b) of this Section 8.6. Only after reviewing such legal opinion and approval by the General Partner, or otherwise upon approval by the General Partner may the Limited Partner withdraw from the Partnership. As of the date of such withdrawal, such Limited Partner shall be entitled to receive, but subject to the prior satisfaction in full of all liabilities of the Partnership and its corporate subsidiaries, direct and contingent, an amount determined as provided in Section 8.7(c) below, payable in the manner determined by the General Partner under Section 8.7(c). Such Limited Partner shall in all other respects have no rights of any Partner under this Agreement. The General Partner will provide to the remaining Partners of the Partnership the opportunity to acquire the remaining Capital Commitment of such Limited Partner pro rata in proportion to their Percentages of Contributed Capital, and if not all Partners so choose to acquire, to any Partner who desires to acquire an additional Capital Commitment in such amount as such Partner may request.

Section 8.7 ERISA Matters.

(a) The General Partner, on behalf of the Partnership, shall use its best efforts to ensure that the Partnership qualifies as a Venture Capital Operating Company and that none of the assets of the Partnership shall be deemed to be "plan assets" (within the meaning of the DOL Regulations) of any ERISA Partner. As used in the remainder of this Section 8.7 all terms in quotation marks have the meanings assigned to them in the DOL Regulations.

(b) If the General Partner shall so elect, the General Partner and the Partnership shall no longer be required to comply with Section 8.7(a) at any time after the General Partner determines (i) that the equity participation in the Partnership by "benefit plan investors" is not "significant"

as such term is defined in the DOL Regulations, and (ii) not to permit a transfer of an interest in the Partnership or an Interest in the Partnership's capital assets or property pursuant to Sections 8.2, 8.3 or 8.4 if such admission or transfer would result in the equity participation in the Partnership by "benefit plan investors" being "significant". If the General Partner so elects to discontinue compliance of its obligations under Section 8.7(a), then, thereafter, notwithstanding any other provision of this Agreement, no transfer of Limited Partner interests to, or admission of, a "benefit plan investor" shall be permitted if the General Partner shall determine that such transfer shall cause the equity participation of "benefit plan investors" to be "significant".

(c) In the event that either (i) the General Partner shall determine that it has become necessary for any ERISA Partner to withdraw from the Partnership or (ii) any ERISA Partner shall determine that it is necessary for it to withdraw from the Partnership, in either case (i) because there is a material risk of a material violation of, or breach of the fiduciary duties of any person (other than a breach of the fiduciary duties of any such person based upon the investment strategy or performance of the Partnership) under ERISA or the related provisions of the Code if such ERISA Partner continues as a Limited Partner of the Partnership, or (ii) because there is a material likelihood that the assets of the Partnership are or may be deemed to be "plan assets" of such ERISA Partner within the meaning of the DOL Regulations; then the General Partner or such ERISA Partner, as the case may be, shall deliver to the other a notice to that effect, accompanied by an opinion of counsel (which may be counsel retained or employed by the General Partner or such ERISA Partner, as the case may be, so long as such counsel shall be reasonably acceptable to such ERISA Partner and the General Partner) to that effect, which opinion shall be reasonably acceptable to such ERISA Partner and the General Partner and shall explain in reasonable detail the reasons therefor. In the case of such notice from the ERISA Partner, unless within 90 days after the date on which such notice was given, the General Partner, using reasonably practicable efforts, is able to eliminate the necessity for such withdrawal to the reasonable satisfaction of such ERISA Partner and its counsel, whether by correction of the condition giving rise thereto or amendment of this Agreement or otherwise, such ERISA Partner shall be entitled, at its election, upon written notice to the General Partner, to withdraw from the Partnership on the terms set forth in Section 8.7(d) below. In the case of such notice from the General Partner, such ERISA Partner shall be required to withdraw from the Partnership pursuant to Section 8.7(d) below unless, within 90 days after the date on which notice was given, the General Partner, using reasonably practicable efforts, or the ERISA Partner, using reasonably practicable efforts, as appropriate, shall eliminate the necessity for such withdrawal to the reasonable satisfaction of the General Partner and its counsel, whether by correction of the condition giving rise thereto or an amendment to this Agreement or otherwise. The obligation of the ERISA Partner to make additional Capital Contributions pursuant to Section 3.1 shall be suspended during the above referenced ninety (90) day period and shall be terminated if such ERISA Partner withdraws pursuant to Section 8.7(d).

(d) The withdrawing Limited Partner shall be entitled to receive within ninety (90) days after the effective date of such withdrawal an amount equal to the excess, if any, of the positive closing Capital Account balance the Limited Partner would have had (computed as provided in

Section 3.2) if such effective date had constituted the date of the liquidation of the Partnership over the aggregate amount of distributions (with such distributions valued at fair market value pursuant to Section 5.4 as of the date of such distribution) made to such Limited Partner from and after such effective date. The General Partner shall provide the withdrawing Limited Partner with a written explanation of its determination of the Capital Account of such withdrawing Limited Partner as computed pursuant to the preceding sentence within sixty (60) days of the effective date of such withdrawal. The withdrawing Limited Partner shall thereafter have ten (10) business days from the date of receipt of such notice to make known any objections to such determination. Any such objection made shall indicate briefly the reasons for such objection. If within ten (10) business days of the date of receipt of such determination, the withdrawing Limited Partner fails to notify the General Partner of any objection to such determination, such determination shall be final and conclusive. If within the ten (10) day period the withdrawing Limited Partner notifies the General Partner of its objection to such determination, the General Partner and the withdrawing Limited Partner shall attempt to agree upon a mutually acceptable determination. If within ten (10) days of the first-mentioned ten (10) day period a determination satisfactory to the General Partner and the withdrawing Limited Partner shall not have been agreed to, the General Partner shall submit the dispute between the General Partner and the withdrawing Limited Partner to arbitration in accordance with the Rules of the American Arbitration Association. The parties agree to hold such arbitration in Boston, Massachusetts. The fees and expenses of any arbitrators retained in accordance with the provisions hereof shall be borne equally by the Partnership and the withdrawing Limited Partner.

Any distribution or payment to a withdrawing Limited Partner pursuant to this subparagraph (d) may, in the sole discretion of the General Partner, be made in cash, in Portfolio Securities (in which event the withdrawing Limited Partner shall not, without its express written consent, be distributed more than its pro rata interest in any type, class or portion of the Partnership's Portfolio Securities), in the form of a promissory note, the terms of which shall be mutually agreed upon by the General Partner and the withdrawing Limited Partner, or any combination thereof. Notwithstanding anything in the foregoing sentence, if the distribution of any Portfolio Security to the withdrawing Limited Partner would result in a violation of a law or regulation applicable to the Limited Partner or a tax penalty to the Limited Partner and the Limited Partner delivers a notice to such effect to the General Partner, such Limited Partner may designate a different entity to receive the distribution or designate, subject to the approval of the General Partner, an alternative distribution procedure. In the event that an ERISA Partner shall provide an opinion reasonably acceptable to the General Partner by counsel reasonably acceptable to the General Partner (which counsel may be employed by the ERISA Partner so long as such counsel is reasonably acceptable to the General Partner) that the acceptance or retention of a promissory note by such ERISA Partner pursuant to this Section 8.7(d) would result in a violation of ERISA or the related provision of the Code, then the General Partner shall use its best efforts to use an alternative means of making such payment or distribution.

(e) In the event that either (i) the General Partner shall determine that it has become necessary for any ERISA Partner to discontinue making additional Capital Contributions

pursuant to Section 3.1 or (ii) any ERISA Partner shall determine that it is necessary for it to discontinue making such additional Capital Contributions, in either case (i) because there is a material risk of violation of, or breach of the fiduciary duties of any person (other than a breach of the fiduciary duties of any such person based upon the investment strategy or performance of the Partnership, unless such investment strategy is inconsistent with the primary purpose of the Partnership as set forth in Section 2.1) under ERISA or the related provisions of the Code if the ERISA Partner were to make additional Capital Contributions to the Partnership, or (ii) because there is a material risk that the assets of the Partnership are or will be deemed to be "plan assets" of such ERISA Partner within the meaning of the DOL Regulations; then the General Partner or such ERISA Partner, as the case may be, shall deliver to the other a notice to that effect, accompanied by an opinion of counsel (which may be counsel retained or employed by the General Partner or such ERISA Partner, as the case may be, so long as such counsel shall be reasonably acceptable to such ERISA Partner and General Partner) to that effect which opinion shall be reasonably acceptable to such ERISA Partner and the General Partner and shall explain in reasonable detail the reason therefor. In the case of such notice from the ERISA Partner, unless within ninety (90) days after the date on which such notice was given, the General Partner, using reasonably practicable efforts, is able to eliminate the necessity for such discontinuance to the reasonable satisfaction of such ERISA Partner and its counsel, whether by correction of the condition giving rise thereto or amendment of this Agreement or otherwise, such ERISA Partner shall be entitled, at its election, upon written notice to the General Partner, to be released from its obligation to make additional Capital Contributions pursuant to Section 3.1. In the case of such notice from the General Partner, such ERISA Partner shall be required to discontinue making additional Capital Contributions pursuant to Section 3.1 unless, within ninety (90) days after the date on which the notice was given, the General Partner, using reasonably practicable efforts, or the ERISA Partner, using reasonably practicable efforts, as appropriate, shall eliminate the necessity for such discontinuance of its obligation to make additional capital contributions to the reasonable satisfaction of the General Partner and its counsel, whether by correction of the condition giving rise thereto or an amendment to this Agreement or otherwise. The obligation of the ERISA Partner to make additional capital contributions pursuant to Section 3.1 shall be suspended during the above referenced ninety (90) day period. An ERISA Partner who has been released of its obligation to make additional contributions shall not be treated as in default of its obligation to make such Contributions, in which case such ERISA Partner's Capital Contribution obligation set forth in Section 3.1 shall be reduced to the amount of capital actually contributed by such ERISA Partner to the Partnership. The General Partner will provide to the remaining Partners of the Partnership the opportunity to acquire the remaining Capital Commitment of such Limited Partner pro rata in proportion to their Percentages of Contributed Capital, and if not all Partners so choose to acquire, to any Partner who desires to acquire an additional Capital Commitment in such amount as such Partner may request.

(f) In lieu of the procedures for redemption of an interest set forth in this Section 8.7, the General Partner may cause some or all of the interest of the withdrawing Limited Partner to be sold for cash to the remaining Partners pro rata in proportion to their Percentage of Contributed Capital, and if not all Partners so choose to acquire such interest,

such interest shall be allocated pro rata among those Partners who elect to purchase such interest in proportion to their Percentage of Contributed Capital, and the proceeds thereof to be remitted to the withdrawing Limited Partner; provided, however, that (i) the price at which such interest or any portion thereof may be sold shall be based on the amount due to the withdrawing Limited Partner with respect to such portion as set forth in Section 8.7(d), and (ii) the entire interest of the withdrawing Limited Partner must be sold and/or redeemed prior to or upon the effective date of the withdrawal as provided in this Section 8.7.

IX.

LIABILITY OF PARTNERS; INDEMNIFICATION

Section 9.1 Liability of General Partner.

A. The General Partner shall be subject to the liabilities of a partner in a partnership without limited partners, and nothing herein shall be deemed to relieve the General Partner of liabilities to third parties which it otherwise has under applicable law. The General Partner shall not be liable to the Partnership or any other Partner for any act or omission taken or suffered by the General Partner in good faith and in the belief that such act or omission is in the best interests of the Partnership; provided that such act or omission is not in violation of this Agreement and does not constitute willful misconduct, fraud or a willful violation of law by the General Partner. The General Partner shall not be liable to the Partnership or any other Partner for any action taken by any other Partner, nor shall the General Partner (in the absence of willful misconduct, fraud or a willful violation of law by the General Partner) be liable to the Partnership or any other Partner for any action of any employee or agent of the Partnership provided that the General Partner shall have exercised appropriate care in the selection and supervision of such employee or agent.

B. Whenever in this Agreement the General Partner is permitted or required to make a decision (i) in its "discretion" or "sole discretion" or under a grant of similar authority or latitude, the General Partner shall be entitled to consider only such interests and factors as it desires, including its own interests, and shall have no duty or obligation to give any consideration to any interests of or factors affecting the Partnership or any other Person, or (ii) in its "good faith" or under another express standard, the General Partner shall act under such express standard and shall not be subject to any other or different standard imposed by this Agreement or other applicable law; provided that all judgments and determinations shall comply with the fiduciary duty of the General Partner to the Limited Partners.

C. Notwithstanding Section 9.3 below, the General Partner shall not be indemnified for any losses, liabilities or expenses arising from or out of an alleged violation of federal or state securities laws unless (i) there has been a successful adjudication on the merits of each count involving alleged securities law violations as to the particular indemnitee, or (ii) such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction as to the particular indemnitee,

or (iii) a court of competent jurisdiction approves a settlement of the claims against a particular indemnitee. In any claim for indemnification for federal or state securities law violations, the party seeking indemnification shall place before the court the position of the Securities and Exchange Commission and the Massachusetts Securities Division with respect to the issue of indemnification for securities law violations. The Partnership shall not incur the cost of that portion of any insurance, other than public liability insurance, which insures any party against any liability the indemnification of which is herein prohibited.

Section 9.2 Liability of Limited Partners.

The liability of any Limited Partner shall be limited to its uncalled Capital Commitment (as such may be reduced under Section 3.3 or 3.4); provided, that a Limited Partner shall be liable for the return of any part of a distribution in respect of its Capital Contribution to the extent required by law.

Section 9.3 Indemnification of the General Partner and Limited Partners.

The General Partner and its partners, agents, employees and Affiliates and the Limited Partners (the "Indemnitees") shall be and hereby are (i) indemnified and held harmless by the Partnership and (ii) released by the other Partners from and against any and all claims, demands, liabilities, costs, expenses, damages, losses, suits, proceedings and actions for which such Indemnitee has not otherwise been reimbursed (collectively, "Liabilities"), whether judicial, administrative, investigative or otherwise, of any nature whatsoever, known or unknown, liquidated or unliquidated, that may accrue to the Partnership or any other Partner or in which any of the Indemnitees may become involved, as a party or otherwise, arising out of the conduct of the business or affairs of the Partnership by the respective Indemnitee or otherwise relating to this Agreement, provided that an Indemnitee shall not be entitled to indemnification or release hereunder if it shall have been determined by a court of competent jurisdiction that (x) such person did not act in good faith and in a manner such person reasonably believed to be in the best interests of the Partnership and, in the case of a criminal proceeding, did not have reasonable cause to believe that his conduct was lawful, or (y) such Liabilities shall have arisen from a violation of this Agreement or the gross negligence, willful misconduct, fraud or willful violation of law by such Indemnitee, or actions of such Indemnitee outside the scope of and unauthorized by this Agreement. The termination of any proceeding by settlement shall not, of itself, create a presumption that the Indemnitee did not act in good faith and in a manner that such person reasonably believed to be in the best interests of the Partnership or that the Indemnitee did not have reasonable cause to believe that its conduct was lawful. Any indemnification right provided for in this Section 9.3 shall be retained by any removed General Partner and its partners, agents, employees and Affiliates. The indemnification rights provided for in this Section 9.3 shall survive the termination of the Partnership or this Agreement.

Section 9.4 Payment of Expenses.

Expenses incurred by an Indemnitee in defense or settlement of any claim that may be subject to a right of indemnification hereunder may be advanced by the Partnership prior to the final disposition thereof provided that the following conditions are satisfied: (i) the claim relates to the performance of duties or services by the Indemnitee on behalf of the Partnership, and (ii) the Indemnitee undertakes to repay the advanced funds to the Partnership if it is ultimately determined that the Indemnitee is not entitled to be indemnified hereunder or under applicable law. The right of any Indemnitee to the indemnification provided herein shall be cumulative of, and in addition to, any and all rights to which such Indemnitee may otherwise be entitled by contract or as a matter of law or equity and shall extend to such Indemnitee's successors, assigns and legal representatives. All judgments against the Partnership and the General Partner, in respect of which such General Partner is entitled to indemnification, must first be satisfied from Partnership assets before the General Partner is responsible therefor. The obligations of Limited Partners under this Article IX shall be satisfied only after any applicable insurance proceeds have been exhausted and then only out of Partnership assets and, to the extent required by law, distributions made by the Partnership to its Partners, and Limited Partners shall have no personal liability to fund indemnification payments hereunder.

X.

ACCOUNTING FOR THE PARTNERSHIP; REPORTS

Section 10.1 Accounting for the Partnership.

The Partnership shall use the accrual method of accounting and its financial statements shall be prepared in accordance with generally accepted accounting principles. The Partnership's tax return shall be prepared on an accrual basis. The fiscal year of the Partnership shall end on December 31.

Section 10.2 Books and Records.

The General Partner shall keep or cause to be kept complete and appropriate records and books of account. Except as otherwise expressly provided herein, such books and records shall be maintained on the basis used in preparing the Partnership's federal income tax returns. Such information as is necessary to reconcile such books and records with generally accepted accounting principles shall also be maintained. The books and records shall be maintained at the principal office of the Partnership, and shall be available for inspection and copying by any Partner at its expense during ordinary business hours following reasonable notice.

Section 10.3 Reports to Partners.

Within forty-five (45) days after the end of each calendar quarter, the General Partner will prepare and deliver to each Partner (i) an unaudited balance sheet and income statement of the Partnership for such quarter, accompanied by a report on any material developments in existing investments

which occurred during such quarter and a newsletter relating to the Partnership's activities, (ii) a statement showing the balance in such Partner's Capital Account and a reconciliation of such balance, and (iii) a statement showing the amount of UBTI, if any, generated by the Partnership during such quarter. After the end of each fiscal year, the General Partner shall cause an audit of the Partnership to be made by an independent public accountant of nationally recognized status of the financial statements of the Partnership for that year. Such audit shall be certified and a copy thereof shall be delivered to each Partner within ninety (90) days after the end of each of the Partnership's fiscal years. Such certified financial statements shall also be accompanied by a report on the Partnership's activities during the year prepared by the General Partner. Within ninety (90) days after the end of each fiscal year, the Partnership will deliver to each Partner the General Partner's good faith estimate of the fair value of the Partnership's investments as of the end of such year, a statement showing the balances in each Partner's Capital Account as of the end of such year, and such other information, reports and forms as are necessary to assist each Partner in the preparation of his federal, state and local tax returns. The General Partner shall give prompt notice to the Limited Partners if at any time the Partnership's general counsel or accountants withdraw or are replaced, or if in the opinion of counsel to the Partnership the Partnership ceases to qualify as a Venture Capital Operating Company.

Section 10.4 Annual Meeting.

The General Partner will convene an annual meeting of all Partners, at such time and on such date, beginning in 1999, as it deems appropriate, at which the General Partner will report on the activities of the Partnership during the year and respond to questions pertaining to the Partnership's affairs. The General Partner shall call a special meeting of all Partners upon request of a Majority in Interest of the Limited Partners. The General Partner will give all Partners at least thirty (30) days notice of each annual or special meeting; provided that such notice may be waived by a Majority in Interest of the Limited Partners in the case of any special meeting.

XI.

DISSOLUTION AND WINDING UP

Section 11.1 Termination.

The existence of the Partnership shall terminate upon the first to occur of the following events:

(1) July 31, 2006; provided that the duration of the Partnership may be extended by the General Partner for not more than two additional one year periods;

(2) the sale or other disposition at any one time of all or substantially all of the assets of the Partnership;

(3) the happening of any event which causes the cessation of the General Partner's status as a general partner under the Act unless, in any such case (i) at the time of such event there is at least one other general partner of the Partnership who agrees to and does continue the business of the Partnership, or (ii) all of the remaining Partners agree in writing to continue the business of the Partnership and to the appointment of one or more additional general partners in accordance with the Act;

(4) the entry of a decree of judicial dissolution under the Act; and

(5) the written agreement of Two-Thirds in Interest of the Limited Partners to terminate the Partnership.

Section 11.2 Winding Up.

Upon the occurrence of an event specified in Section 11.1, the Partnership shall be wound up, liquidated and dissolved. At any time during the wind up, liquidation and dissolution of the Partnership as provided in this Section 11.2, Eighty Percent (80%) in Interest of the Limited Partners may remove the General Partner and replace it with a liquidator. In addition, if there is no General Partner, Two-Thirds in Interest of the Limited Partners may appoint a liquidator. The General Partner shall proceed with the Dissolution Sale or a liquidating distribution of the securities and other property of the Partnership pursuant to the required valuation in Section 5.6, all within the sole discretion of the General Partner or liquidator as promptly as practicable; provided that in the event of a Dissolution Sale the General Partner or such liquidator shall continue such sale only as long as it feels is reasonably necessary to obtain fair value for the investments in Portfolio Companies and other assets of the Partnership. In the Dissolution Sale the General Partner or such liquidator shall use its best efforts to reduce the Partnership's investments in Portfolio Companies to cash and cash equivalents, subject to obtaining fair value therefor and other legal and tax considerations.

Section 11.3 Liquidating Trust.

In the sole discretion of the General Partner or the liquidator at the termination of the Partnership pursuant to Section 11.1, all or a portion of the non-cash assets of the Partnership (other than Marketable Securities) may be distributed to a trust established for the benefit of the Partners for the sole purposes of liquidating Partnership assets, collecting amounts owed to the Partnership and paying any contingent or unforeseen liabilities or obligations of the Partnership. The distribution to the trust will constitute a final, liquidating distribution of assets pursuant to Section 5.3. The Partners'

beneficial interests in the trust will be equal to their respective interests in the assets of the Partnership upon liquidation. The trustee of the trust shall be the General Partner or the liquidator.

XII.

MISCELLANEOUS

Section 12.1 Registration of Securities.

Stocks, bonds, securities and other property owned by the Partnership shall be registered in the Partnership name or a "street name". Any corporation or transfer agent called upon to transfer any stocks, bonds and securities to or from the name of the Partnership shall be entitled to rely on instructions or assignments signed or purporting to be signed by the General Partner without inquiry as to the authority of the person signing or purporting to sign such instructions or assignments or as to the validity of any transfer to or from the name of the Partnership. At the time of transfer, the corporation or transfer agent is entitled to assume (i) that the Partnership is still in existence and (ii) that this Agreement is in full force and effect and has not been amended unless the corporation or transfer agent has received written notice to the contrary.

Section 12.2 Entire Agreement.

This Agreement and the Exhibits and Schedules attached hereto set forth the full and complete agreement of the Partners with respect to the subject matter hereof and supersede any prior agreement or undertaking among the parties; provided that the representations of the General Partner, the Partnership and the Limited Partners contained in the Subscription Agreement will survive the execution of this Agreement.

Section 12.3 Voting; Amendments.

On any occasion on which the General Partner submits to the Limited Partners for their approval a proposed amendment, waiver or other action (a "Vote") with respect to a provision of this Agreement, and the General Partner also submits to the Limited Partners of the Foreign Fund for their approval a proposed Vote with respect to a provision with a substantially similar impact of the partnership agreement for the Foreign Fund, then for purposes of determining whether such Vote was approved by the Limited Partners, (x) the Partnership will be deemed to have Capital Commitments equal to the Capital Commitments of the Foreign Fund and the Capital Commitments of the Partnership ("Deemed Total Capital Commitments"); (y) the portion of the Deemed Total Capital Commitments attributable to the Foreign Fund shall be deemed voted as actually voted by the Limited Partners of the Foreign Fund and (z) the portion of the Deemed Total Capital Commitments attributable to the Partnership shall be voted as the Limited Partners actually vote. Subject to the foregoing, this Agreement may be modified from time to time by the General Partner and a Majority in Interest of the

Limited Partners; provided that the written consent of all Partners shall be required for any amendment which would do any of the following: (i) increase the Capital Commitment of any Partner; (ii) modify the distributions of Operating Receipts or Investment Receipts in Section 5.2 or the allocations of Operating Income or Loss or Investment Gain or Loss in Section 5.7; (iii) extend the period in which additional Limited Partners may be admitted to the Partnership beyond 270 days as specified in Section 8.2; (iv) amend the Management Contract so as to increase the Management Fee or other compensation of the General Partner; (v) increase the percentage in interest of the Limited Partners needed to remove the General Partner under Section 8.5 or to terminate the Partnership under Section 11.1; or (vii) amend this Section 12.3. In addition, the written consent of all Tax-Exempt Partners shall be required to amend Section 6.2.O (requiring the General Partner to use best efforts to avoid the generation of UBTI), that portion of Section 6.2.Q that relates to the generation of UBTI, Section 3.3 or Section 8.6, and the written consent of all ERISA Partners shall be required to amend those portions of Section 3.3, Section 6.2.P or Section 8.6 that apply to ERISA Partners. No amendment may be made to any provision of this Agreement which contemplates action by a vote or consent of greater than a Majority in Interest of the Limited Partners without a vote or consent of such greater majority as therein specified.

Section 12.4 Severability.

If any provision of this Agreement, or the application of such provision to any person or circumstance, shall be held invalid, the remainder of this Agreement or the application of such provision to other persons or circumstances shall not be affected thereby. Any default hereunder by a Limited Partner shall not excuse a default by any other Limited Partner.

Section 12.5 Notices.

All notices, requests, demands and other communications shall be in writing and shall be deemed to have been duly given if personally delivered or sent by United States mails, or private or postal express mail service or by facsimile transmission confirmed by letter, if to the Partners, at the addresses set forth on Schedule 1 attached hereto, and if to the Partnership, to the
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General Partner at its address set forth in said Schedule, or to such other address as any Partner shall have last designated by notice to the Partnership and the other Partners, or as the General Partner shall have last designated by notice to the Limited Partners, as the case may be. Any notice shall be deemed received, unless earlier received, (i) if sent by first-class mail, postage prepaid, when actually received, (ii) if sent by private or postal express mail service, when actually received, (iii) if sent by facsimile transmission, on the date sent provided confirmatory notice is sent by first-class mail, postage prepaid, and (iv) if delivered by hand, on the date of receipt.

Section 12.6 Heirs and Assigns; Execution.

This Agreement (i) shall be binding on the executors, administrators, estates, heirs, legal representatives, successors, and assigns of the Partners; and, (ii) may be executed in more than one counterpart with the same effect as if the parties executing the several counterparts had all executed one counterpart; provided, however, that each separate counterpart shall have been executed by the General Partner and that the several counterparts, in the aggregate, shall have been signed by all of the Partners.

Section 12.7 Waiver of Partition.

Except as may be otherwise provided by law in connection with the winding-up, liquidation and dissolution of the Partnership, each Partner hereby irrevocably waives any and all rights that it may have to maintain an action for partition of any of the Partnership's property.

Section 12.8 Power of Attorney.

Concurrently with the execution of this Agreement, each Limited Partner shall execute a Power of Attorney in the form attached to the Subscription Agreement.

Section 12.9 Headings.

The section headings in this Agreement are for convenience of reference only, and shall not be deemed to alter or affect the meaning or interpretation of any provisions hereof.

Section 12.10 Further Actions.

Each Partner shall execute and deliver such other certificates, agreements and documents, and take such other actions, as may reasonably be requested by the General Partner in connection with the formation of the Partnership and the achievement of its Purposes, including, without limitation, (i) any documents that the General Partner deems necessary or appropriate to form, qualify, or continue the Partnership as a limited Partnership in all jurisdictions in which the Partnership conducts or plans to conduct business and (ii) all such agreements, certificates, tax statements and other documents as may be required to be filed in respect of the Partnership.

Section 12.11 Gender, Etc.

Whenever the context permits, the use of a particular gender shall include the masculine, feminine and neuter genders, and any reference to the singular or the plural shall be interchangeable with the other.

Section 12.12 Tax Matters Partner.

The General Partner shall be designated as the Tax Matters Partner in accordance with Section 6231 of the Code and shall promptly notify the other partners if any tax return or report of the Partnership is audited or if any adjustments are proposed. In addition, the General Partner shall promptly furnish to the Partners all notices concerning administrative or judicial proceedings relating to federal income tax matters as required under the Code and shall supply such information to the Internal Revenue Service as may be necessary to identify the Partners as Notice Partners under Section 6231 of the Code. During the pendency of any administrative or judicial proceeding, the General Partner shall furnish to the Partners periodic reports concerning the status of any such proceeding. Without the consent of a Majority in Interest of the Partners, the General Partner shall not extend the statute of limitations, file a request for administrative adjustment or enter into any settlement agreement relating to any Partnership item of income, gain, loss, deduction or credit for any fiscal year of the Partnership.

Section 12.13 Applicable Law.

This Agreement shall be construed and enforced in accordance with and governed by the laws of the Commonwealth of Massachusetts.

IN WITNESS WHEREOF, the parties to this Agreement have executed the same as of the date first above set forth and have executed separate counterparts bearing the signature of the General Partner.

GENERAL PARTNER

@Ventures Partners III, LLC

By: /s/ Andrew J. Hajducky, III

EXHIBIT 10.48

AMENDMENT NO. 1 TO THE AGREEMENT OF LIMITED PARTNERSHIP OF @VENTURES III, L.P.

This Amendment No. 1, dated as of August 7, 1998 (this "Amendment"), is by and among @Ventures Partners III, LLC (the "General Partner"), the general partner of @Ventures III, L.P., a Delaware limited partnership (the "Partnership"), and the undersigned Limited Partners. Capitalized terms used herein without definition have the meaning set forth in the Partnership's Agreement of Limited Partnership, as amended to date (the "Agreement").

RECITALS:

WHEREAS, the undersigned Partners deem it to be desirable and in the best interests of the Partnership to amend the Agreement to clarify the terms of CMGI's co-investment obligation with respect to investment opportunities offered to the Partnership, in order to be consistent with the Partners' mutual understanding.

WHEREAS, the undersigned Partners deem it to be desirable and in the best interests of the Partnership to modify the Agreement to reflect the understanding of the Partners that the Foreign Fund shall not be obligated to co-invest in every Portfolio Company in which the Partnership invests;

WHEREAS, the undersigned Partners deem it to be desirable and in the best interest of the Partnership to amend the Agreement with respect to certain other provisions, as set forth herein.

WHEREAS, the undersigned Partners deem it to be desirable and in the best interests of the Partnership to amend the Agreement in order waive the requirement, set forth in Section 10.3 of the Agreement, that the General Partner cause an audit of the Partnership for the year ended December 31, 1998.

NOW, THEREFORE, in consideration of the premises and agreements herein contained and intending to be legally bound hereby, the undersigned Partners agree as follows:

A. AMENDMENTS TO THE AGREEMENT.

1. Section 7.4 of the Agreement is hereby amended and restated in its entirety as follows:

"A. Except as provided below with respect to an Opt-Out Event (as defined below), CMGI will co-invest with the Partnership in Portfolio Companies an aggregate amount (the 'CMGI Co-investment Obligation') which shall be equal to the greater of:

(i) $30 million; and

(ii) an amount (the 'CMGI Amount') as is sufficient to cause CMGI's co-investment to equal 19.9% of the sum of (A) the aggregate Capital Commitments to the Partnership, (B) the aggregate Capital Commitments to the Foreign Fund, (C) the Employee Fund Co-investment Obligation (as defined below) and (D) the CMGI Amount. The CMGI Co-investment Obligation shall arise with respect to all investments made by the Partnership in Portfolio Companies (including Follow-on Investments, Committed Investments, Bridge Financings and through the funding of guarantees), shall be satisfied in cash and shall be made on the same terms, same price and in securities identical to the Portfolio Securities purchased by the Partnership.

In the case of each investment in a Portfolio Company, the percentage of such investment made by the Partnership, the Foreign Fund, CMGI and the Employee Fund (as defined in Section 7.5) will be computed as follows:

(w) the percentage of such investment made by the Foreign Fund will be:

(i) zero, in the event that a majority in interest of the limited partners of the Foreign Fund elect not to invest in, or are deemed to have waived their right to participate in the investment in a particular Portfolio Company, pursuant to Section 3.3 of the Agreement of Limited Partnership of @Ventures Foreign Fund III, L.P., dated as of December 22, 1998, as amended from time to time, by and among the General Partner and the limited partners signatory thereto (an 'Opt-Out Event'), or

(ii) the aggregate capital commitments to the Foreign Fund divided by the sum of the aggregate capital commitments to the Foreign Fund, the aggregate Capital Commitments to the Partnership, the CMGI Co-investment Obligation and the Employee Fund Co-investment Obligation, in all other events;

(x) the percentage of such investment made by the Partnership will be:

(i) the aggregate Capital Commitments of the Partnership divided by the sum of the aggregate Capital Commitments of the Partnership, the

Opt-Out CMGI Obligation (as defined below) and the Opt-Out Employee Fund Obligation (as defined below), in an Opt-Out Event, or

(ii) the aggregate Capital Commitments to the Partnership divided by the sum of the aggregate Capital Commitments to the Partnership, the aggregate capital commitments to the Foreign Fund, the CMGI Co-investment Obligation and the Employee Fund Co-investment Obligation, in all other events;

(y) the percentage invested by CMGI will be:

(i) the Opt-Out CMGI Obligation divided by the sum of the aggregate Capital Commitments of the Partnership, the Opt-Out CMGI Obligation and the Opt-Out Employee Fund Obligation, in an Opt-Out Event, or

(ii) the CMGI Co-investment Obligation divided by the sum of the aggregate capital commitments to the Foreign Fund, the aggregate Capital Commitments to the Partnership and the CMGI Co-investment Obligation and the Employee Fund Co-investment Obligation, in all other events; and

(z) the percentage invested by the Employee Fund will be:

(i) the Opt-Out Employee Fund Obligation divided by the sum of the aggregate capital commitments to the Partnership, the Opt-Out CMGI Obligation and the Opt-Out Employee Fund Obligation, in an Opt-Out Event, or

(ii) the Employee Fund Co-investment Obligation divided by the sum of the aggregate Capital Commitments to the Partnership, the aggregate capital commitments to the Foreign Fund, the CMGI Co-investment Co-investment Obligation and the Employee Fund Obligation, in all other events.

The term 'Employee Fund Co-investment Obligation' shall mean a dollar amount that is sufficient to cause the Employee Fund's co-investment to equal 2.0% of the sum of (A) the aggregate Capital Commitments to the Partnership, (B) the aggregate capital commitments to the Foreign Fund, (C) the CMGI Co-investment Obligation, and (D) the Employee Fund Co-investment Obligation.

The term 'Opt-Out CMGI Obligation' shall be equal to the greater of:

(i) $30 million; and

(ii) a dollar amount (the 'CMGI Opt-Out Amount') as is sufficient to cause CMGI's co-investment to equal 19.9% of the sum of (A) the aggregate Capital Commitments of the Partnership, (B) the Opt-Out Employee Fund Obligation and (C) the CMGI Opt-Out Amount.

The term 'Opt-Out Employee Fund Obligation' shall mean a dollar amount that is sufficient to cause the Employee Fund's co-investment to equal 2.0% of the sum of (A) the aggregate capital commitments to the Domestic Fund, (B) the Opt-Out CMGI Obligation, and (C) the Opt-Out Employee Fund Obligation.

B. CMGI may assign all or any portion of its CMGI Co-investment Obligation or Opt-Out CMGI Obligation, as the case may be, to any of its Affiliates, including, without limitation, any CMGI Fund; provided, however, for purposes of this Section 7.4, the CMGI Co-investment Obligation and the Opt-Out CMGI Obligation, as the case may be, shall remain an obligation of CMGI."

2. Section 6.1 of the Agreement is hereby amended and restated in its entirety as provided below:

"@Ventures Partners III, LLC, a limited liability company initially comprised of David S. Wetherell, Guy M. Bradley, Jonathan Callaghan, Andrew J. Hajducky III, Peter H. Mills and CMGI as its members, is the General Partner of the Partnership."

3. Section 7.5 of the Agreement is hereby amended and restated in its entirety as provided below:

"Section 7.5 Other Co-Investment Rights.

In the case of any investment by the Partnership, the General Partner shall cause employees of the Management Company or other persons who perform services to or for the benefit of the Partnership (including without limitation, the members of the Management Company) to co-invest with the Partnership an amount equal to the amount determined in accordance with Section 7.4; provided that the investment by such employees and other persons shall be on the same terms, same price and in securities identical to the Portfolio Securities purchased by the Partnership. The obligations of the employees or other persons under this Section 7.5 may be funded through a partnership or limited liability company, all of the equity holders of which are employees of the Management Company or other persons who perform services to or for the benefit of the Partnership (herein referred to as the 'Employee Fund')."

4. Section 7.6 of the Agreement is hereby amended by adding the following sentence to the end of such Section:

"Notwithstanding anything herein to the contrary, if there is an Opt-Out Event with respect to a particular investment in a Portfolio Company, the Foreign Fund shall not be required to co-invest with the Partnership."

5. Section 7.7 (a) of the Agreement is hereby amended by adding the following sentence to the end of such Section:

"Notwithstanding anything herein to the contrary, if there is an Opt-Out Event with respect to a particular investment in a Portfolio Company, the Foreign Fund shall not be required to co-invest with the Partnership."

6. Section 7.7 (c) of the Agreement is hereby amended by deleting the period in the last sentence thereof, and adding to the end of such sentence the following clause:

"; except that the Foreign Fund's obligation to co-invest is qualified as more fully described in Section 7.4 hereof."

7. Section 10.3 of the Agreement is hereby amended by deleting the following language at the beginning of the second sentence thereof:

"After the end of each fiscal year,"

and inserting in lieu thereof the following:

"After the end of each fiscal year other than the fiscal year ending December 31, 1998,"

B. RATIFICATION. Except as otherwise expressly set forth herein, all terms and conditions of the Agreement are hereby ratified and confirmed and shall remain in full force and effect. Except as expressly set forth herein, nothing herein shall be construed to be an amendment or a waiver of any requirements of the Agreement.

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

D. EFFECT OF AMENDMENT. Subject to execution of this Amendment by the General Partner and a Majority in Interest of the Limited Partners, the Agreement shall be amended as set forth herein, effective as of August 7, 1998, and the undersigned Limited Partners expressly authorize the General Partner (i) to reflect the amendments set forth herein in a First Amended and

Restated Agreement of Limited Partnership of the Partnership and (ii) to execute and deliver such First Amended and Restated Agreement of Limited Partnership on behalf of all Partners.

* * * * * * * * * * * * * * *

COUNTERPART SIGNATURE PAGE
TO AMENDMENT NO. 1
TO THE AGREEMENT OF LIMITED PARTNERSHIP
OF @ VENTURES III, L.P.

IN WITNESS WHEREOF, the parties have duly executed this Amendment No. 1 as of the date first above written.

GENERAL PARTNER:

@VENTURES PARTNERS III, LLC

By: /s/ Andrew J. Hajducky, III
Name:
Title:

EXHIBIT 10.49

AGREEMENT OF
LIMITED PARTNERSHIP OF
@VENTURES FOREIGN FUND III, L.P.

December 22, 1998

AGREEMENT OF
LIMITED PARTNERSHIP OF
@VENTURES FOREIGN FUND III, L.P.

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AGREEMENT OF
LIMITED PARTNERSHIP OF
@VENTURES FOREIGN FUND III, L.P.

AGREEMENT OF LIMITED PARTNERSHIP dated as of December 22, 1998 (the "Agreement"), by and among @Ventures Partners III, LLC (referred to as the "General Partner"), and the undersigned limited partners (together with any other limited partner which may hereafter be admitted referred to as the "Limited Partners"). The General Partner and the Limited Partners are sometimes collectively referred to herein as the "Partners" and individually as a "Partner." Definitions of certain terms used in this Agreement are contained in Article I.

WHEREAS, @Ventures III, L.P. (the "Domestic Fund") was formed pursuant to a Certificate of Limited Partnership filed with the Office of the Secretary of State of the State of Delaware on May 29, 1998.

WHEREAS, the General Partner and the Limited Partners desire to enter into an agreement of limited partnership to invest side-by-side with the Domestic Fund, and hereby form a limited partnership pursuant to and in accordance with the Delaware Revised Uniform Limited Partnership Act (6 Del. C. (S) 17-101, et seq.) (the "Delaware Act").

AGREEMENT

In consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

I. DEFINITIONS

As used herein, the following terms have the following meanings:

@Ventures III:
- ---

@Ventures Partners III, LLC, a Delaware limited liability company, or any successor general partner of the Partnership.

Accredited Investor:
- ---

An investor which qualifies as an "accredited investor" as defined in Section 230.501 of Regulation D promulgated under the Securities Act.

Act:
- ---

The Delaware Revised Uniform Limited Partnership Act, as amended from time to time.

Adjusted Capital Account Deficit:
- ---------------------------------

With respect to any Partner, the deficit balance, if any, in such Partner's Capital Account as of the end of the relevant fiscal year or other accounting period determined after (i) crediting to such Capital Account any amounts which such Partner is obligated to restore thereto hereunder or is deemed to be obligated to restore thereto pursuant to the penultimate sentences of Sections 1.704-2(g)(1) and 1.704-2(i)(5) of the Treasury Regulations and (ii) debiting to such Capital Account the items described in Sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6) of the Treasury Regulations. The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Section 1.704-1(b)(2)(ii)(d) of the Treasury Regulations and shall be interpreted consistently therewith.

Affiliates:
- ----------

With respect to any person, any officer, director, employee or general partner of, or any person that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with, such person. The General Partner and its individual members shall all be deemed Affiliates of one another.

Assignee:
- --------

As defined in Section 8.3.

Break-up Fee:
- ------------

Any fee, reimbursement or other form of compensation payable by a third party as a result of the failure to consummate an investment.

Bridge Financing:
- ----------------

As defined in Section 4.1.

Business Day:
- ------------

Any day, excluding Saturday, Sunday and any other day on which commercial banks in Boston, Massachusetts are authorized or required by law not to be open for business.

CMGI:
- ----

CMG Information Services, Inc., a Delaware corporation.

CMGI Funds:
- ----------

The Prior Funds and any other corporation, partnership or limited liability company organized by CMGI in order to facilitate its co-investment obligation under Section 7.4 hereof.

Capital Account:
- ---------------

As defined in Section 3.5.

Capital Commitment:
- ------------------

As defined in Section 3.1.

Capital Contribution:
- --------------------

As defined in Section 3.2.

Capital Contribution Allocable to Liquidated Portfolio Securities:
- ---

With respect to any Partner or class of Partners as of any time of determination, that portion of the Capital Contributions of such Partner or Partners equal to the cost basis of Portfolio Securities that have been liquidated or otherwise disposed of. Capital Contributions Allocable to Liquidated Portfolio Securities shall include (i) the unreimbursed cost to the Partnership of acquiring, holding and selling Portfolio Securities, (ii) any Deemed Portfolio Loss and (iii) that portion of the expenses of the Partnership described in Section 6.5.A(1) that is equal to the ratio of the cost basis of such liquidated Portfolio Security to the total Capital Commitments of the Partnership (provided, however, that in the case of the last investment by the Partnership in a Portfolio Security, any such expenses that have not previously been allocated shall be allocated in their entirety to such last investment for purposes of determining the Capital Contribution of the Partners allocable to such Portfolio Security). For the purposes of Section 5.2B(1) Capital Contributions Allocable to Liquidated Portfolio Securities shall be reduced by any Deemed Portfolio Loss previously distributed with respect to that security pursuant to Section 5.2B(1).

Capital Contribution Allocable to Portfolio Securities:
- --

With respect to any Partner or class of Partners as of any time of determination, (i) that portion of the Capital Contributions of such Partner or Partners that have been invested in Portfolio Securities, including the unreimbursed cost to the Partnership of acquiring, holding and selling Portfolio Securities (to the extent not paid by break-up and other fees as provided in Sections 6.5.E and 6.5.F), and (ii) that portion of the expenses of the Partnership described in Section 6.5.A(1) that is equal to the ratio of the cost basis of Portfolio Securities to the total Capital Commitments of the Partnership (provided, however, that in the case of the last investment by the Partnership in a Portfolio Security, any such expenses that have not previously been allocated shall be allocated in their entirety to such last investment for purposes of determining the Capital Contribution of the Partners allocable to such Portfolio Security).

Code:
- ----

The Internal Revenue Code of 1986, as amended.

Co-investment Obligation:
- ------------------------

As defined in Section 7.4.

Committed Investment:
- --------------------

An investment in Portfolio Securities in which the Partnership had an obligation to invest as of the last day of the Commitment Period pursuant to either (i) a commitment to make an initial investment in a Portfolio Company or (ii) a commitment made at the time of the initial investment in a Portfolio Company.

Commitment Period:
- -----------------

The period from the Initial Closing Date to four years from such date.

Continuity Mode:
- ---------------

Status which the Limited Partners can impose upon the Partnership in the event of a Triggering Event as described in Section 6.4.

Deemed Portfolio Loss:
- ----------------------

As defined in Section 5.2.D.

Defaulting Partner:
- ------------------

As defined in Section 3.7.

Dissolution Sale:
- ----------------

Sales and liquidations by or on behalf of the Partnership of all or substantially all of its assets in connection with or in contemplation of the winding up of the Partnership.

Domestic Fund:
- -------------

@Ventures III, L.P., a Delaware limited partnership.

Eighty Percent (80%) in Interest of the Limited Partners:
- ---

At any time, those Limited Partners whose aggregate Percentage of Contributed Capital equals or exceeds eighty percent (80%).

Escrow Account:
- --------------

As defined in Section 5.2.G.

Financial Institution:
- ----------

A bank, savings institution, trust company, insurance company, pension or profit sharing trust, or similar entity which is a member of any group of such persons, having assets of at least $100 million, or other entity (other than an individual) a substantial part of whose business consists of investing in, purchasing or selling the securities of others.

Follow-on Investment:
- ----------

An investment, other than a Committed Investment, in Portfolio Securities of a Portfolio Company in which the Partnership holds, immediately prior thereto, Portfolio Securities.

General Partner:
- ----------

@Ventures Partners III, LLC or any successor general partner of the Partnership.

Incentive Distributions:
- ----------

As defined in the last paragraph of Section 5.2.B.

Indemnitees:
- ----------

As defined in Section 9.3.

Initial Closing Date:
- ----------

The first date on which any Limited Partner, other than the Initial Limited Partner, is admitted to the Partnership.

Investment Company Act:
- ----------

The Investment Company Act of 1940, as amended.

Investment Gain:
- ---------------

For any fiscal year or other accounting period of the Partnership, the amount, if any, by which the Partnership's gross taxable income and gains with respect to interests in Portfolio Companies exceed the Partnership's gross taxable deductions and losses with respect to such interests in Portfolio Companies. The following amounts shall be included in determining Investment Gain: (i) any interest, dividend or similar distribution with respect to Portfolio Securities, and (ii) any and all payments arising out of the disposition of Portfolio Securities, including without limitation any option payment, lump sum payment, principal or interest paid or imputed under any promissory note, and any payment made pursuant to a royalty or earn-out arrangement or similar form of contingent payment. Calculations of Investment Gain shall be consistent with calculations made for federal income tax purposes, except that Investment Gain shall be determined (w) by taking into account unrealized gains and losses with respect to Portfolio Securities that are revalued pursuant to the penultimate sentence of Section 3.5 or distributed in kind hereunder, (x) with reference to the book value rather than the adjusted tax basis of any Portfolio Security that has been revalued pursuant to the penultimate sentence of Section 3.5, (y) without regard to any amounts that are specially allocated pursuant to Sections 5.8. and 5.9 and (z) without giving effect to any adjustments made pursuant to Sections 743 or 734 of the Code. Notwithstanding the foregoing, Investment Gain shall not include (i) interest or dividends received from, or gain received upon the disposition of, Temporary Bridge Financing or Permanent Bridge Financing; (ii) the amount of any fees paid to the Partnership pursuant to Section 6.5.E, and (iii) the amount of any fees paid to the Partnership pursuant to Section 6.5.F.

Investment Loss:
- ---------------

For any fiscal year or other accounting period of the Partnership, the amount, if any, by which the Partnership's gross taxable deductions and losses with respect to interests in Portfolio Companies exceed the Partnership's gross taxable income and gains with respect to interests in Portfolio Companies. Calculations of Investment Loss shall be consistent with calculations made for federal income tax purposes and with the calculation of Investment Gain.

Investment Receipts:
- -------------------

Amounts received by the Partnership with respect to (including payments and distributions on and proceeds of dispositions of) interests in and assets of Portfolio Companies, net of amounts necessary to pay all expenses, debts and obligations of the Partnership or to establish reserves therefor. Investment Receipts shall exclude (i) interest or dividends received from, or gain received upon the disposition of, Temporary or Permanent Bridge Financing, (ii) the amount of any fees paid to the Partnership pursuant to Section 6.5.E, and (iii) the amount of any fees paid to the Partnership pursuant to Section 6.5.F.

Liabilities:
- -----------

As defined in Section 9.3.

Limited Partners:
- ----------------

As defined in the recitals.

Liquidated Portfolio Securities:
- ------------------------------

Portfolio Securities that have been liquidated or otherwise disposed of.

Majority in Interest of Limited Partners:
- --

At any time, those Limited Partners whose aggregate Percentage of Contributed Capital exceeds fifty percent (50%).

Management Company:
- ------------------

@Ventures Management, LLC, a Delaware limited liability company.

Management Contract:
- -------------------

The management contract with the Management Company in the form attached hereto as Exhibit A.

Management Fee:
- --------------

The management fee payable by the Partnership to the Management Company pursuant to the Management Contract.

Marketable Securities:
- ---------------------

Securities (i) that are freely tradable pursuant to a registration under the Securities Act of 1933, as amended, or an exemption therefrom, (ii) that immediately after giving effect to their distribution will not be subject to any contractual restriction on transfer, (iii) that will be traded on a national securities exchange or reported through the National Association of Securities Dealers Automated Quotation System, and (iv) that may be sold without regard to volume limitations.

Net Investment Gain:
- -------------------

As of any time of determination, the amount, if any, by which the sum of the Investment Gains for all fiscal years and other accounting periods of the Partnership exceeds the sum of the Investment Losses for all fiscal years and other accounting periods of the Partnership.

Net Operating Income:
- --------------------

As of any time of determination, the amount, if any, by which the sum of the Operating Income for all fiscal years and other accounting periods of the Partnership exceeds the sum of the Operating Losses for all fiscal years and other accounting periods of the Partnership.

Operating Income (Loss):
- ------------------------

For any fiscal year or other accounting period of the Partnership the excess (deficiency) of all income and gains of the Partnership, from whatever source derived, over the losses and expenses borne by the Partnership (including the Management Fee), including any income, gain, losses or expenses relating to Temporary Bridge Financing, Permanent Bridge Financing and Temporary Investments but excluding Investment Gain (Loss) all as calculated for federal income tax purposes, except that Operating Income (Loss) shall be computed with the following adjustments: (i) income of the Partnership that is exempt from federal income tax and that is not otherwise taken into account in computing income or loss shall be added to Operating Income (Loss); (ii) expenditures of the Partnership that are neither deductible for Federal income tax purposes nor allowable as additions to the basis of Partnership property (or that are so treated pursuant to Section 1.704-1(b)(2)(iv)(i) of the Treasury Regulations) shall be subtracted from such taxable income or loss; and (iii) there shall not be taken into account any items that are specially allocated pursuant to Sections 5.8.A, 5.8.C, 5.8.D and 5.9.

Operating Receipts:
- -------------------

All amounts received by the Partnership other than Investment Receipts, net of amounts necessary to pay all expenses, debts and obligations of the Partnership or to establish reserves therefor.

Partners:
- ---------

As defined in the recitals hereof.

Partnership:
- ------------

@Ventures Foreign Fund III, L.P., a Delaware limited partnership.

Percentage of Contributed Capital:
- ----------------------------------

In the case of each Partner, except as provided in Sections 3.6 and 3.7, the Capital Contributions of such Partner divided by the sum of the Capital Contributions of all Partners.

Permanent Bridge Financing:
- ---------------------------

As defined in Section 4.3.

Portfolio Companies:
- --------------------

Companies in which the Partnership makes investments in accordance with the provisions of this Agreement.

Portfolio Securities:
- ---------------------

Equity and equity-related securities of Portfolio Companies in which the Partnership invests in accordance with the provisions of this Agreement. Temporary Bridge Financing and Permanent Bridge

Financing shall not be considered to be Portfolio Securities except for the purpose of calculating the amount of Investment Receipts to be distributed and allocated pursuant to Sections 5.2.B(2) and 5.7.B(4).

Prior Funds:
- -----------

CMG@Ventures I, LLC and CMG@Ventures II, LLC.

Removal Date Securities:
- ------------------------

As defined in Section 8.5.

Securities Act:
- --------------

The Securities Act of 1933, as amended.

Special Limited Partner:
- ------------------------

As defined in Section 8.5.

Substitute Limited Partner:
- ---------------------------

As defined in Section 8.3.

Subscription Agreement:
- ----------------------

Each of the several Subscription Agreements between the Partnership and the Limited Partners.

Target Allocation:
- -----------------

With respect to any Partner as of the close of any fiscal year or other accounting period of the Partnership for which an allocation of Investment Loss is to be made pursuant to Section 5.7.C(1), the amount of Net Investment Gain that would then be allocated to such Partner if (i) the Net Investment Gain for all periods through the close of such fiscal year or other period were equal to the Net Investment Gain as of the close of the immediately preceding fiscal year or other accounting period of the Partnership less the amount of Investment Loss to be then allocated pursuant to Section 5.7.C(1) and (ii) the Net Investment Gain as then calculated pursuant to clause (i) were then allocated to the Partners pursuant to Sections 5.7.B(3), 5.7.B(4) and 5.7.B(5) as if there had been no prior allocations of Investment Gain or Investment Loss.

Temporary Bridge Financing:
- ---------------------------

Bridge Financing that has not been converted into Permanent Bridge Financing pursuant to Section 4.3.

Temporary Investments:
- ----------------------

(i) Investments in direct obligations of the United States of America, or obligations of any instrumentality or agency thereof payment of principal and interest of which is unconditionally guaranteed by the United States of America, all of such obligations having a final maturity not more than one year from the date of issue thereof;

(ii) Investments in certificates of deposit or repurchase agreements having a final maturity not more than one year from the date of acquisition thereof issued by any bank or trust company organized under the laws of the United States of America or any state thereof having capital and surplus of at least $100 million;

(iii) Investments in money market funds, provided that such funds invest primarily in government securities described in subparagraph (i) or in municipal obligations that receive a rating of AAA or AA, or Aaa or Aa from a nationally recognized financial rating service such as Standard & Poor's Corporation or Moody's Investors Service, Inc., respectively;

(iv) Investments in interest-bearing accounts of Financial Institutions; and

(v) Commercial paper payable on demand or having a final maturity not more than one year from the date of acquisition thereof which has the highest credit rating by either Standard & Poor's Corporation or Moody's Investors Service, Inc.

Treasury Rate:
- -------------

An interest rate calculated quarterly at the average of the ninety (90) day United States Treasury Bill weekly auction rates for the preceding quarter.

Treasury Regulations:
- --------------------

Income Tax Regulations promulgated from time to time under the Code. References to specific sections of the Treasury Regulations shall be to such Sections as amended, supplemented or superseded by Treasury Regulations currently in effect.

Triggering Event:
- ----------------

As defined in Section 6.4.

Two-Thirds in Interest of the Limited Partners:
- --

Those Limited Partners whose aggregate Percentage of Contributed Capital equals or exceeds sixty-six and two-thirds percent (66 2/3%).

UBTI:
- ----

Unrelated business taxable income as defined in Section 512 of the Code and including unrelated debt-financed income as defined in Section 514 of the Code.

II. FORMATION

Section 2.1 Purpose.

Pursuant to the Act, the Partners hereby agree to form the Partnership as a limited partnership for the principal purpose of making equity and equity-related investments in Portfolio Companies, on a side-by-side basis with the Domestic Fund, managing, supervising and disposing of such investments, receiving the profits and losses therefrom, and engaging in activities necessarily incidental or ancillary thereto.

Section 2.2 Name.

The name of the Partnership will be "@VENTURES FOREIGN FUND III, L.P." or such other name or names as the General Partner may from time to time designate.

Section 2.3 Principal Place of Business.

The principal office of the Partnership will be located at 100 Brickstone Square, Andover, Massachusetts 01801, or such other location in the United States as the General Partner may from time to time determine. The General Partner shall give prompt notice of any change in the principal office of the Partnership to each Limited Partner.

Section 2.4 Registered Agent.

The initial address of the Partnership's registered office in Delaware is 1209 Orange Street, Wilmington, County of New Castle, and its initial registered agent at such address for service of process is The Corporate Trust Company.

Section 2.5 Term.

The Partnership shall continue in full force and effect until July 31, 2006, unless extended or until earlier terminated pursuant to Section 11.1.

Section 2.6 Tax Returns.

The Partnership shall not take any position in any federal or state income tax return that the Partnership is engaged in a trade or business unless there is a change in law which in the opinion of counsel to the Partnership would require such reporting.

III. CAPITAL CONTRIBUTIONS; PARTNERS' ACCOUNTS

Section 3.1 Capital Commitments and Contributions.

Subject to the provisions of Sections 3.3 and 3.4, each Partner intends to make cash contributions to the capital of the Partnership in the amount set forth opposite its name on Schedule 1 attached hereto. The amount of such commitment, reduced by any portion of the commitment which is released pursuant to Section 3.5 and increased or decreased by any amount pursuant to Section 3.6, is referred to herein as a "Capital Commitment." With respect to each Partner, the amount of capital contributed pursuant to such Capital Commitment and, after the end of the Commitment Period, amounts proportional to the Partner's Percentage of Contributed Capital that are reserved from Operating Receipts or Investment Receipts and invested in Follow-on Investments or Committed Investments, are referred to as "Capital Contributions." On any date when a Limited Partner makes a Capital Contribution to the Partnership, the General Partner shall contribute to the capital of the Partnership cash in such amount as is sufficient to cause the General Partner's Capital Contribution to equal one percent (1%) of the aggregate Capital Contributions of all Partners. The General Partner shall call for payment of the balance of each Partner's Capital Commitment as needed to fund the Partnership's investments in Portfolio Companies and other permitted uses under this Agreement in accordance with this Article III; provided, however, that no call may be made at any time subsequent to the Commitment Period except to the extent necessary to (i) provide for the expenses of the Partnership including the Management Fee, (ii) make Committed Investments pursuant to Section 6.2.M or (iii) make Follow-on Investments pursuant to Section 6.2.L; and provided further, however, that mandatory capital contributions by the Limited Partners shall be required only for (x) funding the payment of Partnership expenses in accordance with Section 6.5 (but not including indemnification expenses pursuant to Section 9.3), and (y) the Management Fee. All such calls shall be made in writing to all Partners pro rata in proportion to their respective Capital Commitments and shall specify the intended use of such called capital, including in the case of a capital call to invest in a Portfolio Company the name of the Portfolio Company. Such calls shall be made at least ten (10) Business Days before the date on which the installment payable in response to that call is due. The Capital Contributions of a Partner shall not in any case exceed the Capital Commitment of such Partner except as such Partner may otherwise consent. No Capital Contribution returned to a Partner, other than a Capital Contribution that is allocable to a Temporary Bridge Financing which has been sold, refinanced or otherwise disposed of, shall be callable by the General Partner pursuant to this Section 3.1 again, except as such Partner may otherwise consent.

Section 3.2 Initial Capital Contribution of the Limited Partners.

Upon formation of the Partnership, each Limited Partner shall pay a capital contribution (such Limited Partner's "Initial Contribution" and such date of payment being the "Initial Contribution Date") to the Partnership, by wire transfer or check, in an amount equal to such Limited Partner's pro rata share (based upon Capital Commitments of the Limited Partners) of the initial Management Fee, calculated from August 7, 1998 of the Domestic Fund. In addition, each Limited Partner shall contribute capital to the Partnership in an amount equal to (i) such Limited Partner's pro rata share (based upon Capital Commitments of the Limited Partners) of the product of the Aggregate Partnership Percentage (as defined below) as of the time of such Initial Contribution multiplied by the aggregate original purchase price of the securities held by the Domestic Fund in which the Partnership determines to invest (as set forth below), plus (ii) interest calculated in the same manner as in Section 8.2 of this Agreement (as to additional Limited Partners), plus (iii) such Limited Partner's pro rata share (based upon Capital Commitments of the Limited Partners) of the organizational fees and expenses payable in accordance with Section 6.5. The General Partner and the Limited Partners shall follow the procedures set forth in

Section 3.3 with respect to the securities held by the Domestic Fund on the date of formation of the Partnership in order to determine the securities in which the Partnership will invest and for which Partners will contribute capital. The Limited Partners shall fund the capital contribution described in this Section 3.2 within ten (10) business days of the date that the General Partner gives the Limited Partners written notice confirming the amount of such capital contribution. The General Partner shall cause the Domestic Fund to transfer the securities so acquired by the Partnership as soon as reasonably practicable following such capital contribution, such transfer to be effected in a manner reasonably satisfactory to the Limited Partners and their counsel. For purposes of this Article III, "Aggregate Partnership Percentage" equals the quotient, expressed as a percentage, of the aggregate Capital Commitments of all of the Partners of the Partnership, divided by the sum of the aggregate Capital Commitments of all of the Partners of the Partnership plus the aggregate capital commitments of all of the partners of the Domestic Fund.

Section 3.3 Other Capital Contributions by the Limited Partners.

Capital contributions by the Limited Partners to fund investments of the Partnership shall be made from time to time in accordance with this Section 3.3.

(a) The General Partner shall offer to the Partnership the opportunity to acquire its Aggregate Partnership Percentage of each investment opportunity offered to the Domestic Fund, including any Follow-on Investments, on the same terms and conditions as those offered to the Domestic Fund. In the event that a Majority in Interest of the Limited Partners of the Partnership desires to fund an investment, then each Limited Partner of the Partnership (including those who have not so notified the General Partner) shall be required to contribute capital to the Partnership in an amount equal to that portion of the investment which equals the product of (x) the quotient obtained by dividing its Capital Commitment by the Capital Commitments of all of the Partners times (y) the Partnership's aggregate investment amount ("Pro Rata Share"). The Partnership shall not make any investments in securities (other than Temporary Investments) without the prior written approval of a Majority in Interest of the Limited Partners of the Partnership as set forth in this Section 3.3. The General Partner's obligations under this Section 3.3 shall commence on the date hereof and shall continue throughout the term of the Partnership.

(b) In connection with a proposed investment to be made by the Partnership, the General Partner shall give each Limited Partner a written investment memorandum (an "Investment Memo") summarizing such investment, and indicating the date on which a definitive decision shall be required by a Majority in Interest of the Limited Partners of the Partnership (the "Decision Date"), which shall be no less than 30 days from the date of delivery of the Investment Memo or Follow-On Investment Memo (as defined below), as the case may be, except in unusual or exigent circumstances where the requirements of the particular transaction dictate a shorter notice period, which circumstances shall be described in writing in the Investment Memo. The Investment Memo shall include (a) the name of the company in which such investment may be made, (b) a description of the business engaged in by such company, (c) the background and suitability of the portfolio company's senior management, (d) historical financial data for such company, if available, (e) financial forecasts, (f) the rationale for such investment, (g) the projected internal rate of return for such investment based on forecasted revenue, operating margins and net income and valuation multiples of revenue and net profit, (h) valuations, valuation multiples and operating results of comparable companies selected by the General Partner, (i) the proposed amount and terms of the proposed investment by the Domestic Fund and the Partnership, (j) the proposed

use of proceeds by such company, (k) the projected future financing requirements of such company, (l) a description of such company's products and technology including an assessment of its advantages, (m) a description of such company's market, including estimates of the size of the current and future market, (n) descriptions of current and anticipated competitive companies and technologies, (o) risks and other issues of the investment, (p) the General Partner's expected action plan or agenda relating to the investment, (q) a capitalization table, reflecting the ownership of management and other investors and stock option plan(s), (r) a description of (A) any interest in such company that is held by the General Partner or its Affiliates, and (B) any other affiliations known to the General Partner between such company and the General Partner, any Affiliate of the General Partner or any portfolio company in which one of the persons listed in the preceding clause (A) has made an investment, and (s) any other information reasonably requested by the Limited Partners.

(c) Prior to the closing of any investment to be made by the Domestic Fund in a Follow-on Investment, the General Partner shall deliver to each Limited Partner a written recommendation memorandum (a "Follow-On Investment Memo") summarizing such Follow-on Investment, and indicating the Decision Date therefor. Such Follow-on Investment Memo shall include (a) the name of the portfolio company, (b) the most recent financial data for the company, (c) the rationale for the Follow-on Investment, (d) the amount and terms of the proposed Follow-on Investment, (e) an update to the other information provided pursuant to subparagraph (ii), and (f) any other information reasonably requested by the Limited Partners.

(d) Within three (3) business days of receipt of the Investment Memo or Follow-on Investment Memo, each Limited Partner shall notify the General Partner as to whether such Limited Partner will be able to reach a decision as to such investment on or before the Decision Date.

(e) On or before the Decision Date, each Limited Partner shall notify the General Partner as to whether or not such Limited Partner will participate in such investment. If a Majority in Interest of the Limited Partners of the Partnership fails to provide to the General Partner an affirmative notice pursuant to this clause on or before the Decision Date, such failure shall be regarded as a waiver by all Limited Partners of their right to participate in such investment.

(f) Any capital contribution agreed to be made by the Limited Partners pursuant to this Section 3.3 shall be made by check or wire transfer upon no less than ten (10) business days' prior written notice given by the General Partner.

(g) Notwithstanding the above, with respect to the following Follow-on Investments, if (i) the initial Investment Memo provides the Limited Partners with the same type of information for any proposed Follow-On Investments as required in Investment Memos and Follow-On Investment Memos, plus information indicating the milestones and other goals for such portfolio company and a price range for the subsequent securities and market capitalization range for such portfolio company at the time of the Follow-On Investment, and (ii) the Limited Partners agree to fund the initial investment in such portfolio company based upon the comprehensive initial Investment Memo, and (iii) the General Partner provides the Limited Partners with a memorandum stating that such portfolio company has met such milestones and goals (or other equivalent progress) and the price of the securities in the Follow-On Investment and market capitalization of the portfolio company meet the ranges specified in the initial

Investment Memo, then the Limited Partners Partners shall be required to fund such Follow-On Investment up to the amount specified in the initial Investment Memo.

Section 3.4 Capital Accounts.

The Partnership shall establish and maintain a Capital Account for each Partner. A Partner's Capital Account shall be (i) increased by (a) the amount of such Partner's Capital Contributions, (b) such Partner's allocations of Operating Income and Investment Gain pursuant to Sections 5.7.A and 5.7.B, and (c) items of income or gain specially allocated to such Partner pursuant to Section 5.8 or 5.9, (ii) decreased by (x) the amount of money and the fair market value of any property distributed to such Partner by the Partnership, (y) such Partner's allocations of Operating Loss and Investment Loss pursuant to Sections 5.7.A and 5.7.C and (z) items of loss, deduction or expenditure specially allocated to such Partner pursuant to Section 5.8 or 5.9, and (iii) adjusted to reflect any liabilities that are assumed by such Partner or the Partnership or that are secured by property contributed by or distributed to such Partner, all in accordance with Sections 1.704-1(b)(2)(iv) and 1.704-2 of the Treasury Regulations. Except as otherwise provided in the Treasury Regulations, a transferee of an interest in the Partnership shall succeed to the Capital Account of its transferor to the extent allocable to the transferred interest. Notwithstanding any provision of this Agreement other than Section 5.4, the General Partner shall revalue Partnership properties, and make corresponding adjustments to the Partners' Capital Accounts, as prescribed by Section 1.704-1(b)(2)(iv)(f) of the Treasury Regulations in connection with any contribution to or distribution by the Partnership of more than a de minimis amount of money or other property in exchange for an interest in the Partnership unless the General Partner reasonably determines that such revaluations and adjustments are not necessary to reflect the economic interests of the Partners in the Partnership. In addition, the book values of Partnership properties shall be increased or decreased, as the case may be, to reflect any adjustments to the adjusted tax bases of such properties pursuant to Section 734(b) or Section 743(b) of the Code to the extent that such basis adjustments are taken into account in determining Capital Account balances pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m) and have not been reflected in adjustments to the book values of such properties pursuant to the preceding sentence of this Section 3.4.

Section 3.5 Review or Modification of Capital Commitments.

Each Partner acknowledges that it is currently lawful for it to invest in the Partnership. Notwithstanding this acknowledgment and the provisions of this Article III, no Partner shall be obligated to make any contribution of its Capital Commitment if at the time such contribution is due (i) such Partner is substantially likely to be prohibited from making investments in the Partnership under any applicable federal or state law or regulations thereunder then in effect, or (ii) if such Partner is a bank holding company, it has a significant, pre-existing and continuing relationship with a Portfolio Company in which the Partnership has proposed to invest (in each case, a "Modification Event"). In the case of a Modification Event, the affected Partner shall advise the General Partner of the specific terms of the Modification Event within five (5) Business Days of receiving the call notice pursuant to Section 3.1. The General Partner shall promptly notify all other Partners of the alleged Modification Event. Unless (x) in the case of a Modification Event set forth in clauses (i) or (ii) above, the Partner asserting such Modification Event shall, at the request of the General Partner, have delivered to the General Partner an opinion from counsel reasonably satisfactory to the General Partner confirming the existence of such Modification Event or (y) in the case of a Modification Event set forth in clause (ii) above, the affected Partner shall have provided the General Partner with such information and material, including, at the request of the General Partner an opinion of counsel reasonably satisfactory to the General Partner confirming, in the sole discretion of the General Partner, the existence of this Modification Event, the General Partner may, as of the date on which the contribution at issue was due and upon fifteen (15) days notice to the affected Partner, reduce the Capital Account and percentage of Contributed Capital of such Partner by one fourth and correspondingly increase the Capital Account and Percentage of Contributed Capital of each other Partner in a manner similar to that provided in Section 3.6.B; provided, that the Partner asserting the prohibition shall not be deemed a Defaulting Partner, as defined in Section 3.6, for purposes of the provisions thereof.

Notwithstanding the provisions of this Agreement, the General Partner may refuse to permit a Limited Partner to participate in an investment in a Portfolio Company if, in the sole discretion of the General Partner, such Limited Partner's participation would impair the ability of the Partnership or the General Partner or make it impractical or inadvisable as a result of regulatory or competitive considerations or otherwise to consummate or to maintain the investment in the Portfolio Company. In this event, at the time of providing call notices to the Limited Partners, the General Partner shall notify the affected Limited Partner of its non-participation in the proposed investment and give such Partner such information and material as the General Partner determines is sufficient to warrant the non-participation of such Partner in the investment. The decision of the General Partner to refuse a Limited Partner the opportunity to participate in an investment shall be in the sole discretion of the General Partner.

Section 3.6 Default in Capital Commitment.

Except as provided in Section 3.5, in the event a Partner fails to fund its Capital Commitment as required under Sections 3.1-3.3 in a timely manner, and such failure continues for ten (10) Business Days after written notice of such failure from the General Partner (or for such longer period (not to exceed twenty (20) business days) as the General Partner may in its sole discretion permit under extraordinary circumstances), then such Partner which failed to make payment shall be a Defaulting Partner, and the following provisions of this Section 3.6 shall apply:

A. Whenever the vote, consent or decision of the Partners is required or permitted pursuant to this Agreement, any Defaulting Partner shall not be entitled to participate in such vote or consent, or to make such decision, and such vote, consent or decision shall be made as if such Defaulting Partner were not a Partner. Notwithstanding this prohibition, any such vote, consent or decision shall be binding upon such Defaulting Partner.

B. The Defaulting Partner shall not be required to make any further Capital Contributions to the Partnership and there shall be released that portion of a Defaulting Partner's unfunded Capital Commitment (provided that such Defaulting Partner shall remain fully liable to the creditors of the Partnership to the extent of the installment of the Capital Commitment with respect to which the default occurred). Thereafter, the Defaulting Partner's Percentage of Contributed Capital in all investments made by the Partnership in Portfolio Companies after the date of default shall be zero, and the Percentages of Contributed Capital of the remaining Partners shall be adjusted accordingly.

C. Except as set forth in this Section 3.6.C, the Defaulting Partner shall not be entitled to receive any distribution of Operating Receipts or Investment Receipts until the termination of the Partnership. The General Partner shall establish a separate escrow account with a Financial Institution into which will be deposited all of the distributions of Operating Receipts and Investment Receipts that the Defaulting Partner would otherwise be entitled to receive. Upon the liquidation of the Partnership, the Defaulting Partner will be entitled to receive from the separate escrow account, an amount equal to the lesser of (i) seventy-five percent (75%) of the distributions it was otherwise entitled to receive with respect to investments in Portfolio Companies that were consummated prior to the date of the Defaulting Partner's default (without the addition of interest that accrued on the amounts held in the separate escrow account) and (ii) its aggregate Capital Contributions to the Partnership reduced by all distributions made to the Defaulting Partner prior to the date of default. Any amounts remaining in the separate escrow account, including all interest earned on such amounts, shall thereafter be distributed to the General Partner to compensate the General Partner for any damages incurred as a result of the default and then to the non-defaulting Limited Partners in proportion to their respective Percentages of Contributed Capital recalculated as if the Defaulting Partner were not a Partner of the Partnership. The Defaulting Partner shall be allocated Operating Income and Loss and Investment Gain and Loss only with respect to investments in Portfolio Companies that were consummated prior to the date of the Defaulting Partner's default.

D. The provisions of Sections 3.6.B and C shall not apply more than once to any Defaulting Partner.

E. No Defaulting Partner shall be entitled to assign its interest in the Partnership in accordance with Section 8.3 without the consent of the General Partner, which it may withhold in its sole discretion.

F. No right, power or remedy available to the General Partner in this Section 3.6 shall be exclusive, and each such right, power or remedy shall be cumulative and in addition to any other right, power or remedy available at law or in equity. No course of dealing between the General Partner and any Defaulting Partner, and no delay in exercising any right, power or remedy shall operate as a waiver or otherwise prejudice the exercise of such right, power or remedy.

G. Notwithstanding the remaining provisions of Section 3.6, this Section 3.6 shall only apply to a Partner's default relating to a mandatory capital contribution and not a discretionary capital contribution under Section 3.3 and the other provisions relating thereto.

IV. BRIDGE FINANCING

Section 4.1 Extension of Bridge Financing.

Solely in order to facilitate the making of investments in Portfolio Securities as expeditiously as practicable with the most favorable pricing reasonably available, the Partnership may from time to time provide interim financing ("Bridge Financing") to one or more Portfolio Companies until permanent financing is arranged. All such Bridge Financing shall be designated as such by the General Partner at the time it is first provided. All Bridge Financing will be senior to the permanent investment of the Partnership in such Portfolio Company, and bear interest or carry other compensation at rates not less favorable to the Partnership than those available from an unaffiliated Financial Institution. The General Partner will use its best efforts to cause Bridge Financing to be converted into Portfolio Securities, and if not so converted, to be sold or refinanced as promptly as practicable, and in any event will use its best efforts to cause such conversion, sale or refinancing to occur within one year after such Bridge Financing is first provided by the Partnership. Bridge Financing may be provided to any single Portfolio Company only to the extent that the sum of the Partnership's investment in such Portfolio Company, including Portfolio Securities, Bridge Financings and the amount of any guarantees, shall not exceed the lesser of (i) fifteen percent (15%) of the Partnership's aggregate Capital Commitments, or (ii) the remaining unfunded Commitments as of the date of such Bridge Financing.

Section 4.2 Funding of Bridge Financing.

The Partnership may fund Bridge Financing by borrowing pursuant to Section 6.2.P from one or more Financial Institutions, by calling upon the Partners' Capital Commitments in accordance with Section 3.2, or by guarantying indebtedness incurred by the Portfolio Company with the written consent of Two-Thirds in Interest of the Limited Partners of this Partnership, in each case solely in order to facilitate the making of investments in Portfolio Securities as expeditiously as practicable with the most favorable pricing reasonably available. The proceeds of the sale, refinancing or other disposition of Temporary Bridge Financing which has been funded by the call of Capital Commitments shall, to the extent of the Partners' Capital Contributions allocable thereto, be returned to the Partners in proportion to such Partners' Capital Contributions allocable to such investment within five (5) days after the receipt thereof by the Partnership. The Partners' Capital Commitments remaining to be called shall thereafter include that portion of such allocable Capital Contributions returned.

Section 4.3 Permanent Bridge Financing.

If and to the extent that Temporary Bridge Financing is not converted into Portfolio Securities or sold or refinanced within one year after it is provided, it promptly shall be converted as of the end of such one year period into financing ("Permanent Bridge Financing") on terms and in proportions not less favorable to the Partnership, than those most recently offered by the Partnership to prospective investors during the period that the financing remained outstanding pursuant to Temporary Bridge Financing. If the Temporary Bridge Financing was funded through borrowings by a Portfolio Company guaranteed by the Partnership, the Partnership, shall purchase its portion of the Permanent Bridge Financing as if it were a permanent investment in a Portfolio Company.

V. DISTRIBUTIONS; WITHHOLDING; VALUATION; ALLOCATIONS

Section 5.1 Withdrawal of Capital.

No Partner shall have the right to withdraw capital from the Partnership or, except as otherwise set forth in this Agreement and the Act, to receive any distribution or return of its Capital Contribution.

Section 5.2 Distributions Prior to Liquidation.

A. Subject to Sections 5.3 and 5.4, and except to the extent deemed necessary by the General Partner to reserve for Committed Investments pursuant to 6.2.M, Operating Receipts for each fiscal year (or fractional portion thereof) shall be distributed to the Partners in proportion to their respective Percentages of Contributed Capital. Such distributions shall be made by the General Partner within ninety (90) days after the close of each fiscal year and at such other time or times as the General Partner shall determine.

B. Subject to Sections 5.3 and 5.4, and except to the extent deemed necessary by the General Partner to reserve for Committed Investments pursuant to 6.2.M, the General Partner shall, each calendar quarter on or before the fifteenth (15/th/) day after the end of such quarter, make distributions of all Investment Receipts and shall distribute such Investment Receipts as follows:

(1) First, to the Partners in proportion to their Percentages of Contributed Capital, until such Partners have received from all distributions then or theretofore made pursuant to this Section 5.2.B(1), on a cumulative basis, an amount of distributions equal to the sum of (i) their Capital Contributions Allocable to Liquidated Portfolio Securities and (ii) all Management Fees that have been paid out of the Capital Contributions of the Limited Partners to the Management Company as of any date on which a distribution pursuant to this Section 5.2 will be made;

(2) Second, twenty percent (20%) to the Partners in proportion to their Percentages of Contributed Capital and eighty percent (80%) to the General Partner until the General Partner has received pursuant to this Section 5.2.B(2) an amount of distributions equal to twenty percent (20%) of the amounts distributed to the Partners in proportion to their Percentages of Contributed Capital pursuant to (A) clause (i) of Section 5.2.B(1), but only to the extent of the amount of Capital Contributions Allocable to

Portfolio Securities attributable to expenses set forth in Sections 6.5.A(1) and (4) that have been allocated to a particular Portfolio Security and (B) clause (ii) of Section 5.2.B(1); and

(3) Third, thereafter, eighty percent (80%) to the Partners in proportion to their Percentages of Contributed Capital and twenty percent (20%) to the General Partner.

For purposes of this Agreement, all amounts distributed to the General Partner pursuant to Sections 5.2.B(2) and 5.2.B(3) (other than in proportion to its Percentage of Contributed Capital) shall be referred to herein as Incentive Distributions.

C. In addition to any other obligations hereunder, the General Partner shall endeavor (if practical and reasonable to do so in light of the circumstances of the Partnership) to distribute, if available, sufficient amounts of Operating Receipts and/or Investment Receipts to the Partners in accordance with this Article V to enable them to make timely payment of any Federal, state, local and foreign income tax liabilities incurred by them or their principals as a result of their participation in the Partnership.

D. As of any date on which the General Partner determines to make a distribution of Investment Receipts, the General Partner shall determine, pursuant to Section 5.6, the fair market value of each investment in a Portfolio Company which has not been sold or disposed of. The extent to which the aggregate fair market values of all such investments are less than the aggregate cost bases of all such investments for book purposes shall constitute a "Deemed Portfolio Loss". That portion of each Liquidated Portfolio Security equal to the amount of Deemed Portfolio Loss allocated with respect thereto shall, upon the deemed or actual sale of that Liquidated Portfolio Security, be deemed to have been sold for an amount equal to the amount of Deemed Portfolio Loss and shall be deemed to have a tax basis of zero, and the tax basis of the remaining portion of the Liquidated Portfolio Security shall include the amount of such Deemed Portfolio Loss.

E. If upon the liquidation of the Partnership the General Partner shall have received as Incentive Distributions under Section 5.2B(3) (that have not been recontributed to the Partnership pursuant to Section 5.3) an aggregate amount in excess of the amount the General Partner would have received as Incentive Distributions pursuant to Section 5.2B(3), including liquidating distributions, had the entire amount of Investment Receipts actually received by the Partnership been received by the Partnership on the date of liquidation of the Partnership, then the General Partner shall, to the extent of all distributions received as Incentive Distributions pursuant to Section 5.2B(3) (that have not been recontributed to the Partnership pursuant to Section 5.3), pay to the Partners in proportion to their Percentages of Contributed Capital such excess.

F. The General Partner shall establish in its name, but for the benefit of the Partners, a separate bank account at a Financial Institution (the "Escrow Account"), in which it will maintain an amount equal to the lesser of (i) twenty-five percent (25%) of all Incentive Distributions paid to the General Partner, and (ii) the amount required to be added to the fair market value of the existing Portfolio Securities of the Partnership, determined pursuant to Section 5.6, so that the resulting total exceeds the total amount of Capital Contributions allocable to such investments by twenty-five percent (25%). Upon the liquidation of the Partnership, the General Partner shall distribute to the Partners from the Escrow Account, in proportion to their Percentages of Contributed Capital, that portion of the escrowed funds

equal to the General Partner's required payment under Section 5.2.E, or if such required payment is in excess of such escrowed funds, the total amount held in such Escrow Account plus an amount, paid directly by the General Partner, that when added to the escrowed funds equals the General Partner's required payment pursuant to Section 5.2.E. Any funds held in the Escrow Account upon liquidation of the Partnership and after the required payment pursuant to this Section and Section 5.2.E shall be distributed immediately to the General Partner. The General Partner will direct the investment of amounts held in the Escrow Account, which shall in any event be made solely in investments qualifying as Temporary Investments. All income earned on the amounts retained in the Escrow Account shall be distributed at the end of each calendar quarter immediately to the General Partner.

Section 5.3 Distributions Upon Liquidation.

Upon the liquidation of the Partnership, the assets of the Partnership shall first be applied to the payment of, or the establishment of adequate reserves or other provision for the payment of, the debts and obligations of the Partnership. Thereafter, there shall be made a final allocation of Operating Income or Loss and Investment Gain or Loss, as the case may be, and other items to the Partners' Capital Accounts in accordance with Section 5.7. If the General Partner has a negative balance in its Capital Account after such final allocation, it shall contribute to the Partnership an amount of cash equal to the excess of such negative balance over the amount that it is required to pay to the Partners pursuant to Section 5.2.E. Notwithstanding the foregoing, the General Partner's obligation to pay such excess pursuant to this Section 5.3 shall not inure to the benefit of, or be invoked or enforced by or for the benefit of, any creditor who has otherwise contractually obligated itself to look solely to all or a part of the assets of the Partnership and not to the assets of any Partner for satisfaction of any debt owed or owing to that creditor by the Partnership. The assets of the Partnership, including any Portfolio Securities, whether or not such securities are Marketable Securities (or the proceeds of sales or other dispositions in liquidation of assets of the Partnership) remaining after the payment or other provision for the Partnership's debts and obligations shall then be distributed to the Partners in proportion to the positive balances in their Capital Accounts, determined after the final allocation of Operating Income or Loss and Investment Gain or Loss, and of other items to Capital Accounts has been made; provided that the name of the Partnership shall be transferred with a value of $1.00 ascribed thereto, to the General Partner. For purposes of making this distribution, such assets shall be valued pursuant to Section 5.6. Amounts reserved or set aside, in connection with the Partnership's liquidation, for the payment of Partnership debts and obligations, which are not utilized for such payment, shall be distributed to the Partners in the same proportions that such amounts would have been distributed hereunder if distributed upon the Partnership's liquidation, as soon as practicable.

Section 5.4 Distributions of Securities in Kind.

A. The General Partner shall distribute to the Partners as an Investment Receipt any Portfolio Securities that become Marketable Securities promptly upon their becoming Marketable Securities, when such a distribution would serve the best interests of the Partnership. Factors to be considered by the General Partner in making such a determination shall include (i) the fiduciary obligations owed to the stockholders of the issuer of such Marketable Securities by any Affiliate of the General Partner who may serve as a director of such issuer, and (ii) whether retention of such Marketable Securities shall serve the best interests of the Partnership by maintaining control of or influence over the issuer of the securities, stabilizing the market for such securities until such time as the securities are either distributed to the Partners pursuant to this Section 5.4 or are sold or otherwise disposed of or facilitating subsequent offerings by the issuer which shall include such Marketable Securities. The General Partner shall notify the Limited Partners each time a Portfolio Security becomes a Marketable Security. The General Partner shall not distribute Portfolio Securities that are not Marketable Securities at any time other than upon the liquidation of the Partnership.

B. With respect to securities distributed in kind to the Partners in liquidation or otherwise, (i) any unrealized appreciation or unrealized depreciation in the values of such securities shall be deemed to be realized by the Partnership immediately prior to the liquidation or other distribution event; and (ii) such appreciation or depreciation shall be allocated to the Partners as part of the allocation of Investment Gain or Loss, as the case may be, for the year of the distribution in accordance with Section 5.7 hereof, and treating any property so distributed as a distribution of an amount in cash equal to the fair market value of the property determined pursuant to Section 5.6. For the purposes of this Section 5.4.B, "unrealized appreciation" or "unrealized depreciation" shall mean the difference between the fair market value of such assets and the adjusted basis of such assets for federal income tax purposes (or, in the case of any asset that is reflected on the books of the Partnership at a value that is different from the Partnership's federal tax basis in such asset in compliance with the Treasury Regulations, the value of such asset as shown on the Partnership's books). This Section 5.4.B is merely intended to provide a rule for allocating unrealized gains and losses upon liquidation or other distribution event, and nothing contained in this Section 5.4.B or elsewhere in this Agreement is intended to treat or cause such distributions to be treated as sales for value.

C. If any Partner would otherwise receive a distribution of an amount of any securities that would cause such Partner to own or control in excess of the amount of such securities that it may lawfully own or control or which, by reason of any legal or contractual restriction, the General Partner may not distribute to such Partner, the Partner shall, solely for purposes of this Agreement, be treated as if it had received such securities as a distribution in kind pursuant to Section 5.4.B. The General Partner shall, at the written request of such Partner and to the extent it is practicable to do so, dispose of all or any portion of such securities on behalf of and as the agent for such Partner and distribute the proceeds of such disposition to such Partner; provided that such Partner shall bear all of the reasonable expenses (including, without limitation, underwriting costs) of such disposition. In the alternative, at the request of such Partner, the General Partner shall use reasonable efforts to recapitalize the Portfolio Company so as to distribute to such Partner non-voting securities. In either event, any discrepancy between the actual gain or loss recognized upon the sale or other disposition of Portfolio Securities (including Marketable Securities) and the unrealized appreciation or unrealized depreciation in the values thereof

as determined under Section 5.4.B, shall constitute gain or loss of the Partner to whom the securities were constructively distributed, and shall in no event constitute gain or loss to the Partnership.

D. The General Partner may cause certificates evidencing any securities to be distributed to be imprinted with legends as to such restrictions on transfers that it may deem necessary, including legends as to applicable federal or state securities laws or other legal or contractual restrictions, and may require any Partner to which securities are to be distributed to agree in writing that such securities will not be transferred except in compliance with such restrictions and applicable law.

Section 5.5 Withholding.

Each Partner hereby authorizes the Partnership to withhold and to pay over any withholding taxes payable by the Partnership, to the extent required by applicable law, as a result of such Partner's status as a Partner hereunder. If and to the extent that the Partnership shall be required under applicable law to withhold any such taxes, such Partner shall be deemed for all purposes of this Agreement to have received a payment from the Partnership as of the time such withholding is required to be paid, which payment shall be deemed to be a distribution to the extent that the Partner is then entitled to receive a distribution. The amount of any distribution to which such Partner would otherwise be entitled shall be reduced by the amount of such deemed distribution. To the extent that the aggregate of such payments to a Partner for any period exceeds the distributions to which such Partner is entitled for such period, the amount of such excess shall be considered a loan from the Partnership to such Partner, with interest at the Treasury Rate, until discharged by such Partner by repayment, which may be made out of distributions to which such Partner would otherwise be subsequently entitled. The withholdings referred to in this Section 5.5 shall be made at the maximum statutory rate applicable to such Partner under the applicable tax law unless the General Partner shall have received either (i) an opinion of counsel, satisfactory to the General Partner, to the effect that a lower rate is applicable, or that no withholding is applicable or (ii) any form authorized by the relevant taxing authority signed by a Partner that establishes that no withholding is required for such Partner. Notwithstanding the foregoing, the Partnership shall not withhold any amount from distributions in any taxable year of the Partnership with respect to a Limited Partner, provided that (i) such Limited Partner delivers to the Partnership a properly executed withholding tax exemption certificate in the form provided by the General Partner (or such form as the Internal Revenue Service may require) for such year and (ii) there is no charge in law regarding withholding obligations with respect to foreign persons which, in the opinion of counsel to the Partnership, would require withholding with respect to such Partner.

Section 5.6 Valuation.

For purposes of this Agreement except as specifically provided in Sections 3.7.C, and 8.5, securities and other property of the Partnership shall be valued as follows:

A. The Portfolio Securities of the Partnership shall be valued by the General Partner pursuant to subparagraphs B, C, D and E hereof (i) at the time of any distribution pursuant to Section 5.2 in order to determine the amount of any Deemed Portfolio Loss, (ii) at the time of any distribution pursuant to Section 5.4, (iii) upon the distribution of Partnership assets in liquidation pursuant to Section 5.3 and (iv) annually pursuant to Section 10.3.

B. Marketable Securities shall (i) if traded on a national securities exchange, be valued at the average of their last sales prices on such exchange on which such Marketable Securities shall have traded on the last ten (10) trading days on which such Marketable Securities were traded immediately preceding the date of determination, or (ii) if the trading of such Marketable Securities is reported through the National Association of Securities Dealers Automated Quotation System, such Marketable Securities shall be valued at the average of the last closing "bid" prices as shown by the National Association of Securities Dealers Automated Quotation System on the last ten (10) trading days on which such Marketable Securities were traded immediately preceding the date of determination.

C. Except as provided in subparagraph E below, all property other than Marketable Securities shall be valued by the General Partner in such manner as it may determine in good faith. Factors considered in valuing individual securities will include purchase price, prices received in recent significant private placements of securities of the same issuer, transfer restrictions on the securities, prices of securities of comparable public and private companies engaged in similar businesses and changes in the financial condition and prospects of the issuer.

D. If within thirty (30) days after receipt of notice of any valuation made pursuant to subparagraph C above Two-Thirds in Interest of the Limited Partners shall so request, the General Partner shall obtain at the expense of the Partnership a valuation of any securities (other than Marketable Securities subject to valuation under subparagraph B) or other property from an independent firm of investment bankers of nationally recognized standing selected by the General Partner and approved by Two-Thirds in Interest of the Limited Partners, such approval not to be unreasonably withheld. The decision of such firm shall be binding on all Partners. Each distribution in kind of securities other than Marketable Securities subject to valuation under subparagraph B shall be accompanied by a notice from the General Partner reminding the Limited Partners of their right to require an independent valuation under this subparagraph D.

E. Upon liquidation of the Partnership, all assets which will be distributed to the Partners in liquidation, other than Marketable Securities subject to valuation under subparagraph B above, shall, upon request by Two-Thirds in Interest of the Limited Partners, be valued by an independent firm of investment bankers of nationally recognized standing selected by the General Partner. The decision of such firm as to the liquidation value of all such assets shall be binding on all Partners.

Section 5.7 Allocations of Operating Income and Loss and Investment Gain and Loss.

A. Subject to Sections 5.8 and 5.9, all Operating Income and Operating Loss of the Partnership shall be allocated to the Partners in proportion to their Percentages of Contributed Capital.

B. Subject to Sections 5.8 and 5.9, an Investment Gain for any fiscal year or other accounting period of the Partnership shall be allocated as follows and in the following order of priority as of the close of such fiscal year or other accounting period:

(1) First, to the General Partner until there has been allocated on a cumulative basis pursuant to this Section 5.7.B(1) for all fiscal years and other accounting periods of the Partnership an amount of Investment Gain equal to the amount of Investment Loss that has been allocated pursuant to Section 5.7.C(3) for all fiscal years and other accounting periods of the Partnership;

(2) Second, to the Partners, in proportion to their Percentages of Contributed Capital, until there has been allocated on a cumulative basis pursuant to this Section 5.7.B(2) for all fiscal years and other accounting periods of the Partnership an amount of Investment Gain equal to the amount of Investment Loss that has been allocated pursuant to Section 5.7.C(2) for all fiscal years and other accounting periods of the Partnership;

(3) Third, to the Partners, in proportion to their Percentages of Contributed Capital, until there has been allocated on a cumulative basis for all fiscal years and other accounting periods of the Partnership pursuant to this Section 5.7.B(3), an amount of Net Investment Gain equal to the sum of (i) the amount of Deemed Portfolio Loss that has been included in the determination of Capital Contributions Allocable to Liquidated Portfolio Securities for purposes of making distributions pursuant to Section 5.2.B, and (ii) the amount of distributions made with respect to Management Fees pursuant to clause (ii) of Section 5.2.B(1);

(4) Fourth, eighty percent (80%) to the General Partner and twenty percent (20%) to the Partners in proportion to their Percentages of Contributed Capital until the General Partner has been allocated on a cumulative basis for all fiscal years and other accounting periods of the Partnership pursuant to this Section 5.7.B(4), in addition to allocations made to the General Partner pursuant to this Section 5.7 in proportion to its Percentage of Contributed Capital, an amount of Net Investment Gain of the Partnership equal to the amount distributed to the General Partner pursuant to Section 5.2.B(2);

(5) Fifth, thereafter with respect to the remaining Net Investment Gain, eighty percent (80%) to the Partners, in proportion to their Percentages of Contributed Capital, and twenty percent (20%) to the General Partner.

C. Subject to Sections 5.8 and 5.9, an Investment Loss for any fiscal year or other accounting period of the Partnership shall be allocated as follows and in the following order of priority as of the close of such fiscal year or other accounting period:

(1) First, to the extent of the Net Investment Gain, if any, that has been allocated hereunder for all prior fiscal years and other accounting periods, to the Partners in proportion to the respective amounts, if any, by which (i) their allocations of Net Investment Gain for all such prior years and other periods exceed (ii) their Target Allocations as of the close of the fiscal year or other period for which an Investment Loss is then being allocated;

(2) Second, to the Partners, in proportion to their Percentages of Contributed Capital, until the Limited Partners' Capital Accounts have been reduced to zero; and

(3) Third, thereafter, to the General Partner.

Section 5.8 Special Provisions.

The following provisions shall be complied with notwithstanding any provision of this Agreement other than Section 5.9:

A. If any Partner unexpectedly receives any adjustment, allocation or distribution described in Sections 1.704-1(b)(2) (ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), or 1.704-1(b)(2)(ii)(d)(6) of the Treasury Regulations which causes it to have an, or increases the amount of its, Adjusted Capital Account Deficit, items of Partnership income and gain shall be specially allocated to such Partner in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations, such Partner's Adjusted Capital Account Deficit as quickly as possible, provided that an allocation pursuant to this Section 5.8.A shall be made to a Partner only if and to the extent that such Partner would have an Adjusted Capital Account Deficit after all other allocations provided for in this Article V have been tentatively made as if this Section 5.8.A were not in this Agreement. This Section 5.8.A is intended to constitute a "qualified income offset" as defined in Section 1.704-1(b)(2)(ii)(d) of the Treasury Regulations.

B. Notwithstanding Section 5.7.C, an allocation of Operating Loss or Investment Loss shall not be made to a Partner to the extent that such allocation would cause such Partner to have an Adjusted Capital Account Deficit. An allocation that would be made to a Partner but for this Section 5.8.B shall instead be made to the other Partners to the extent, and in the proportions, that they could then be made such allocation without causing them to have Adjusted Capital Account Deficits. Any excess allocation of Operating Loss or Investment Loss shall be made to the General Partner.

C. The allocations set forth in Sections 5.8.A, 5.8.B, and 5.9 hereof (the "Regulatory Allocations") are intended to comply with certain provisions of the Treasury Regulations. Notwithstanding any other provision of this Article V, the Regulatory Allocations shall be taken into account in making allocations of other items of income, gain, loss, deduction and expenditure among the Partners so that, to the extent possible consistent with the Code and the Treasury Regulations, and on a cumulative basis, the respective net amounts of such allocations of other items and the Regulatory Allocations to the Partners are equal to the respective net amounts that would have been allocated to the Partners had no Regulatory Allocations been made. The General Partner shall apply this Section 5.8.C at such times, in such order and in such manner as it determines, in its sole discretion, is likely to minimize any economic distortions caused by the Regulatory Allocations.

D. If contributions that would otherwise be required pursuant to Section 3.1 or 3.2 with respect to the interest in the Partnership of a particular Limited Partner are excused hereunder or by law, such interest shall be treated for purposes of this Article V as an interest in a separate portfolio of assets in which, subject to all other provisions of this Agreement, only such Limited Partner (or his assignees or legatees) and the General Partner shall be entitled to participate (as provided in this Article V). Such separate portfolio shall consist of such Limited Partner's pro rata share (by allocable Capital Contribution) of each Portfolio Security the Partnership's interest in which was, or the assets of which were, acquired in part with capital contributions of such Limited Partner. Such Limited Partner (and his assignees and legatees) shall have no interest in the Partnership or its assets to the extent not included in, and shall have no right to participate in the results of the Partnership to the extent not attributable to, such separate portfolio. A separate portfolio shall be charged with portions of the Partnership's expenses, liabilities, costs and reserves in such manner as the General Partner reasonably determines to be fair and equitable.

E. Income, gain, loss and deduction with respect to property contributed to the Partnership by a Partner shall be shared among the Partners so as to take account of the variation between the basis

of the property to the Partnership and its fair market value at the time of contribution in accordance with the principles of Section 704(c) of the Code.

Section 5.9 Special Provisions in the Event of Borrowings or a Section 754 Election.

A. If the Partnership incurs any borrowings, the Partnership (i) shall allocate any "non-recourse deductions," computed and determined in accordance with Sections 1.704-2(b)(1), 1.704-2(c) and 1.704-2(j) of the Treasury Regulations, it may have twenty percent (20%) to the General Partner and eighty percent (80%) to the Partners in proportion to their Percentages of Contributed Capital, (ii) shall allocate any "partner non-recourse deductions," computed and determined in accordance with Sections 1.704-2(i)(1), 1.704-2(i)(2) and 1.704-2(j) of the Treasury Regulations, it may have so as to comply with Section 1.704-2(i) of the Treasury Regulations and (iii) shall make such allocations as are necessary to comply with the "minimum gain chargeback" provisions of Sections 1.704-2(f), 1.704-2(i) and 1.704-2(j) of the Treasury Regulations, taking into account all exceptions provided by such provisions to the applicability of this clause (iii).

B. To the extent an adjustment to the adjusted tax basis of any asset of the Partnership pursuant to Section 734(b) or Section 743(b) of the Code is required, pursuant to Section 1.704-1(b)(2)(iv)(m) of the Treasury Regulations, to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases the basis of the asset), and such gain or loss shall be specially allocated to the Partners in a manner that is consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to Section 1.704-1(b)(2)(iv)(m) of the Treasury Regulations.

VI. MANAGEMENT; PAYMENT OF EXPENSES

Section 6.1 Description of General Partner.

@Ventures Partners III, LLC, a limited liability company comprised of David S. Wetherell, Guy M. Bradley, Jonathan Callaghan, Andrew Hajducky, Peter H. Mills and CMGI as its members, is the General Partner of the Partnership.

Section 6.2 Management by the General Partner.

The management, policy and operation of the Partnership shall be vested exclusively in the General Partner who shall perform all acts and enter into and perform all contracts and other undertakings which it deems necessary or advisable to carry out any and all of the purposes of the Partnership. Without limiting the foregoing general powers and duties, and except as is otherwise expressly set forth herein, the General Partner is hereby authorized and empowered on behalf of the Partnership and, as relevant herein, is required:

A. To enter into a Management Contract with the Management Company on the terms, including those pertaining to payment of the Management Fee, set forth in Exhibit A attached hereto;

provided that such Contract may not be amended without the written consent of Two-Thirds in Interest of the Limited Partners unless such Contract is amended to increase the Management Fee, in which case unanimous consent of the Limited Partners shall be required in accordance with Section 12.3.

B. To identify investment opportunities for the Partnership, negotiate and structure the terms of such investments, arrange additional financing needed to consummate such investments and monitor such investments.

C. To invest the assets of the Partnership in the securities of any organization, domestic or foreign, in accordance with Article III and the other terms and provisions of this Agreement, without other limitation as to kind and without other limitation as to marketability of the securities, and pending such investment, to invest the assets of the Partnership in Temporary Investments.

D. To exercise all rights, powers, privileges and other incidents of ownership with respect to the Portfolio Securities, including, without limitation the voting of such Portfolio Securities, the approval of a restructuring of an investment, participation in arrangements with creditors, the institution and settlement or compromise of suits and administrative proceedings, and other similar matters.

E. To sell, transfer, liquidate or otherwise terminate investments made by the Partnership.

F. To employ or consult brokers, accountants, attorneys, or specialists in any field of endeavor whatsoever, including such persons or firms who may be Partners, provided, however, that no Affiliate of the General Partner may be hired or employed without the approval of Two-Thirds in Interest of the Limited Partners.

G. To deposit any funds of the Partnership in any bank or trust company or money market fund provided that, in the case of any bank or trust company such bank or trust company qualifies as a Financial Institution and in the case of any money market fund such fund would qualify as a money market fund in which the Partnership may make a Temporary Investment, and to entrust to such bank or trust company any of the securities, monies, documents and papers belonging to or relating to the Partnership; provided, however, that from time to time, in order to facilitate any transaction, any of the said securities, monies, documents and papers belonging to or relating to the Partnership may be deposited in and entrusted to any brokerage firm that is a member of the New York Stock Exchange and which has minimum net capital of $10 million as calculated in accordance with the Securities Exchange Act of 1934.

H. To determine, settle and pay all expenses, debts and obligations of and claims against the Partnership and, in general, to make all accounting and financial determinations and decisions.

I. To enter into, make and perform all contracts, agreements and other undertakings as may be determined to be necessary or advisable or incident to the carrying out of the foregoing objectives and purposes, the execution thereof by the General Partner to be conclusive evidence of such determination.

J. To execute all other instruments of any kind or character which the General Partner determines to be necessary or appropriate in connection with the business of the Partnership, the execution thereof by the General Partner to be conclusive evidence of such determination.

K. With the consent of a Majority in Interest of Limited Partners of the Partnership, to provide Bridge Financing on the terms and subject to the conditions set forth in Section 4.1 to Portfolio Companies and to borrow funds and provide guarantees in the name and on behalf of the Partnership in connection therewith solely in order to facilitate or expedite the closing of investments in Portfolio Securities.

L. To make Portfolio Company Investments and Follow-on Investments in Portfolio Companies from Capital Contributions called from the Partners and from Operating Receipts and Investment Receipts during and after the Commitment Period, in each case in accordance with Article III.

M. To make Committed Investments in Portfolio Companies after the end of the Commitment Period from Capital Contributions called from the Partners pursuant to Article III. The General Partner shall notify the Limited Partners at the end of the Commitment Period of any Committed Investments of the Partnership described in clause (i) of the definition thereof. In addition, any Committed Investment of the Partnership described in clause (i) of the definition thereof, shall be consummated within six months of the end of the Commitment Period. The aggregate amount of Committed Investments shall not exceed the lesser of (x) the uncalled Capital Commitments as of the last day of the Commitment Period reduced by Capital Contributions used to make Follow-on Investments after the end of the Commitment Period or (y) fifteen percent (15%) of the Capital Commitments of the Partnership. Except upon the approval of Two-Thirds in Interest of the Limited Partners, no Committed Investment may be made by the Partnership after the third anniversary of the last day of the Commitment Period.

N. Subject to Section 6.2.O and with the consent of a Majority in Interest of Limited Partners of the Partnership, to guarantee obligations of Portfolio Companies, provided that the sum of any such guarantee, the Partnership's investment in Portfolio Securities of such Portfolio Company and the amount of Bridge Financing made by the Partnership at any one time shall not exceed fifteen percent (15%) of the aggregate Capital Commitments of the Partnership, exclusive of guarantees made in connection with Temporary Bridge Financing.

O. To take such steps as the General Partner shall consider necessary or appropriate in its sole discretion to cause the Partnership to qualify as a Venture Capital Operating Company as of the date of the Partnership's first acquisition of Portfolio Securities and at all relevant times thereafter.

P. With the consent of a Majority in Interest of Limited Partners of the Partnership, to cause the Partnership or one or more corporate subsidiaries of the Partnership to borrow funds (i) to purchase Portfolio Securities pending the receipt of Capital Contributions called from the Partners pursuant to Section 3.1 or (ii) to provide Bridge Financing to a Portfolio Company pursuant to Section 4.2; provided, however, that the Partnership shall not borrow funds as provided in this Section 6.2.P, if as a result of such borrowing UBTI would be generated to Tax-Exempt Partners; and provided, further, that any borrowing shall be on terms that are no less favorable to such corporate subsidiary than those applicable to loans extended by the lender to borrowers comparable to such corporate subsidiary, and that the General Partner shall cause the corporate subsidiary to retire this indebtedness with such Capital Contributions immediately upon receipt thereof.

Section 6.3 Powers of Limited Partners.

The Limited Partners shall not participate in the control of the Partnership and shall have no authority to act for or bind the Partnership.

Section 6.4 Continuity Mode.

If during the Commitment Period, or during any eighteen month period after the end of the Commitment Period, both David S. Wetherell and Peter H. Mills cease to be members of either the General Partner or the Management Company or otherwise cease to be actively involved in the business thereof (such event hereinafter referred to as a "Triggering Event"), prompt notice of such Triggering Event shall be given to all Limited Partners. At any time within ninety (90) days after receipt of notice of a Triggering Event, Two-Thirds in Interest of the Limited Partners may by an election in writing determine to put the Partnership in a Continuity Mode. While in a Continuity Mode (i) the General Partner shall only be permitted to retain the investments of the Partnership and to make further investments solely in (x) Temporary Investments, (y) securities of companies as to which the Partnership had an existing legal commitment to make an investment on the date the Partnership was put in the Continuity Mode and (z) investments in current Portfolio Companies being considered on the date the Partnership was placed in a Continuity Mode, and (ii) the General Partner shall not be permitted to call for payment of any remaining installments of Capital Commitments except for the purpose of funding investment commitments pursuant to (y) and (z) above and to pay current expenses of the Partnership pursuant to Section 6.6 of this Agreement. Except as hereinabove expressly provided, from and after the date the Partnership enters the Continuity Mode, the General Partner shall continue to act on behalf of the Partnership to perform the functions of the General Partner and to have all the rights and privileges of the General Partner hereunder. If within sixty (60) days after commencement of the Continuity Mode (or such shorter period of time as may be agreed to by Two-Thirds in Interest of the Limited Partners) Two-Thirds in Interest of the Limited Partners do not by an election in writing remove the General Partner or dissolve the Partnership, the Continuity Mode shall automatically terminate and all decisions with respect to the management and operation of the Partnership will again be made by the General Partner in accordance with the terms of this Agreement. As provided in the Management Contract, the Management Fee shall be reduced by one half while the Partnership is in the Continuity Mode.

Section 6.5 Payment of Fees and Expenses.

Fees and expenses incurred with respect to the business of the Partnership shall be payable as follows:

A. Subject to the provisions of Section 6.5.D, the Partnership shall be responsible for and shall pay all fees and reasonable expenses not specified in subparagraph B as being the responsibility of the Management Company, including without limitation:

(1) out-of-pocket expenses incurred and fees paid by the Partnership or the General Partner in connection with the formation of the Partnership and the offering and distribution of interests therein to

the Limited Partners in an amount not in excess of $200,000 (when aggregated with amounts paid by the Domestic Fund);

(2) any government or regulatory filings, returns or reports, including without limitation fees and expenses for annual reports and foreign qualification certificates;

(3) expenses incurred in connection with the administration of the Partnership including without limitation, the Management Fee and fees paid to consultants, custodians, outside counsel, accountants, agents, investment bankers and other similar outside advisors;

(4) unreimbursed fees and out-of-pocket costs of acquiring, holding or selling, Temporary Investments, Portfolio Securities or Bridge Financing, whether or not such transactions close, including fees and expenses of consultants, outside counsel and accountants and similar outside advisors in connection with identifying, evaluating, structuring and consummating potential investments by the Partnership and recordkeeping expenses and finders', placement, brokerage and other similar fees; provided that with respect to consummated investments, it is expected, and the Management Company will use its reasonable best efforts to ensure, that such fees and expenses paid by the Partnership will be reimbursed by the Portfolio Company in which the investment is made;

(5) out-of-pocket costs of reporting to the Limited Partners;

(6) any taxes, fees or other governmental charges levied against the Partnership or on its income or assets or in connection with its business or operations;

(7) costs of litigation or other matters that are the subject of indemnification pursuant to Section 9.3; and

(8) costs of winding-up and liquidating the Partnership.

B. The Management Company, so long as the Management Contract is in effect, shall be responsible for and shall pay all of its out-of-pocket expenses and those of the General Partner, including expenses which relate to salaries, office space, supplies and other facilities of their businesses except as set forth in Section 6.5.A(4).

C. The Management Company shall serve as the management company of the Partnership in accordance with the terms of the Management Contract, and shall be entitled to receive a Management Fee in the amount and payable in the manner provided in such Contract.

D. The amount of any unreimbursed fees and expenses incurred directly in connection with a proposed or consummated investment in a Portfolio Company and payable by the Partnership under subparagraph A shall be allocated among the Partnership, the Domestic Fund and CMGI in proportion to the amount which would have been or which was invested by each.

E. Subject to Section 6.2.O, any Break-Up Fee payable to the Partnership, the General Partner, the Management Company or their respective Affiliates shall be paid as follows. An amount equal to the aggregate unreimbursed fees and expenses paid by the Partnership, the General Partner, the

Management Company or their Affiliates which were specific to the transaction giving rise to such fee shall be paid to each such entity in proportion to the fees and expenses incurred by it. The balance of any such Break-Up Fee shall be paid to the Management Company; provided that one-half of the remaining Break-Up Fee shall be credited against the Management Fee payable by the Partnership, @Ventures III and CMGI in subsequent periods in proportion to their respective aggregate capital commitments.

F. The General Partner, the Management Company and their respective Affiliates shall be entitled to receive management, directors', consulting and other similar fees and compensation from Portfolio Companies; provided that the amount of such fees and other compensation is reasonable in relation to the work involved and bears a reasonable relation to fees and compensation charged for similar work by third parties. One-half of such fees shall be credited against the Management Fee payable by the Partnership, the Domestic Fund and CMGI, in proportion to their respective aggregate capital commitments, and if such portion of such fees exceeds the Management Fee, such excess shall be credited against the Management Fee payable by the Partnership, the Domestic Fund and CMGI in subsequent periods in proportion to their respective aggregate capital commitments. To the extent such amounts exceed total future installments of the Management Fee, they shall be paid to the Partnership, the Domestic Fund and CMGI in proportion to their respective aggregate capital commitments and included in their respective Operating Receipts.

VII. OTHER ACTIVITIES OF PARTNERS; CO-INVESTMENT OBLIGATION

Section 7.1 Commitment of General Partner.

The General Partner hereby agrees to use its best efforts in furtherance of the purposes and objectives of the Partnership and to devote to such purposes and objectives such of its time as shall be necessary for the effective management of the affairs of the Partnership. During the Commitment Period, each of the members of the General Partner will devote substantially all of his business time to the affairs of the Partnership, the Domestic Fund and the CMGI Funds and to the affairs of the Prior Funds and the Management Company (solely with respect to its responsibilities to the Partnership, to the Domestic Fund and to the CMGI Funds and to Prior Funds); provided that David S. Wetherell and Andrew Hajducky shall be permitted to devote such business time to the affairs of CMGI and its subsidiaries as each of them deems necessary to fulfill his duties as an executive officer of CMGI. Following expiration of the Commitment Period, each of the members of the General Partner shall devote to the Partnership such time as may be reasonably necessary to manage the assets of the Partnership for the benefit of the investors therein.

Subject to the other provisions of this Agreement, the General Partner and any of its Affiliates (i) may act as a director, officer, employee or advisor of any corporation, a trustee of any trust, or a partner of any partnership; (ii) may receive compensation for his services as an advisor with respect to, or participation in profits derived from, the investments of any such corporation, trust or partnership; and (iii) may, subject to the time commitments as set forth above, acquire, invest in, hold and sell securities of any entity. Neither the Partnership nor any other Partner shall have by virtue of this Agreement, any right, title or interest in or to such other corporation, trust, partnership or investment.

Section 7.2 Opportunity to Participate in Future Investment Vehicles.

The General Partner will not and it will cause its members and other Affiliates not to, without the consent of Two-Thirds in Interest of the Limited Partners, create, manage, solicit funds or indications of interests for, sponsor or act as investment advisor to any limited partnership or other investment vehicle, other than the Domestic Fund, the CMGI Funds, the Partnership and CMGI (a "New Investment Vehicle") until the earlier of (i) the end of the Commitment Period, and (ii) the commitment by the Partnership of at least seventy-five percent (75%) of its Capital Commitments. In the event that prior to the termination of the Partnership, the General Partner or any of its Affiliates creates, manages, sponsors or acts as investment advisor to another limited partnership or other investment vehicle with primary investment objectives and policies substantially similar to those of the Partnership, each Partner will be offered an opportunity to invest in such limited partnership or other investment vehicle pursuant to the terms of the offering of interests in such limited partnership or other investment vehicle on terms no less favorable than those offered to other investors in such vehicles. Each Limited Partner shall be offered the opportunity to invest at least its pro rata share in such limited partnership or other investment vehicle an amount equal to its Capital Commitment divided by the sum of the Capital Commitments of the Partnership and the Domestic Fund on the same terms and conditions as offered to the other investors.

Section 7.3 Dealings with Limited Partners.

The General Partner shall not enter into any agreement, contract, modification or undertaking of any kind with any Limited Partner that would grant rights in the Partnership as a Limited Partner by the acquisition of a Capital Commitment that are more favorable than those offered to any other Limited Partner. Notwithstanding the foregoing, the General Partner may permit certain Limited Partners to co-invest with it and the Partnership in Portfolio Securities and may enter into agreements with any Limited Partner for the provision to the Partnership or the General Partners of any services thereunder, provided that any such agreement will be on terms equivalent to those entered into with independent third parties.

Section 7.4 Co-Investment Obligation.

A. CMGI will co-invest with the Partnership in Portfolio Companies an aggregate amount which shall be equal to the greater of (i) $30 million, and (ii) 19.9% of the sum of the aggregate Capital Commitments of the Partnership and the aggregate capital commitments to the Domestic Fund (the "Co-investment Obligation"). The Co-investment Obligation shall arise with respect to all investments made by the Partnership in Portfolio Companies (including Follow-on Investments, Committed Investments, Bridge Financing and through the funding of guarantees), shall be satisfied in cash and shall be made on the same terms, same price and in securities identical to the Portfolio Securities purchased by the Partnership. In the case of each investment in a Portfolio Company, the percentage of such investment made by the Partnership and CMGI will be computed as follows: (x) the percentage of such investment made by the Partnership will be equal to the sum of the aggregate Capital Commitments of the Partnership and the aggregate Capital Commitments to the Domestic Fund divided by the sum of the aggregate Capital Commitments of the Partnership, the aggregate Capital Commitments to the Domestic Fund and the Co-investment Obligation and (y) the percentage invested by CMGI will be equal to the Co-investment Obligation divided by the sum of the aggregate Capital Commitments of the Partnership, the aggregate Capital Commitments to the Domestic Fund and the Co-investment Obligation.

B. CMGI may fund its Co-investment Obligation through a CMGI Fund and assign all or any portion of its Co-investment Obligation to any of its Affiliates, including, without limitation, any CMGI Fund; however, for purposes of this Section 7.4, the Co-investment Obligation shall remain an obligation of CMGI.

Section 7.5 Other Co-Investment Rights.

In the case of any investment by the Partnership, the General Partner shall cause employees of the Management Company or other persons who perform services to or for the benefit of the Partnership (including without limitation, the members of the Management Company) to co-invest with the Partnership an amount equal to two percent (2%) of the sum of the aggregate amount to be invested by the Partnership, the Domestic Fund and CMGI, collectively; provided that the investment by such employees and other persons shall be on the same terms, same price and in securities identical to the Portfolio Securities purchased by the Partnership. The obligations of the employees or other persons under this Section 7.5 may be funded through a partnership or limited liability company, all of the equity holders of which are employees of the Management Company or other persons who perform services to or for the benefit of the Partnership (herein referred to as the "Employee Fund").

Section 7.6 @Ventures III Co-Investment.

The General Partner shall give the Partnership the opportunity to co-invest with the Domestic Fund and to invest in the same Portfolio Companies and on the same terms and at the same times as the Domestic Fund. Investments by the Domestic Fund, the Partnership and CMGI shall be made by the Domestic Fund, the Partnership and CMGI at the same times and shall be in proportion to their respective Capital Commitments.

VIII. ADMISSIONS; ASSIGNMENTS; REMOVAL AND WITHDRAWALS

Section 8.1 Admission of Additional General Partner.

It is not contemplated that any additional general partners will be admitted to the Partnership. A person may be admitted to the Partnership as a general partner only with the written consent of the General Partner and Two-Thirds in Interest of the Limited Partners. Any such person so admitted as a general partner shall be liable for all the obligations of the Partnership arising before its admission as though it had been a general partner when such obligations were incurred. In the event of the addition of a general partner, the participation of such person in the management of the Partnership and the interest of such person in the Partnership's Operating Income and Loss and Investment Gain and Loss must be approved by the General Partner and Two-Thirds in Interest of the Limited Partners at the time of such person's admission.

Section 8.2 Admission of Additional Limited Partners.

After the expiration of the 270 day period commencing on the Initial Closing Date of the Partnership, Additional Limited Partners (other than Substitute Limited Partners admitted pursuant to Section 8.3) shall be admitted to the Partnership only with the written consent of, and on the terms approved by, all Partners. Until such time, the General Partner may admit one or more additional Limited Partners with the consent of a Majority in Interest of Limited Partners of the Partnership, subject only to satisfaction of the following conditions: (i) each such additional Limited Partner shall execute and deliver a Subscription Agreement and an appropriate amendment to this Agreement pursuant to which such additional Limited Partner agrees to be bound by the terms and provisions hereof, (ii) such admission would not result in a violation of any applicable law, including the federal or state securities laws, or any term or condition of this Agreement and, as a result of such admission, the Partnership would not be required to register as an investment company under the Investment Company Act, and (iii) such additional Limited Partner shall pay to the Partnership, on the date of its admission to the Partnership, an amount equal to the sum of (x) the percentage of its Capital Commitment which is equal to the percentage of the other Limited Partners' Capital Commitments that shall have been payable at or prior to the admission of the additional Limited Partner and (y) an amount equal to interest on that portion of the Capital Commitment payable upon admission at the Treasury Rate from the date such portion would have been payable if such additional Limited Partner had been admitted on the date of formation of the Partnership to the date of actual payment, which amount shall be treated as Operating Receipts. The Partnership shall pay, from such initial Capital Contribution of such additional Limited Partner, its allocable portion of the Management Fee computed as if such additional Limited Partner had been a Partner of the Partnership since the Initial Closing Date. The name and business address of each Limited Partner admitted to the Partnership under this Section 8.2 and the amount of its Capital Commitment shall be added to Schedule 1 hereto. Each additional Limited Partner admitted pursuant to this Section 8.2 during the 270 day period commencing with the formation of the Partnership shall be deemed for purposes of all allocations of Operating Income or Loss and Investment Gain or Loss to have been admitted on the date of formation of the Partnership. Admission of an additional Limited Partner shall not be a cause of dissolution of the Partnership.

Section 8.3 Assignment of Partnership Interest.

The General Partner shall not assign or otherwise transfer its interest as the general partner of the Partnership. A Limited Partner may assign or otherwise transfer all or any part of its interest in the Partnership (provided that such part shall include a Capital Commitment, whether funded or unfunded, of at least $1 million), subject to the limitations set forth in Section 8.4. The assignee or transferee of a Limited Partner's interest in the Partnership (an "Assignee") shall have the right to become a Substitute Limited Partner only if the following conditions are satisfied:

A. A duly executed and acknowledged written instrument of assignment shall have been filed with the Partnership.

B. The Limited Partner and the Assignee shall have executed and acknowledged such other instruments and taken such other action as the General Partner shall reasonably deem necessary or desirable to effect such substitution, including, without limitation, the execution by the Assignee of a

Subscription Agreement, an appropriate amendment to this Agreement and a Power of Attorney substantially similar to that referred to in Section 12.8 hereof.

C. The restrictions on transfer contained in Section 8.4 shall be inapplicable, and, if requested by the General Partner, the Limited Partner or the Assignee shall have obtained an opinion of counsel reasonably satisfactory to the General Partner as to the legal matters set forth in that Section. The Limited Partner may request that the General Partner seek to obtain the required opinion from counsel recommended by such Limited Partner which is reasonably satisfactory to the General Partner, provided that the expense of such counsel shall be an expense of the Partnership that is paid out of the Capital Commitment of such Partner.

D. The Limited Partner or the Assignee shall have paid to the Partnership such amount of money as is sufficient to cover all expenses incurred by or on behalf of the Partnership in connection with such substitution.

E. The General Partner shall have consented, in its sole and absolute discretion, to such substitution, except in the case of a transfer to an Affiliate.

The pledge or hypothecation of a Partner's interest in the Partnership shall not be deemed an assignment or transfer; provided, that such pledge or hypothecation shall nonetheless be subject to the restrictions set forth in Section 8.4. An Assignee who is not admitted to the Partnership as a Substitute Limited Partner shall have none of the rights of a Partner and the assignor in such case shall remain fully liable for the unpaid portion of its Capital Commitment.

Section 8.4 Restrictions on Transfer.

Notwithstanding any other provision of this Agreement, no Limited Partner may assign or otherwise transfer all or any part of its interest in the Partnership, and no attempted or purported assignment or transfer of such interest shall be effective, unless (i) after giving effect thereto, such assignment or transfer would not otherwise terminate the Partnership for the purposes of Section 708 of the Code, (ii) such assignment or transfer would not result in a violation of applicable law, including the federal and state securities laws, or any term or condition of this Agreement and, as a result of such assignment or transfer, the Partnership would not be required to register as an investment company under the Investment Company Act, (iii) if requested by the General Partner, such Limited Partner shall deliver a favorable opinion of counsel satisfactory to the General Partner that such transfer would not result in (x) a violation of the Securities Act or any blue sky laws or other securities laws of any state of the United States applicable to the Partnership or the interest to be transferred, (y) the Partnership being required to register, or seek an exemption from registration, under the Investment Company Act, and (z) the Partnership being deemed to be a "publicly traded partnership" within the meaning of Section 7704 of the Code, (iv) except for an assignment to an Affiliate of a Limited Partner, the General Partner shall have consented thereto, which consent may be granted or withheld in its sole discretion, and (v) such assignment or transfer is to an entity which is an Accredited Investor.

Section 8.5 Removal of General Partner.

A. The General Partner may be removed by the Limited Partners only upon the approval of at least Two-Thirds in Interest of the Limited Partners, (i) if any act or omission of the General Partner in connection with the Partnership constitutes bad faith, breach of fiduciary duty, willful misconduct or fraud, (ii) if the General Partner is in material violation of its obligations hereunder, or (iii) if a Triggering Event occurs; provided, however, that the Limited Partners may remove the General Partner pursuant to clauses (i) and (ii) above only if a court of competent jurisdiction or, at the election of Two-Thirds in Interest of the Limited Partners, an arbitration committee (which shall conduct its proceedings in accordance with the commercial rules of the American Arbitration Committee and shall consist of three individuals, of whom one shall be selected by the General Partner, one shall be selected by Two-Thirds in Interest of the Limited Partners and one shall be selected by written agreement of the other two) has previously determined that any act or omission of the General Partner in connection with the Partnership constitutes bad faith, willful misconduct or fraud or that the General Partner is in material violation of its obligations hereunder.

B. In the event of any such removal of the General Partner, the Partnership shall, within sixty (60) days of the date of such removal, obtain an appraisal of the Portfolio Securities of the Partnership, including Portfolio Securities the purchase of which the Partnership has committed to as of such removal date (together "Removal Date Securities") from an independent firm of investment bankers of nationally recognized standing selected by the removed General Partner and approved by Two-Thirds in Interest of the Limited Partners, which approval shall not unreasonably be withheld. As of the removal date, the removed General Partner shall become a Special Limited Partner. The Special Limited Partner shall be entitled to receive as distributions pursuant to Section 5.2 that portion of all distributions made with reference to its Percentage of Contributed Capital, and that portion of all Incentive Distributions it would have received pursuant to Section 5.2 with respect to the Removal Date Securities, provided that all such distributions received in connection with such Removal Date Securities do not in the aggregate exceed the aggregate fair market value determinations for such securities made pursuant to this Section 8.5.B. Notwithstanding the foregoing, if after the removal of the General Partner the Partnership then terminates under Article XI without there having been elected a successor General Partner, the General Partner shall be entitled to the same allocations and distributions arising out of the Dissolution Sale as if it had not been removed. The Special Limited Partner shall not have the limited approval rights accorded to Limited Partners in this Agreement, and as a Special Limited Partner, the General Partner and its Affiliates shall be released from all commitments and obligations under Article VII effective upon the date of such removal.

Section 8.6 Withdrawals.

No Partner shall have the right to withdraw from the Partnership, except in connection with the transfer under Section 8.3.

IX. LIABILITY OF PARTNERS; INDEMNIFICATION

Section 9.1 Liability of General Partner.

A. The General Partner shall be subject to the liabilities of a partner in a partnership without limited partners, and nothing herein shall be deemed to relieve the General Partner of liabilities to third parties which it otherwise has under applicable law. The General Partner shall not be liable to the Partnership or any other Partner for any act or omission taken or suffered by the General Partner in good faith and in the belief that such act or omission is in the best interests of the Partnership; provided that such act or omission is not in violation of this Agreement and does not constitute willful misconduct, fraud, recklessness, breach of fiduciary duty, gross negligence or a willful violation of law by the General Partner. The General Partner shall not be liable to the Partnership or any other Partner for any action taken by any other Partner, nor shall the General Partner (in the absence of willful misconduct, fraud, recklessness, breach of fiduciary duty, gross negligence or a willful violation of law by the General Partner) be liable to the Partnership or any other Partner for any action of any employee or agent of the Partnership provided that the General Partner shall have exercised appropriate care in the selection and supervision of such employee or agent.

B. Whenever in this Agreement the General Partner is permitted or required to make a decision (i) in its "discretion" or "sole discretion" or under a grant of similar authority or latitude, the General Partner shall be entitled to consider only such interests and factors as it desires, including its own interests, and shall have no duty or obligation to give any consideration to any interests of or factors affecting any person other than the Partnership, or (ii) in its "good faith" or under another express standard, the General Partner shall act under such express standard and shall not be subject to any other or different standard imposed by this Agreement or other applicable law; provided that all judgments and determinations shall comply with the fiduciary duty of the General Partner to the Limited Partners.

C. Notwithstanding Section 9.3 below, the General Partner shall not be indemnified for any losses, liabilities or expenses arising from or out of an alleged violation of federal or state securities laws unless (i) there has been a successful adjudication on the merits of each count involving alleged securities law violations as to the particular indemnitee, or (ii) such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction as to the particular indemnitee, or (iii) a court of competent jurisdiction approves a settlement of the claims against a particular indemnitee. In any claim for indemnification for federal or state securities law violations, the party seeking indemnification shall place before the court the position of the Securities and Exchange Commission and the Massachusetts Securities Division with respect to the issue of indemnification for securities law violations. The Partnership shall not incur the cost of that portion of any insurance, other than public liability insurance, which insures any party against any liability the indemnification of which is herein prohibited.

Section 9.2 Liability of Limited Partners.

Except as required by law, no Limited Partner shall be bound by, nor be personally liable for, the expenses, liabilities, or obligations of the General Partner or the Partnership. Each Limited Partner shall be liable for the return of any part of a distribution in respect of its Capital Contribution to the extent required by law.

Section 9.3 Indemnification of the General Partner and Limited Partners.

The General Partner and its partners, agents, employees and Affiliates and the Limited Partners (the "Indemnitees") shall be and hereby are (i) indemnified and held harmless by the Partnership and (ii) released by the other Partners from and against any and all claims, demands, liabilities, costs, expenses, damages, losses, suits, proceedings and actions for which such Indemnitee has not otherwise been reimbursed (collectively, "Liabilities"), whether judicial, administrative, investigative or otherwise, of any nature whatsoever, known or unknown, liquidated or unliquidated, that may accrue to the Partnership or any other Partner or in which any of the Indemnitees may become involved, as a party or otherwise, arising out of the conduct of the business or affairs of the Partnership by the respective Indemnitee or otherwise relating to this Agreement, provided that an Indemnitee shall not be entitled to indemnification or release hereunder if it shall have been determined by a court of competent jurisdiction that (x) such person did not act in good faith and in a manner such person reasonably believed to be in the best interests of the Partnership and, in the case of a criminal proceeding, did not have reasonable cause to believe that his conduct was lawful, or (y) such Liabilities shall have arisen from a violation of this Agreement or the gross negligence, willful misconduct, breach of fiduciary duty, fraud or willful violation of law by such Indemnitee, or actions of such Indemnitee outside the scope of and unauthorized by this Agreement. The termination of any proceeding by settlement shall not, of itself, create a presumption that the Indemnitee did not act in good faith and in a manner that such person reasonably believed to be in the best interests of the Partnership or that Indemnitee did not have reasonable cause to believe that its conduct was lawful. Any indemnification right provided for in this Section 9.3 shall be retained by any removed General Partner and its partners, agents, employees and Affiliates. The indemnification rights provided for in this Section 9.3 shall survive the termination of the Partnership or this Agreement.

Section 9.4 Payment of Expenses.

Expenses incurred by an Indemnitee in defense or settlement of any claim that may be subject to a right of indemnification hereunder may be advanced by the Partnership prior to the final disposition thereof provided that the following conditions are satisfied: (i) the claim relates to the performance of duties or services by the Indemnitee on behalf of the Partnership and (ii) the Indemnitee undertakes to repay the advanced funds to the Partnership if it is ultimately determined that the Indemnitee is not entitled to be indemnified hereunder or under applicable law. The right of any Indemnitee to the indemnification provided herein shall be cumulative of, and in addition to, any and all rights to which such Indemnitee may otherwise be entitled by contract or as a matter of law or equity and shall extend to such Indemnitee's successors, assigns and legal representatives. All judgments against the Partnership and the General Partner, in respect of which such General Partner is entitled to indemnification, must first be satisfied from Partnership assets before the General Partner is responsible therefor. The obligations of Limited Partners under this Article IX shall be satisfied only after any applicable insurance proceeds

have been exhausted and then only out of Partnership assets and, to the extent required by law, distributions made by the Partnership to its Partners, and Limited Partners shall have no personal liability to fund indemnification payments hereunder.

X. ACCOUNTING FOR THE PARTNERSHIP; REPORTS

Section 10.1 Accounting for the Partnership.

The Partnership shall use the accrual method of accounting and its financial statements shall be prepared in accordance with generally accepted accounting principles. The Partnership's tax return shall be prepared on an accrual basis. The fiscal year of the Partnership shall end on December 31.

Section 10.2 Books and Records.

The General Partner shall keep or cause to be kept complete and appropriate records and books of account. Except as otherwise expressly provided herein, such books and records shall be maintained on the basis used in preparing the Partnership's federal income tax returns. Such information as is necessary to reconcile such books and records with generally accepted accounting principles shall also be maintained. The books and records shall be maintained at the principal office of the Partnership, and shall be available for inspection and copying by any Partner and its advisors at its expense during ordinary business hours following reasonable notice.

Section 10.3 Quarterly Reports.

(a) Within forty-five (45) days after the end of each calendar quarter, the General Partner will prepare and deliver to each Partner (i) an unaudited balance sheet and income statement of the Partnership for such quarter, accompanied by a report on any material developments in existing investments which occurred during such quarter and a newsletter relating to the Partnership's activities and (ii) a statement showing the balance in such Partner's Capital Account and a reconciliation of such balance. After the end of each fiscal year, the General Partner shall cause an audit of the Partnership to be made by an independent public accountant of nationally recognized status of the financial statements of the Partnership for that year. Such audit shall be certified and a copy thereof shall be delivered to each Partner within ninety (90) days after the end of each of the Partnership's fiscal years. Such certified financial statements shall also be accompanied by a report on the Partnership's activities during the year prepared by the General Partner. Within ninety (90) days after the end of each fiscal year, the Partnership will deliver to each Partner the General Partner's good faith estimate of the fair value of the Partnership's investments as of the end of such year, a statement showing the balances in each Partner's Capital Account as of the end of such year, and such other information, reports and forms as are necessary to assist each Partner in the preparation of his federal, state and local tax returns.

(b) The quarterly and annual reports shall include a summary of the acquisition and disposition of investments by the Partnership during such period, a list of investments then held, together with a valuation of such investments, including an explanation of such valuation in accordance with Section 5.6, a narrative report describing the operations and financial status of each investment, the

General Partner's evaluation of the portfolio company's prospects and any other information regarding the Partnership and the portfolio companies that the Limited Partners may reasonably request.

(c) Promptly after each Capital Contribution, the General Partner shall acknowledge receipt of funds from the Limited Partners.

(d) Promptly following the closing of each investment by the Partnership and semi-annually thereafter, the General Partner shall provide the Limited Partners with a fact sheet containing the following information: a capitalization table and summary balance sheet for the portfolio company, the amount of the Partnership's investment and percentage ownership, the amount of each Limited Partner's investment and each Limited Partner's percentage ownership and the expenses incurred in connection with the investment and the Partnership's share thereof.

Section 10.4 Annual Meeting.

The General Partner will convene an annual meeting of all Partners, at such time and on such date, beginning in 1999, as it deems appropriate, at which the General Partner will report on the activities of the Partnership during the year and respond to questions pertaining to the Partnership's affairs. The General Partner shall call a special meeting of all Partners upon request of a Majority in Interest of the Limited Partners. The General Partner will give all Partners at least thirty (30) days notice of each annual or special meeting; provided that such notice may be waived by a Majority in Interest of the Limited Partners in the case of any special meeting.

XI. DISSOLUTION AND WINDING UP

Section 11.1 Termination.

The existence of the Partnership shall terminate upon the first to occur of the following events:

(1) July 31, 2006; provided that the duration of the Partnership may be extended by the General Partner for not more than two additional one year periods;

(2) the sale or other disposition at any one time of all or substantially all of the assets of the Partnership;

(3) the happening of any event which causes the cessation of the General Partner's status as a general partner under the Act unless, in any such case (i) at the time of such event there is at least one other general partner of the Partnership who agrees to and does continue the business of the Partnership, or (ii) Two-Thirds in Interest of the Limited Partners agree in writing to continue the business of the Partnership and to the appointment of one or more additional general partners in accordance with the Act;

(4) the entry of a decree of judicial dissolution under the Act; and

(5) the written agreement of Two-Thirds in Interest of the Limited Partners to terminate the Partnership.

Section 11.2 Winding Up.

Upon the occurrence of an event specified in Section 11.1, the Partnership shall be wound up, liquidated and dissolved. At any time during the wind up, liquidation and dissolution of the Partnership as provided in this Section 11.2, Eighty Percent (80%) in Interest of the Limited Partners may remove the General Partner and replace it with a liquidator. In addition, if there is no General Partner, Two-Thirds in Interest of the Limited Partners may appoint a liquidator. The General Partner or liquidator shall proceed with the Dissolution Sale or a liquidating distribution of the securities and other property of the Partnership pursuant to the required valuation in Section 5.6, all within the discretion of the General Partner or liquidator as promptly as practicable; provided that in the event of a Dissolution Sale the General Partner or such liquidator shall continue such sale only as long as it feels is reasonably necessary to obtain fair value for the investments in Portfolio Companies and other assets of the Partnership. In the Dissolution Sale the General Partner or such liquidator shall use its best efforts to reduce the Partnership's investments in Portfolio Companies to cash and cash equivalents, subject to obtaining fair value therefor and other legal and tax considerations.

Section 11.3 Liquidating Trust.

In the sole discretion of the General Partner or the liquidator at the termination of the Partnership pursuant to Section 11.1, all or a portion of the non-cash assets of the Partnership (other than Marketable Securities) may be distributed to a trust established for the benefit of the Partners for the sole purposes of liquidating Partnership assets, collecting amounts owed to the Partnership and paying any contingent or unforeseen liabilities or obligations of the Partnership. The distribution to the trust will constitute a final, liquidating distribution of assets pursuant to Section 5.3. The Partners' beneficial interests in the trust will be equal to their respective interests in the assets of the Partnership upon liquidation. The trustee of the trust shall be the General Partner or the liquidator.

XII. MISCELLANEOUS

Section 12.1 Registration of Securities.

Stocks, bonds, securities and other property owned by the Partnership shall be registered in the Partnership name or a "street name." Any corporation or transfer agent called upon to transfer any stocks, bonds and securities to or from the name of the Partnership shall be entitled to rely on instructions or assignments signed or purporting to be signed by the General Partner without inquiry as to the authority of the person signing or purporting to sign such instructions or assignments or as to the validity of any transfer to or from the name of the Partnership. At the time of transfer, the corporation or transfer agent is entitled to assume (i) that the Partnership is still in existence and (ii) that this Agreement is in full force and effect and has not been amended unless the corporation or transfer agent has received written notice to the contrary.

Section 12.2 Entire Agreement.

This Agreement and the Exhibits and Schedules attached hereto set forth the full and complete agreement of the Partners with respect to the subject matter hereof and supersede any prior agreement or undertaking among the parties; provided that the representations of the General Partner, the Partnership and the Limited Partners contained in the Subscription Agreement will survive the execution of this Agreement.

Section 12.3 Voting; Amendments.

On any occasion on which the General Partner submits to the Limited Partners for their approval a proposed amendment, waiver or other action (a "Vote") with respect to a provision of this Agreement (except as to Sections 3.1, 3.2, 4.2, 6.2C, 6.2D, 6.2K, 6.2N, 6.2Q, and Sections 12.14 through 12.17, and all provisions relating thereto, in which case the vote, consent or approval of the Limited Partners of only this Partnership shall be obtained), and the General Partner also submits to the Limited Partners of the Domestic Fund for their approval a proposed Vote with respect to a provision with a substantially similar impact of the partnership agreement for the Domestic Fund, then for purposes of determining whether such Vote was approved by the Limited Partners, (x) the Partnership will be deemed to have Capital Commitments equal to the Capital Commitments of the Domestic Fund and the Capital Commitments of the Partnership ("Deemed Total Capital Commitments"); (y) the portion of the Deemed Total Capital Commitments attributable to the Domestic Fund shall be deemed voted as actually voted by the Limited Partners of the Domestic Fund and (z) the portion of the Deemed Total Capital Commitments attributable to the Partnership shall be voted as the Limited Partners actually vote. Subject to the foregoing, this Agreement may be modified from time to time by the General Partner and a Majority in Interest of the Limited Partners; provided that the written consent of all Partners shall be required for any amendment which would do any of the following: (i) increase the Capital Commitment of any Partner; (ii) modify the distributions of Operating Receipts or Investment Receipts in Section 5.2 or the allocations of Operating Income or Loss or Investment Gain or Loss in Section 5.7; (iii) extend the period in which additional Limited Partners may be admitted to the Partnership beyond 270 days as specified in Section 8.2; (iv) amend the Management Contract so as to increase the Management Fee or other compensation of the General Partner; (v) increase the percentage in interest of the Limited Partners needed to remove the General Partner under Section 8.5 or to terminate the Partnership under Section 11.1; or (vii) amend this Section 12.3; or (viii) amend, waive or remove any other right granted to the Limited Partners of this Partnership not granted to the limited partners of the Domestic Fund. No amendment may be made to any provision of this Agreement which contemplates action by a vote or consent of greater than a Majority in Interest of the Limited Partners without a vote or consent of such greater majority as therein specified.

Section 12.4 Severability.

If any provision of this Agreement, or the application of such provision to any person or circumstance, shall be held invalid, the remainder of this Agreement or the application of such provision to other persons or circumstances shall not be affected thereby. Any default hereunder by a Limited Partner shall not excuse a default by any other Limited Partner.

Section 12.5 Notices.

All notices, requests, demands and other communications shall be in writing and shall be deemed to have been duly given if personally delivered or sent by United States mails, or private or postal express mail service or by facsimile transmission confirmed by letter, if to the Partners, at the addresses set forth on Schedule 1 attached hereto, and if to the Partnership, to the General Partner at its address set forth in said Schedule, or to such other address as any Partner shall have last designated by notice to the Partnership and the other Partners, or as the General Partner shall have last designated by notice to the Limited Partners, as the case may be. Any notice shall be deemed received, unless earlier received, (i) if sent by first-class mail, postage prepaid, when actually received, (ii) if sent by private or postal express mail service, when actually received, (iii) if sent by facsimile transmission, on the date sent provided confirmatory notice is sent by first-class mail, postage prepaid, and (iv) if delivered by hand, on the date of receipt.

Section 12.6 Heirs and Assigns; Execution.

This Agreement (i) shall be binding on the executors, administrators, estates, heirs, legal representatives, successors, and assigns of the Partners; and, (ii) may be executed in more than one counterpart with the same effect as if the parties executing the several counterparts had all executed one counterpart; provided, however, that each separate counterpart shall have been executed by the General Partner and that the several counterparts, in the aggregate, shall have been signed by all of the Partners.

Section 12.7 Waiver of Partition.

Except as may be otherwise provided by law in connection with the winding-up, liquidation and dissolution of the Partnership, each Partner hereby irrevocably waives any and all rights that it may have to maintain an action for partition of any of the Partnership's property.

Section 12.8 Power of Attorney.

Concurrently with the execution of this Agreement, each Limited Partner shall execute a Power of Attorney in the form attached to the Subscription Agreement.

Section 12.9 Headings.

The section headings in this Agreement are for convenience of reference only, and shall not be deemed to alter or affect the meaning or interpretation of any provisions hereof.

Section 12.10 Further Actions.

Each Partner shall execute and deliver such other certificates, agreements and documents, and take such other actions, as may reasonably be requested by the General Partner in connection with the formation of the Partnership and the achievement of its Purposes, including, without limitation, (i) any documents that the General Partner deems necessary or appropriate to form, qualify, or continue the Partnership as a limited partnership in all jurisdictions in which the Partnership conducts or plans to conduct business and (ii) all such agreements, certificates, tax statements and other documents as may be required to be filed in respect of the Partnership.

Section 12.11 Gender, Etc.

Whenever the context permits, the use of a particular gender shall include the masculine, feminine and neuter genders, and any reference to the singular or the plural shall be interchangeable with the other.

Section 12.12 Tax Matters Partner.

The General Partner shall be designated as the Tax Matters Partner in accordance with Section 6231 of the Code and shall promptly notify the other partners if any tax return or report of the Partnership is audited or if any adjustments are proposed. In addition, the General Partner shall promptly furnish to the Partners all notices concerning administrative or judicial proceedings relating to federal income tax matters as required under the Code and shall supply such information to the Internal Revenue Service as may be necessary to identify the Partners as Notice Partners under Section 6231 of the Code. During the pendency of any administrative or judicial proceeding, the General Partner shall furnish to the Partners periodic reports concerning the status of any such proceeding. Without the consent of a Majority in Interest of the Partners, the General Partner shall not extend the statute of limitations, file a request for administrative adjustment or enter into any settlement agreement relating to any Partnership item of income, gain, loss, deduction or credit for any fiscal year of the Partnership.

Section 12.13 Applicable Law.

This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of Delaware.

Section 12.14 Avoidance of Trade or Business Status; Service-Related Income.

Notwithstanding anything to the contrary in this Agreement or otherwise:

(a) The General Partner will use its best efforts to conduct the affairs of the Partnership so as to (i) avoid having the Partnership treated as engaged in a trade or business within the United States for purposes of Sections 864, 875, 882, and 1446 of the Code, (ii) conduct the affairs of the Partnership so that the Partnership does not invest in United States real property interests as that term is defined in Section 897 of the Code, and (iii) avoid investing or entering into contracts for the purchase or sale of commodities or in options or futures, including currency futures, other than options or other contracts for the acquisition or disposition of securities of a portfolio company.

(b) Neither the General Partner, the Partnership, the principals of the General Partner nor any agents of the foregoing (in each case in their capacities as such, including actions relating to the Domestic Fund and the Prior Funds) shall:

(i) engage in investments for the purpose of realizing a quick, immediate and profitable sale rather than holding the investment for long-term capital appreciation;

(ii) invest in portfolio companies for relatively short holding periods, (e.g., engaging in quick sales in response to market fluctuations), or engage in frequent, short-term turnover of investments in

portfolio companies (including leveraged financings, short sales, puts, calls, hedging transactions and purchases on margin) or a large number of such transactions;

(iii) acquire an interest in a partnership, limited liability company, trust or other non-corporate entity that are engaged in U.S. trade or business within the meaning of the Code;

(iv) receive a fee for any management-, consulting- or promotion-type services provided to portfolio companies; or

(v) engage in the management of the day-to-day operations of portfolio companies or perform any sustained or ongoing services; provided that no such persons shall be prohibited from serving as a member of the board of directors of portfolio companies.

Accordingly, the General Partner agrees, to the extent legally permissible, to file all federal, state and local tax returns and reports of the Partnership in a manner consistent with such treatment. The General Partner shall not cause the Partnership to invest in any other partnership unless such other partnership agrees to use its best efforts to conduct its activities in a manner such that those activities will not cause the Partnership to be engaged in a trade or business within the United States for purposes of Sections 875, 882, 897 and 1446 of the Code.

Section 12.15 Confidentiality.

The General Partner and the Partnership on behalf of themselves and their respective Affiliates, members, managers, employees and other agents (i) acknowledge, that, during the term of the Partnership, they may become aware of information relating to the Limited Partners and their respective principals, clients, Affiliates, partners, members, managers, employees, consultants and other agents, and (ii) agree, except as otherwise may be required by applicable law, to keep such information in strict confidence. In the event that the General Partner or the Partnership or any of their Affiliates or such other related persons is requested by any governmental body or in any legal proceeding to disclose information concerning any of the above persons or entities, such person will provide, to the extent not prohibited by applicable law, prompt notice to any such person so that such person may seek an appropriate protective order. This provision shall survive the termination of the Partnership and the Partnership Agreement.

Section 12.16 Favorable Arrangements.

The General Partner shall promptly disclose in writing to the Limited Partners of this Partnership any arrangement, agreement or provision relating to the Domestic Fund which provides a limited partner of either of them with a material benefit which the Limited Partners of the Partnership do not have. The Limited Partners shall have thirty (30) days after receipt of such notice to inform the General Partner that such Limited Partner desires to have such favorable arrangement, agreement or provision apply to it in relation to the Partnership and/or this Agreement. Promptly upon receipt of such writing from the Limited Partner, the General Partner (on behalf of the Partnership) and such Limited Partner shall legally implement and document such favorable arrangement, agreement or provision.

Section 12.17 Additional Co-Investments.

Subject to the provisions of this Agreement and the Domestic Fund's Limited Partnership Agreement, the General Partner may, in its discretion, request that any Portfolio Company or other company offer each Limited Partner the opportunity to acquire the securities of such company (the "Additional Securities"). Any such offer shall be made pro rata to each Limited Partner based on its Capital Commitment and the capital commitment of the partners of the Domestic Fund, provided that strategic partners of the CMGI Funds or the Domestic Fund may be offered in excess of their pro rata shares if and to the extent such an investment would benefit the company. In the event that one or more of such Limited Partners desires to acquire such Additional Securities, such investment shall be made outside of the Partnership (either directly or in an entity to be designated by any such Limited Partner), and each Limited Partner that so invests shall agree to pay the General Partner an amount in cash or in-kind (in the discretion of the Limited Partner) equal to ten percent (10%) of the appreciation in value, if any, of the Additional Securities, such amount to be determined and payable upon the earlier of (i) the disposition of such Additional Securities by such Limited Partner (or its designee), (ii) in the case of Additional Securities issued by Portfolio Companies of the Partnership, the distribution or liquidation by the Partnership of the securities of such company, or (iii) in the case of Additional Securities issued by companies which are not Portfolio Companies of the Partnership, the termination of the Partnership. In the event that Additional Securities have been issued by Portfolio Companies of the Partnership or the Domestic Fund, the General Partner shall sell or otherwise dispose of the Additional Securities at the same time and based upon the same terms and conditions (including but not limited to price) as the Partnership's or Fund's sale or disposal of securities of such portfolio company.

IN WITNESS WHEREOF, the parties to this Agreement have executed the same as of the date first above set forth and have executed separate counterparts bearing the signature of the General Partner.

GENERAL PARTNER

@Ventures Partners III, LLC

By: /s/ David S. Wetherell

@VENTURES FOREIGN FUND III, L.P.
LIMITED PARTNERSHIP

Schedule 1

	Total Capital Commitment	Amount Contributed	Remaining Capital Commitment
I. General Partner			
@Ventures Partners III, LLC 100 Brickstone Square Andover, MA 01801	$ 505,050		
II. Limited Partners			
AtEura, LLC	$50,000,000		

Address for Notices

ATEURA, LLC
c/o Jura Trust, Mittledorf 1
Vaduz, Liechtenstein, FL-9490,
Attention: Albin Johann

Facsimile: 41-75-232-1362
with a copy to:

Dr. Richard J. Haas Partners
199 Piccadilly
London W1V 9LE
Attention: Michael Russell

Facsimile: 0171.734.7417

and

BARNARD & CO., L.L.C.
590 Madison Avenue - 37th Floor
New York, New York 10022
Attention: Joel D. Koblentz

Facsimile: (212) 750-3473

EXHIBIT 10.50

AMENDMENT NO. 1 TO THE AGREEMENT OF LIMITED PARTNERSHIP OF @VENTURES FOREIGN FUND III, L.P.

This Amendment No. 1, dated as of December 22, 1998 (this "Amendment"), is by and among @Ventures Partners III, LLC (the "General Partner"), the general partner of @Ventures Foreign Fund III, L.P., a Delaware limited partnership (the "Partnership"), and the undersigned Limited Partners. Capitalized terms used herein without definition have the meaning set forth in the Partnership's Agreement of Limited Partnership, as amended to date (the "Agreement").

RECITALS:

WHEREAS, the undersigned Partners deem it to be desirable and in the best interests of the Partnership to amend the Agreement to clarify the terms of CMGI's co-investment obligation with respect to investment opportunities offered to the Partnership, in order to be consistent with the Partners' mutual understanding.

WHEREAS, the undersigned Partners deem it to be desirable and in the best interests of the Partnership to amend the Agreement in order waive the requirement, set forth in Section 10.3 of the Agreement, that the General Partner cause an audit of the Partnership for the year ended December 31, 1998.

WHEREAS, the undersigned Partners deem it to be desirable and in the best interest of the Partnership to amend the Agreement with respect to certain other provisions, as set forth herein.

NOW, THEREFORE, in consideration of the premises and agreements herein contained and intending to be legally bound hereby, the undersigned Partners agree as follows:

A. AMENDMENTS TO THE AGREEMENT.

1. Section 3.2 of the Agreement is hereby amended by deleting the last sentence thereof and inserting in lieu thereof the following:

> "For purposes of this Article III, "Aggregate Partnership Percentage" equals the quotient, expressed as a percentage, of the aggregate Capital Commitments of all of the Partners of the Partnership, divided by the sum of the aggregate Capital Commitments of all of the Partners of the Partnership, plus the aggregate capital commitments of all of the partners of

the Domestic Fund, plus the CMGI Co-investment Obligation, plus the Employee Fund Co-investment Obligation."

2. Section 7.2 of the Agreement is hereby amended by inserting the following language immediately preceding the period at the end of the first sentence of such Section:

"(the 'Minimum Investment Amount'); provided, however, that if there shall occur one or more Opt-Out Events (as such term is defined in Section 7.4) then the Minimum Investment Amount shall be equal to seventy-five percent (75%) of the following: (x) the Partnership's Capital Commitments less (y) the aggregate dollar amount of Capital Contributions that the Partners would have made in respect of investments made by the Domestic Fund but for the provisions of Section 3.3."

3. Section 7.4 of the Agreement is hereby amended and restated in its entirety as follows:

"A. Except as provided below with respect to an Opt-Out Event (as defined below), CMGI will co-invest with the Partnership in Portfolio Companies an aggregate amount (the 'CMGI Co-investment Obligation') which shall be equal to the greater of:

(i) $30 million; and

(ii) an amount (the 'CMGI Amount') as is sufficient to cause CMGI's co-investment to equal 19.9% of the sum of (A) the aggregate Capital Commitments to the Partnership, (B) the aggregate Capital Commitments to the Domestic Fund, (C) the Employee Fund Co-investment Obligation (as defined below) and (D) the CMGI Amount. The CMGI Co-investment Obligation shall arise with respect to all investments made by the Partnership in Portfolio Companies (including Follow-on Investments, Committed Investments, Bridge Financings and through the funding of guarantees), shall be satisfied in cash and shall be made on the same terms, same price and in securities identical to the Portfolio Securities purchased by the Partnership.

In the case of each investment in a Portfolio Company, the percentage of such investment made by the Partnership, the Domestic Fund, CMGI and the Employee Fund (as defined in Section 7.5) will be computed as follows:

(w) the percentage of such investment made by the Partnership will be:

(i) zero, in the event that a Majority in Interest of the Limited Partners of the Partnership elect not to invest in, or are deemed to have waived their right to participate in the investment in a particular Portfolio

Company, pursuant to Section 3.3 of this Agreement (an 'Opt-Out Event'), or

(ii) the aggregate Capital Commitments to the Partnership divided by the sum of the aggregate Capital Commitments to the Partnership, the aggregate Capital Commitments to the Domestic Fund, the CMGI Co-investment Obligation and the Employee Fund Co-investment Obligation, in all other events;

(x) the percentage of such investment made by the Domestic Fund will be:

(i) the aggregate capital commitments to the Domestic Fund divided by the sum of the aggregate capital commitments to the Domestic Fund, the Opt-Out CMGI Obligation (as defined below) and the Opt-Out Employee Fund Obligation (as defined below), in an Opt-Out Event, or

(ii) the aggregate capital commitments to the Domestic Fund divided by the sum of the aggregate capital commitments to the Domestic Fund, the aggregate Capital Commitments to the Partnership, the CMGI Co-investment Obligation and the Employee Fund Co-investment Obligation, in all other events;

(y) the percentage invested by CMGI will be:

(i) the Opt-Out CMGI Obligation divided by the sum of the aggregate capital commitments to the Domestic Fund, the Opt-Out CMGI Obligation and the Opt-Out Employee Fund Obligation, in an Opt-Out Event, or

(ii) the CMGI Co-investment Obligation divided by the sum of the aggregate Capital Commitments to the Partnership, the aggregate capital commitments to the Domestic Fund, the CMGI Co-investment Obligation and the Employee Fund Co-investment Obligation, in all other events; and

(z) the percentage invested by the Employee Fund will be:

(i) the Opt-Out Employee Fund Obligation divided by the sum of the aggregate capital commitments to the Domestic Fund, the Opt-Out CMGI Obligation and the Opt-Out Employee Fund Obligation, in an Opt-Out Event, or

(ii) the Employee Fund Co-investment Obligation divided by the sum of the aggregate Capital Commitments to the Partnership, the aggregate capital commitments to the Domestic Fund, the CMGI Co-investment Obligation and the Employee Fund Co-Investment Obligation, in all other events.

The term 'Employee Fund Co-investment Obligation' shall mean a dollar amount that is sufficient to cause the Employee Fund's co-investment to equal 2.0% of the sum of (A) the aggregate Capital Commitments to the Partnership, (B) the aggregate capital commitments to the Domestic Fund, (C) the CMGI Co-investment Obligation, and (D) the Employee Fund Co-investment Obligation.

The term 'Opt-Out CMGI Obligation' shall be equal to the greater of:

(i) $30 million; and

(ii) a dollar amount (the 'CMGI Opt-Out Amount') as is sufficient to cause CMGI's co-investment to equal 19.9% of the sum of (A) the aggregate capital commitments to the Domestic Fund, (B) the Opt-Out Employee Fund Obligation and (C) the CMGI Opt-Out Amount.

The term 'Opt-Out Employee Fund Obligation' shall mean a dollar amount that is sufficient to cause the Employee Fund's co-investment to equal 2.0% of the sum of (A) the aggregate capital commitments to the Domestic Fund, (B) the Opt-Out CMGI Obligation, and (C) the Opt-Out Employee Fund Obligation.

B. CMGI may assign all or any portion of its CMGI Co-investment Obligation or Opt-Out CMGI Obligation, as the case may be, to any of its Affiliates, including, without limitation, any CMGI Fund; provided, however, for purposes of this Section 7.4, the CMGI Co-investment Obligation and the Opt-Out CMGI Obligation, as the case may be, shall remain an obligation of CMGI."

4. Section 6.1 of the Agreement is hereby amended and restated in its entirety as provided below:

"@Ventures Partners III, LLC, a limited liability company initially comprised of David S. Wetherell, Guy M. Bradley, Jonathan Callaghan, Andrew J. Hajducky III, Peter H. Mills and CMGI as its members, is the General Partner of the Partnership."

5. Section 7.5 of the Agreement is hereby amended and restated in its entirety as provided below:

"Section 7.5 Other Co-Investment Rights.

In the case of any investment by the Partnership, the General Partner shall cause employees of the Management Company or other persons who perform services to or for the benefit of the Partnership (including without limitation, the members of the Management Company) to co-invest with the Partnership an amount equal to the amount determined in accordance with Section 7.4; provided that the investment by such employees and other persons shall be on the same terms, same price and in securities identical to the Portfolio Securities purchased by the Partnership. The obligations of the employees or other persons under this Section 7.5 may be funded through a partnership or limited liability company, all of the equity holders of which are employees of the Management Company or other persons who perform services to or for the benefit of the Partnership (herein referred to as the 'Employee Fund')."

6. Section 10.3 of the Agreement is hereby amended by deleting the following language at the beginning of the second sentence thereof:

"After the end of each fiscal year,"

and inserting in lieu thereof the following:

"After the end of each fiscal year, other than the fiscal year ending December 31, 1998,"

B. RATIFICATION. Except as otherwise expressly set forth herein, all terms and conditions of the Agreement are hereby ratified and confirmed and shall remain in full force and effect. Except as expressly set forth herein, nothing herein shall be construed to be an amendment or a waiver of any requirements of the Agreement.

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

D. EFFECT OF AMENDMENT. Subject to execution of this Amendment by the General Partner and a Majority in Interest of the Limited Partners, the Agreement shall be amended as set forth herein, effective as of December 22, 1998, and the undersigned Limited Partners expressly authorize the General Partner (i) to reflect the amendments set forth herein in a First Amended and Restated Agreement of Limited Partnership of the Partnership and (ii) to execute and deliver such First Amended and Restated Agreement of Limited Partnership on behalf of all Partners.

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COUNTERPART SIGNATURE PAGE
TO AMENDMENT NO. 1
TO THE AGREEMENT OF LIMITED PARTNERSHIP
of @ Ventures Foreign Fund III, L.P.

IN WITNESS WHEREOF, the parties have duly executed this Amendment No. 1 as of the date first above written.

GENERAL PARTNER:

@VENTURES PARTNERS III, LLC

By: /s/ Andrew J. Hajducky, III
Name:
Title:

EXHIBIT 13.1

Selected Consolidated Financial Data

Selected Consolidated Financial Data - The following table sets forth selected consolidated financial information of the Company for the five years in the period ended July 31, 1999. The following selected consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Results of Operations" and the Company's consolidated financial statements and notes to those statements included elsewhere in this report. The following consolidated financial data includes the results of operations (from dates of acquisition) of the Company's fiscal 1997 acquisition of Pacific Direct Marketing Corporation, the fiscal 1998 acquisitions of Accipiter, Inc., InSolutions, Inc., Servercast Communications, LLC and On-Demand Solutions, Inc., and the fiscal 1999 acquisitions of Magnitude Network, Inc., 2CAN Media, Inc., Internet Profiles Corporation, Activerse, Inc., Nascent Technologies, Inc., Netwright, LLC and Digiband, Inc. See Note 8 to the Company's consolidated financial statements for further information concerning these acquisitions. The historical results presented herein are not necessarily indicative of future results.

(in thousands, except per share data)

	Years ended July 31,				
	1999	1998	1997	1996	1995
Consolidated Statement of Operations Data:					
Net revenues	$ 175,666	$ 81,916	$ 60,056	$ 17,735	$ 11,091
Cost of revenues	168,909	72,950	34,866	11,215	7,259
Research and development expenses	22,478	19,223	17,767	5,412	--
In-process research and development expenses	6,061	10,325	1,312	2,691	--
Selling, general and administrative expenses	104,877	49,677	47,031	16,812	2,722
Operating income (loss)	(126,659)	(70,259)	(40,920)	(18,395)	1,110
Interest income (expense), net	269	(870)	1,749	2,691	225
Gains on issuance of stock by subsidiaries and affiliates	130,729	46,285	--	19,575	--
Other gains, net	758,312	96,562	27,140	30,049	4,781
Other income (expense), net	(13,406)	(12,899)	(769)	(746)	(292)
Income tax expense	(325,402)	(31,555)	(2,034)	(17,566)	(2,113)
Income (loss) from continuing operations	423,843	27,264	(14,834)	15,608	3,711
Discontinued operations, net of income taxes	52,397	4,640	(7,193)	(1,286)	24,504
Net income (loss)	476,240	31,904	(22,027)	14,322	28,215
Preferred stock accretion	(1,662)	--	--	--	--
Net income (loss) available to common stockholders	$ 474,578	$ 31,904	$ (22,027)	$ 14,322	$ 28,215
Diluted earnings (loss) per share:					
Income (loss) from continuing operations	$ 4.10	$ 0.30	$ (0.20)	$ 0.20	$ 0.05
Discontinued operations	0.50	0.06	(0.09)	(0.02)	0.33
Net income (loss)	$ 4.60	$ 0.36	$ (0.29)	$ 0.18	$ 0.38
Shares used in computing diluted earnings (loss) per share	103,416	90,060	75,432	77,456	75,128
Consolidated Balance Sheet Data:					
Working capital	$1,381,005	$ 12,784	$ 38,554	$ 72,009	$ 47,729
Total assets	2,404,594	259,818	146,248	106,105	77,803
Long-term obligations	34,867	5,801	16,754	514	415
Redeemable preferred stock	411,283	--	--	--	--
Stockholders' equity	1,062,461	133,136	29,448	53,992	55,490

EXHIBIT 13.2

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

The discussion in this report contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those discussed herein. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below in "Factors that May Affect Future Results", as well as those discussed in this section and elsewhere in this report.

Overview

CMGI, Inc. and its consolidated subsidiaries, ("CMGI" or "the Company") develop and operate Internet and fulfillment services companies. CMGI's Internet strategy includes the internal development and operation of majority-owned subsidiaries as well as taking strategic positions in other Internet companies that have demonstrated synergies with CMGI's core businesses. The Company's strategy also envisions and promotes opportunities for synergistic business relationships among the Internet companies within its portfolio.

At July 31, 1999, CMGI's majority owned Internet subsidiaries included Activerse Inc. (Activerse), Adsmart Corporation (Adsmart), Blaxxun Interactive, Inc. (Blaxxun), CMGI Solutions, Inc. (CMGI Solutions), Engage Technologies, Inc. (Engage), iCAST Corporation (iCAST), Magnitude Network, Inc. (Magnitude Network), MyWay.com (formerly Planet Direct Corporation), Nascent Technologies, Inc. (Nascent), NaviNet, Inc. (NaviNet), NaviSite, Inc. (NaviSite), Netwright, LLC (Netwright) and ZineZone Corporation (ZineZone). Activerse provides open standard Internet messaging technologies; Adsmart is an online advertising network, providing a comprehensive set of services to advertisers and Web publishers; Blaxxun develops and markets software for Internet multimedia communication; CMGI Solutions and Netwright are technology consulting units; Engage, which completed its IPO during fiscal year 1999, is a provider of profile-based Internet marketing solutions; iCAST was formed to provide both original and syndicated video and audio content and provide an interactive entertainment environment; Magnitude Network provides radio stations with integration of radio and the Internet; MyWay.com provides a Web portal that can be personalized to an individual user's locality, interests, and preferences, and customized for distribution affiliates; Nascent is a developer of value-added, carrier-class software that enables service providers to rapidly launch new services on the World Wide Web; NaviNet, an Internet Access Provider, offers a high-availability national network service for Internet Service Providers (ISPs) that want to expand their coverage, capacity, and capabilities through outsourcing; NaviSite, which commenced its IPO during October 1999, specializes in e-business outsourcing solutions, including high-end Web hosting and Internet application hosting, monitoring, and management; ZineZone is a network for people who are avid embracers and early adopters of new forms of entertainment, leisure and technology.

The Company's first Internet venture fund, CMG@Ventures I, LLC (CMG@Ventures I) was formed in February 1996. CMGI completed its $35 million commitment to this fund during fiscal year 1997. The Company owns 100% of the capital and is entitled to approximately 77.5% of the net capital gains of CMG@Ventures I. The Company's second Internet venture fund, CMG@Ventures II, LLC (CMG@Ventures II), was formed during fiscal year 1997. The Company owns 100% of the capital and is entitled to 80% of the net capital gains of CMG@Ventures II.

At July 31, 1999, CMG@Ventures I and CMG@Ventures II held investments in Blaxxun Interactive, Inc. (Blaxxun, 54% legal ownership), Chemdex Corporation (Chemdex, 9%), Critical Path, Inc. (4%), KOZ, Inc. (KOZ, 8%), MotherNature.com (13%), Silknet Software, Inc. (Silknet, 18%), Speech Machines plc (Speech Machines, 19%), Thingworld.com, LLC (Thingworld.com, formerly Parable LLC, 36%), Vicinity Corporation (Vicinity, 33%), Visto Corporation (Visto, 9%), WebCT, Inc. (formerly Universal Learning Technology, 30%) and Lycos, Inc. (Lycos). Including shares remaining in CMG@Ventures I and those already distributed from the fund, CMGI held a combined 17% ownership interest in Lycos at July 31, 1999. CMG@Ventures II also held 2.4 million shares of Hollywood Entertainment Corporation (Hollywood Entertainment) common stock. CMG@Ventures II received the Hollywood Entertainment shares during fiscal 1999 in exchange for its investment in Reel.com, Inc. (Reel.com). Chemdex, Critical Path, Hollywood Entertainment, Lycos, and Silknet shares are publicly traded on the Nasdaq National Market under the symbols CMDX, CPTH, HLYW, LCOS and SILK respectively.

In fiscal year 1999, CMGI announced the formation of the @Ventures III venture capital fund (The Fund). The Fund secured capital commitments from outside investors and CMGI, to be invested in emerging Internet service and technology companies. 78.1% of amounts committed to The Fund are provided through two newly formed 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 2% of the net capital gains realized by both entities. Management of these entities is the responsibility of @Ventures Partners III, LLC. The Company has committed to contribute up to $56 million to its newly formed limited liability company affiliate, CMG@Ventures III, LLC, equal to 19.9% of total amounts committed to The Fund, of which approximately $20 million has been funded as of July 31, 1999. CMG@Ventures III, LLC will take strategic positions side by side with @Ventures III L.P. CMGI owns 100% of the capital and is entitled to 80% of the net capital gains realized by CMG@Ventures III, LLC. @Ventures Partners III, LLC is entitled to the remaining 20% of the net capital gains realized by CMG@Ventures III, LLC. The remaining 2% committed to The Fund is provided by a fourth entity, @Ventures Investors, LLC, in which CMGI has no ownership. CMG@Ventures III, LLC is currently proposing an expansion fund to @Ventures III to provide follow-on financing to existing @Ventures III investee companies, pursuant to which CMGI's commitment could increase by up to $38 million. The Company anticipates synergies between these strategic positions and CMGI's core businesses, including speeding technological innovation and access to markets.

At July 31, 1999, CMGI through CMG@Ventures III, LLC, CMGI held investments in the following twenty-three companies: Ancestry.com, Inc. (8% legal ownership), Asimba, Inc. (4%), AuctionWatch.com, Inc. (formerly Omnibot, 1%), Aureate Media Corporation (6%), BizBuyer.com, Inc. (8%), Intelligent/Digital, Inc. (6%), Carparts.com (4%), eCircles Corporation (8%), Exp.com, Inc. (formerly Advoco.com, 5%), Furniture.com, Inc. (4%), HotLinks Network, Inc. (9%), INPHO.com, Inc./HomePriceCheck.com (15%), NameTree, Inc. (6%), NextMonet.com, Inc. (11%), NextPlanetOver.com (5%), OneCore Financial Network, Inc. (6%), ONEList.com, Inc. (6%), PlanetOutdoors.com, Inc. (6%), Productopia, Inc. (7%), Promedix.com, Inc. (7%) Raging Bull, Inc. (12%), Virtual Ink Corporation (8%) and Vstore.com (1%).

The Company provides fulfillment services through three wholly-owned subsidiaries, SalesLink Corporation (SalesLink), InSolutions Incorporated, (InSolutions), and On-Demand Solutions, Inc. (On-Demand Solutions). SalesLink's services are also provided through its subsidiary, Pacific Direct Marketing Corporation (Pacific Link). The Company's fulfillment services offerings include product and literature fulfillment, supply chain management, telemarketing, and outsourced e-business program management.

In May 1999, CMGI completed the sale of its subsidiary, CMG Direct Corporation (CMG Direct) to Marketing Services Group, Inc. (MSGI). At the time, CMG Direct comprised the Company's lists and database services segment.

At July 31, 1999, CMGI also directly held approximately 4.6 million shares of Yahoo! Inc. (Yahoo!) common stock, 2.3 million shares of MSGI common stock and 2.3 million shares of Hollywood Entertainment common stock.

Subsequent to July 31, 1999, CMGI completed the acquisitions of AltaVista Company (AltaVista) and Signatures Network, Inc. (Signatures Network) and announced definitive agreements to acquire AdForce, Inc. (AdForce), AdKnowledge Inc. (AdKnowledge), and Flycast Communications Corporation (Flycast). These acquisitions are subject to customary conditions, including regulatory approval and target company shareholder approval. AltaVista is an online media and commerce network that integrates Internet technology and services to deliver fast, relevant results for both individuals and Web-based businesses; Signatures Network is a music and celebrity licensing and event merchandising company; AdForce is a provider of centralized online advertising services; AdKnowledge, which will become a wholly-owned subsidiary of Engage, is a provider of complete Web marketing management services focused entirely on the needs of on line marketers and agencies; Flycast is a provider of Web-based direct response advertising solutions to advertisers.

The Company has adopted a strategy of seeking opportunities to realize gains through the selective sale of investments or having separate subsidiaries or affiliates sell minority interests to outside investors. The Company believes that this strategy provides the ability to increase shareholder value as well as provide capital to support the growth in the Company's subsidiaries and investments. The Company expects to continue to develop and refine the products and services of its businesses, with the goal of increasing revenue as new products are commercially introduced, and to continue to pursue the acquisition of or the investment in, additional Internet and fulfillment services companies.

Deconsolidation of Lycos beginning in the second quarter of fiscal year 1998

During the first quarter of fiscal year 1998, the Company owned in excess of 50% of Lycos and accounted for its investment under the consolidation method. Through subsequent sale and distribution of Lycos shares, the Company's ownership percentage in Lycos was reduced to below 50% beginning in November 1997. As such, beginning in November 1997, the Company began accounting for its remaining investment in Lycos under the equity method of accounting, rather than the consolidation method. Prior to these events, the operating results of Lycos were consolidated with those of CMGI's other majority owned subsidiaries in the Company's consolidated balance sheets.

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

The Company's historical consolidated operating results for the fiscal year ended July 31, 1997 included Lycos net revenues of $22,253,000 and Lycos operating loss of ($8,759,000). The Company's consolidated operating results for the fiscal quarter ended October 31, 1997 included Lycos net revenues and operating loss of $9,303,000 and ($433,000), respectively.

Deconsolidation of Vicinity beginning in the second fiscal quarter of 1999

Beginning in November 1998, CMGI's ownership interest in Vicinity Corporation was reduced to below 50% as a result of employee stock option exercises. As such, beginning in November 1998, the Company began to account for its investment in Vicinity under the equity method of accounting, rather than the consolidation method. Prior to these events, the operating results of Vicinity were consolidated within the operating results of the Company's Internet segment, and the assets and liabilities of Vicinity were consolidated with those of CMGI's other majority owned subsidiaries in the Company's consolidated balance sheets. The Company's historical quarterly consolidated operating results for the fiscal quarter ended October 1998 included Vicinity net revenues of $1,454,000 and operating losses of ($621,000.)

Sale of Engage Data Warehouse Products, Restructuring of Engage and Discontinued Operations

From its inception in August 1995, through July 31, 1997, Engage focused on providing traditional mailing list maintenance and database services (through its ListLab division), and on developing data mining, querying, analysis and targeting software products for use in large database applications. As such, the results of Engage's operations were classified in the Company's list and database services segment. During the first quarter of fiscal 1998, Engage sold certain rights to its Engage.Fusion and Engage.Discover data warehouse products to Red Brick Systems, Inc. (Red Brick) for $9.5 million and 238,160 shares of Red Brick common stock. Additionally, during the first quarter of fiscal year 1998, Engage transferred its ListLab division to CMG Direct. With the sale of these rights and transfer of its ListLab division, Engage narrowed its focus to the Internet software solutions market. As a result of this repositioning, beginning in fiscal year 1998, the operating results of Engage are classified in the Company's Internet segment.

In May 1999, the Company completed the sale of CMG Direct to MSGI. At the time, CMG Direct comprised the Company's entire lists and database services segment. As a result, the net gain on the sale of CMG Direct and the historical operations of the Company's lists and database services segment have been reflected as income (loss) from discontinued operations in the accompanying consolidated financial statements. The gain on sale of certain data warehouse product rights by Engage in the first quarter of fiscal 1998 has also been reflected as discontinued operations. These data warehouse products were developed by Engage during fiscal 1996 and 1997, when Engage was included in the Company's lists and database services segment. CMG Direct's net assets, which included accounts receivable, prepaid expenses, net property and equipment, net goodwill, other assets, accounts payable, accrued expenses and other liabilities are reported as net current and non-current assets of discontinued operations at July 31, 1998. Certain prior period amounts in the consolidated financial statements have been reclassified in accordance with generally accepted accounting principles to reflect the Company's lists and database services segment as discontinued operations.

Fiscal 1999 Compared to Fiscal 1998
- ----------------------------------

Net revenues increased $93,750,000, or 114%, to $175,666,000 in 1999 from $81,916,000 in 1998. The increase was largely attributable to an increase of $71,164,000 in net revenues for the Company's fulfillment services segment, reflecting increased volume of turnkey business from Cisco Systems and the acquisitions of On-Demand Solutions and InSolutions during the fourth quarter of fiscal 1998. Net revenues from the Company's Internet segment increased $22,586,000, or 121%, to $41,295,000 in 1999 from $18,709,000 in fiscal 1998, which included Lycos and Vicinity net revenues of $9,303,000 and $4,750,000, respectively. Absent the impact of Lycos and Vicinity, net revenues in the Internet segment increased by $35,185,000, primarily reflecting increased net revenues by Engage, including the impact of the acquisition of Accipiter in April 1998 and I/PRO in April 1999, Adsmart, including the acquisition of 2CAN Media, Inc. (2CAN) in March 1999, NaviSite, NaviNet and MyWay.com, including approximately $2.3 million in license revenue recognized from one significant customer during the third fiscal quarter. The Company believes that its subsidiary companies will continue to develop and introduce their products commercially, actively pursue increased revenues from new and existing customers, and look to expand into new market opportunities. Additionally, subsequent to July 31, 1999, the Company signed agreements to acquire several additional Internet companies, including AltaVista, Cha! Technologies Services Inc. (Cha! Technologies), AdForce, Signatures Network, 1stUp.com, Activate.Net, iAtlas, Flycast and AdKnowledge. The AdForce, Adknowledge and Flycast acquisitions remain subject to customary closing conditions, including regulatory approval and target company stockholder approval. Therefore, as a result of both increased revenues from existing companies and incremental revenues from new acquisitions, the Company expects to report future revenue growth.

Cost of revenues increased $95,959,000, or 132%, to $168,909,000 in 1999 from $72,950,000 in 1998, reflecting increases of $58,971,000 and $36,988,000 in the fulfillment services and Internet segments, respectively. Cost of revenues increases in the fulfillment services segment, resulted primarily from higher revenues, the acquisitions of On-Demand Solutions and InSolutions, and incremental costs incurred in fiscal 1999 associated with relocating SalesLink's Boston and Chicago operations to new facilities. Fulfillment services segment cost of revenues as a percentage of net revenues decreased to 83% in 1999 from 84% in 1998. Internet segment cost of revenues increases were primarily attributable to higher revenues, the acceleration of operations in the segment and the impact of acquisitions, partially offset by lower cost of revenues resulting from the deconsolidation of Lycos beginning in the second quarter of fiscal 1998 and the deconsolidation of Vicinity beginning in the second quarter of fiscal 1999. The start up of Internet operations with minimal revenues during early stages, and the impact of deconsolidating Lycos and Vicinity are the primary reasons cost of revenues as a percentage of revenues in the Internet segment increased to 138% in 1999 from 106% in the prior year.

Research and development expenses increased $3,255,000, or 17%, to $22,478,000 in 1999 from $19,223,000 in 1998. All research and development expenses in both periods were incurred within the Company's Internet segment. The net increase in research and development expenses primarily reflects development efforts at Engage, Accipiter and I/PRO, and incremental costs associated with the development of NaviNet's technology platform, partially offset by the impact of the deconsolidation of Lycos and Vicinity. In addition, the Company recorded $6,061,000 of in-process research and development expenses in 1999 related to the Company's acquisitions of I/PRO, Magnitude Network and Nascent compared to the $10,325,000 of in-process research development expense in 1998 primarily related to the Company's acquisition of Accipiter. (See further discussion in "In-process Research and Development Charge Related to Acquisitions" below). The Company anticipates it will continue to devote substantial resources to product development and that these costs may substantially increase in future periods.

Selling expenses increased $16,785,000, or 58%, to $45,667,000 in 1999 from $28,882,000 in 1998, primarily reflecting a $17,124,000 increase in the Company's Internet segment. Internet segment results primarily reflect sales and marketing efforts related to several product launches, the impact of acquisitions, and continued growth of sales and marketing infrastructures, partially offset by a $5,479,000 decrease due to the deconsolidation of Lycos, a $1,108,000 decrease due to the deconsolidation of Vicinity and reduced marketing expenditures at MyWay.com. Selling expenses in the fulfillment services segment decreased by $339,000 in 1999 compared with 1998, primarily due to headcount reductions. Selling expenses decreased as a percentage of net revenues to 26% in 1999 from 35% in 1998, primarily reflecting the deconsolidations of Lycos and Vicinity as well as the impact of increased revenues. As existing subsidiaries continue to introduce new products and expand sales, the Company expects to incur significant promotional expenses, as well as expenses related to the hiring of additional sales and marketing personnel and increased advertising expenses, and anticipates that these costs will continue to substantially increase in future periods.

General and administrative expenses increased $38,415,000, or 185%, to $59,210,000 in 1999 from $20,795,000 in 1998. The Internet segment experienced an increase of $29,592,000, primarily due to the impact of acquisitions including a $16,824,000 increase in goodwill amortization and the building of management infrastructures in several of the Company's Internet subsidiaries and at the CMGI corporate level. Such increases were partially offset by reductions associated with the deconsolidations of Lycos and Vicinity. General and administrative expenses in the fulfillment services segment increased by $8,823,000 in 1999 compared with 1998, largely due to the acquisitions of On-Demand Solutions and InSolutions, including approximately $1.5 million in increased goodwill amortization. General and administrative expenses increased as a percentage of net revenues to 34% in 1999 from 25% in 1998. The Company anticipates that its general and administrative expenses will continue to increase significantly as the Company adds newly acquired subsidiaries and as existing subsidiaries continue to grow and expand their administrative staffs and infrastructures.

Gains on issuance of stock by subsidiaries and affiliates increased $84,444,000, or 182%, to $130,729,000 in 1999 from $46,285,000 in 1998. The increase is primarily due to a pre-tax gain of $81,103,000 on the issuance of stock by Engage in its initial public offering. Gains on issuance of stock by subsidiaries and affiliates at July 31, 1999 also includes a $20,253,000 gain on issuance of stock by Lycos and a $29,373,000 gain on issuance of stock by GeoCities. The fiscal 1998 amount represents a gain on the issuance of stock by Lycos.

Other gains, net increased $661,750,000, or 685%, to $758,312,000 in 1999 from $96,562,000 in 1998. The increase is largely due to a pre-tax gain of $661,171,000 on the conversion of the Company's GeoCities investment to Yahoo! common stock. Fiscal 1999 other gains, net also includes a $45,475,000 gain on the sale of Lycos stock, a $23,158,000 gain on sale of investment in Reel.com, a $19,057,000 gain on sale of investment in Sage Enterprises, Inc., a $7,002,000 gain on sale of Amazon.com stock, a $3,401,000 gain on the sale of Critical Path stock and a ($952,000) impairment charge related to the Company's investment in Softway Systems, Inc. Fiscal 1998 other gains, net includes a $92,388,000 gain on sale of Lycos stock and a $4,174,000 gain on sale of Premiere Technologies stock.

Interest income increased $2,214,000 to $4,640,000 in 1999 from $2,426,000 in fiscal 1998, reflecting increased income associated with higher average corporate cash equivalent balances compared with the prior year, partially offset by a $540,000 decrease from the deconsolidation of Lycos. Interest expense increased $1,075,000 to $4,371,000 in 1999 from $3,296,000 in fiscal 1998, primarily due to higher corporate collateralized borrowings and borrowings incurred in conjunction with the Company's acquisition of InSolutions.

Equity in losses of affiliates resulted from the Company's minority ownership in certain investments that are accounted for under the equity method. Under the equity method of accounting, the Company's proportionate share of each affiliate's operating losses and amortization of the Company's net excess investment over its equity in each affiliate's net assets is included in equity in losses of affiliates. Equity in losses of affiliates in 1999 include the results from the Company's minority ownership in Lycos (until January 1999 when the Company's ownership in Lycos was reduced below 20%), GeoCities (until May 1999 when GeoCities investment was converted into Yahoo! common stock), ThingWorld.com, Silknet (until its initial public offering in May), Speech Machines, MotherNature.com, Engage Technologies Japan, Magnitude Network (until February 1999 when the Company's ownership in Magnitude Network increased above 50%) and Web CT. Equity in losses of affiliates in 1998 included the results from the Company's minority ownership in Ikonic, ThingWorld.com, Silknet, GeoCities, Reel.com, Chemdex, Planet All, MotherNature.com and Speech Machines and the results from Lycos beginning in November 1997. The Company expects its affiliate companies to continue to invest in 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 increased to $2,331,000 in 1999 from ($28,000) in 1998, primarily reflecting minority interest in net losses of three subsidiaries that raised outside equity financing during fiscal 1999, including Engage, Blaxxun and NaviSite.

The Company's effective tax rates for fiscal 1999 and 1998 were 43% and 54%, respectively. The Company's effective tax rate differs materially from the federal statutory rate primarily due to valuation allowances provided on certain deferred tax assets, the provision for state income taxes, and non-deductible goodwill amortization and in-process research and development charges.

Discontinued operations, net, increased to $52,397,000 in 1999 from $4,640,000 in 1998, due mainly to the gain on the sale of CMG Direct to MSGI during the fourth fiscal quarter of 1999.

Fiscal 1998 Compared to Fiscal 1997

Net revenues increased $21,860,000, or 36%, to $81,916,000 in 1998 from $60,056,000 in 1997. The net increase reflects an increase of $27,068,000 in the Company's fulfillment services segment to $63,207,000, partially offset by a decrease of $5,208,000 in the Company's Internet segment to $18,709,000 in 1998. The increase in fulfillment services segment revenues reflects the acquisition of Pacific Link in October, 1996, the acquisition of InSolutions in June, 1998, and the subsequent addition of new customers and new turnkey business from existing customers. The Internet segment results of $18,709,000 include $12,950,000 less consolidated revenues from the three months Lycos was consolidated in fiscal 1998 compared with the twelve months for which Lycos revenues were included in the prior year. Largely offsetting such decreases was the impact of consolidating Vicinity's results beginning in the fourth quarter of fiscal year 1997, the impact of the acquisition of Accipiter in April, 1998, and initial revenues generated by the Company's NaviSite, Engage, MyWay.com and Adsmart subsidiaries.

Cost of revenues increased $38,084,000, or 109%, to $72,950,000 in 1998 from $34,866,000 in 1997, reflecting increases of $26,488,000 and $11,596,000 in the fulfillment services and Internet segments, respectively. In the fulfillment services segment, cost of revenues increased as a result of revenue increases, and increased as a percentage of net revenues to 84% in fiscal 1998 from 74% in fiscal 1997. This percentage increase was due to a shift in mix of services from literature fulfillment towards lower margin turnkey business, as well as an increase in the material content percentage of turnkey sales, and operating inefficiencies experienced during a period of high volume growth. The increase in the Internet segment primarily resulted from the commencement of operations at the Company's NaviSite, Engage, MyWay.com and Adsmart subsidiaries, and the impact of consolidating Vicinity beginning in fourth quarter fiscal 1997, partially offset by $2,843,000 lower cost of sales resulting from deconsolidating Lycos beginning in the second quarter of fiscal year 1998. The start-up of operations at NaviSite, Engage, MyWay.com and Adsmart, with minimal revenues during early stages, and the deconsolidation of Lycos are the primary reasons cost of revenues as a percentage of revenues in the Internet segment increased from 35% in fiscal 1997 to 106% in fiscal 1998.

Research and development expenses increased $1,456,000, or 8%, to $19,223,000 in fiscal 1998 from $17,767,000 in fiscal 1997, primarily reflecting an increase of $1,488,000 in the Internet segment. Internet segment results include increases associated with the inclusion of Engage, expenditures for the development of NaviNet's technology platform, the impact of consolidating Vicinity's results beginning in the fourth quarter of fiscal year 1997, the impact of the acquisition of Accipiter in April, 1998, and increased development costs for ZineZone. Partially offsetting such increases, Internet segment results included a $2,868,000 reduction from deconsolidating Lycos, reduced development costs associated with the progression of MyWay.com, Adsmart and Blaxxun from initial development stages towards commercial operations, and reductions associated with NetCarta Corporation (NetCarta), whose results were included during the first half of fiscal year 1997, but have been excluded since the sale of NetCarta to Microsoft in January, 1997. In addition, the Company recorded $10,325,000 of in-process research and development expense during fiscal 1998 primarily related to the Company's acquisition of Accipiter compared to $1,312,000 in fiscal 1997 related to investments in Thingworld.com and Silknet. (See further discussion in "In-Process Research and Development Expense" below.)

Selling expenses decreased $4,346,000, or 13%, to $28,882,000 in 1998 from $33,228,000 in 1997. The net decrease reflects a decrease of $5,470,000 in the Company's Internet segment, partially offset by an increase of $1,124,000 for the Company's fulfillment services segment. Internet segment results include a $13,651,000 reduction from deconsolidating Lycos, reduced marketing expenses at Blaxxun, and reductions associated with NetCarta, FreeMark Communications, Inc. (FreeMark), and GeoCities, whose results were included during part of fiscal year 1997, but have not been included in fiscal 1998. These decreases were partially offset by increased sales and marketing expenses related to several product launches, continued growth of sales and marketing infrastructures, the addition of Engage to this segment, the acquisition of Accipiter, and the impact of consolidating Vicinity's results beginning in the fourth quarter of fiscal year 1997. The fulfillment services segment increase primarily reflects the acquisitions of Pacific Link in October, 1996 and InSolutions in June, 1998. Selling expenses decreased as a percentage of net revenues to 35% in fiscal 1998 from 55% in fiscal 1997, primarily reflecting the impacts of the deconsolidation of Lycos and of increased revenues in the Company's fulfillment services segment.

General and administrative expenses increased $6,992,000, or 51%, to $20,795,000 in 1998 from $13,803,000 in 1997. The net increase reflects increases of $4,618,000 and $2,374,000 in the Company's Internet, and fulfillment services segments, respectively. Internet segment results include increases due to the building of management infrastructures in several of the Company's subsidiaries and at the CMGI corporate level, the addition of Engage and Accipiter to this segment, and the impact of consolidating Vicinity's results beginning in the fourth quarter of fiscal year 1997. Such increases were partially offset by a $1,913,000 reduction from deconsolidating Lycos, cost reductions at Blaxxun, and reductions associated with NetCarta, FreeMark, and GeoCities, whose results were included during part of fiscal year 1997, but have not been included in fiscal 1998. The fulfillment services segment increase reflects the acquisitions of Pacific Link in October, 1996 and InSolutions in June, 1998 and the addition of management and infrastructure in support of growth in the segment. General and administrative expenses increased as a percentage of net revenues to 25% in fiscal 1998 from 23% in fiscal 1997, primarily reflecting the impact of increased general and administrative expenses in the Company's Internet segment, partially offset by increased revenues in the Company's fulfillment services segment.

Interest income decreased $942,000 to $2,426,000 in 1998 from $3,368,000 in 1997, reflecting a $1,590,000 decrease from the deconsolidation of Lycos, partially offset by increased income associated with higher average corporate cash equivalent balances compared with prior year. Interest expense increased $1,677,000 compared with fiscal 1997, primarily due to borrowings incurred to finance the Company's acquisitions of Pacific Link in October, 1996, and InSolutions in June, 1998, and the impact of higher average corporate borrowings related to the Company's $10 million collateralized corporate note payable which was issued in January, 1997 and increased to $20 million in January, 1998.

Gains on issuance of stock by subsidiaries and affiliates increased $46,285,000 in 1998. The increase is attributable to the $46,285,000 gain on stock issuance by Lycos in 1998. There were no gains on the issuance of stock by subsidiaries and affiliates in 1997.

Other gains, net increased $69,422,000, or 256%, to $96,562,000 in 1998 from $27,140,000 in 1997. The increase is largely due to a $92,388,000 gain on sale of Lycos stock. Fiscal 1998 other gains, net also includes a $4,174,000 gain on sale of Premiere Technologies stock. Fiscal 1997 other gains, net includes a $15,111,000 gain on the sale of NetCarta, a $8,413,000 gain on dividend distribution of Lycos common stock and a $3,616,000 gain on the sale of investment in TeleT Communications.

Equity in losses of affiliates resulted from the Company's ownership in certain investments that are accounted for under the equity method. Equity in losses of affiliates for fiscal 1998 included the results from the Company's minority ownership in Ikonic Interactive, Inc. (Ikonic), Thingworld.com, Silknet, GeoCities, Reel.com, Speech Machines, Chemdex, Sage Enterprises, and MotherNature.com, and the results from Lycos beginning in November, 1997. Equity in losses of affiliates for fiscal 1997 included the results from the Company's minority ownership in TeleT, Vicinity, Ikonic, Thingworld.com, Silknet, GeoCities, and Reel.com.

Minority interest decreased to ($28,000) in 1998 from $4,787,000 in 1997, primarily reflecting the deconsolidation of Lycos results beginning in the second quarter of fiscal year 1998, and the impact associated with FreeMark and GeoCities, whose results were included within the Company's consolidated statements of operations during a portion of fiscal year 1997, but excluded in fiscal year 1998.

The Company's effective tax rates for fiscal 1998 and 1997 were 54% and (16%), respectively. The Company's effective tax rate differs materially from the federal statutory rate primarily due to valuation allowances provided on certain deferred tax assets, the provision for state income taxes, and non-deductible goodwill amortization and in-process research and development charges.

Loss from discontinued operations of lists and database services segment, net of income taxes, decreased $6,855,000 to ($338,000) in 1998 from ($7,193,000) in 1997 as a result of the transfer of Engage to the Company's Internet segment. Gain on sale of data warehouse product rights occurred in fiscal 1998 when Engage sold certain rights to its Engage.Fusion and Engage.Discover data warehouse products to Red Brick for $9.5 million and 238,160 shares of Red Brick common stock. These data warehouse products had been developed by Engage during fiscal 1996 and 1997, when Engage was included in the Company's lists and database services segment.

In-Process Research and Development Expense
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I/PRO

The Company's subsidiary, Engage, acquired Internet Profiles Corporation (I/PRO) on April 7, 1999 for total purchase consideration of $33 million. The portion of the purchase price allocated to in-process research and development expense was $4.5 million, or approximately 14% of the total purchase price. At the acquisition date, I/PRO's major in-process project was the development of a new data processing system, project name Normandy, which is intended to provide improved functionality. In general, the existing data processing system does not provide for the fault tolerance, scalability and data processing efficiency that may be required to meet future customer needs. Accordingly, customers' long-term product needs required I/PRO to substantially redesign the data processing system to develop new technologies in the areas of: (1) fault tolerance and scalability, (2) system management, (3) data capture and (4) path analysis functionality (the ability to track movement of Web visitors across Web pages).

At the date of the acquisition, management estimated that completion of the Normandy technology would be accomplished by August 1999. The initial development effort had commenced in late 1998. At the acquisition date, the new Normandy technology had not reached a completed prototype stage and beta testing had not yet commenced. At the time of the I/PRO acquisition, the Normandy project was approximately 64% complete. The Normandy project was substantially completed within the time originally estimated.

The value of in-process research and development was determined using an income approach. This approach takes into consideration earnings remaining after deducting from cash flows related to the in-process technology, the market rates of return on contributory assets, including core developed technology, assembled workforce, working capital and fixed assets. The cash flows are then discounted to present value at an appropriate rate. Discount rates are determined by an analysis of the risks associated with each of the identified intangible assets. The discount rate used for in-process research and development was 30%, a premium over Engage's estimated weighted-average cost of capital of 25%. The discount rate used for core developed technology was 22%.

Management projected average annual revenue increases for the forecast period based on its assessment of future market potential and the ability of I/PRO to successfully implement the Normandy technology. Revenue was predicted to grow at rates comparable to the growth of Internet users and online activity and the impact such growth would have on Internet service companies. Revenue related to the Normandy project was separately identified.

These projections are based on management's estimates of the significant growth in the number of companies engaged in e-commerce (which is supported by independent market data), the need for e-commerce companies to utilize independent audit, verification and analysis services, expected trends in technology (such as increased speed of the Internet, reduced hardware costs and the resulting increase in new Internet users) and the nature and expected timing of new product introductions by its competitors. These estimates also include growth related to the use of certain I/PRO technologies in conjunction with Engage's products and the benefits of Engage's incremental financial support and stability.

I/PRO's estimated cost of revenues as a percentage of revenue is expected to significantly decrease on a stand-alone basis (85% in 1998), as certain fixed costs included in cost of sales are spread over a larger revenue base and provide for the realization of efficiencies due to economies of scale. The Normandy technology is expected to greatly increase the automation of data processing, allowing significant labor cost savings per revenue dollar. Increases in hardware utilization are also expected. Due to these savings, the estimated cost of sales as a percentage of revenue is expected to decrease to a low of 20% in the fifth forecast year.

I/PRO's operating expenses are expected to increase on an absolute basis, but to significantly decrease as a percentage of revenue over the term of the forecast (192% in 1998). Certain fixed expenses are spread over a larger revenue base and provide for the realization of efficiencies due to economies of scale. Due to these savings, the estimated operating expenses as a percentage of revenue is expected to decrease to a low of 49% in the fifth forecast year.

Other

The Company acquired 92% of Magnitude Network in three transactions occurring on June 21, 1998 (5% purchased for $500,000), October 22,1998 (18% purchased for $2,000,000), and February 2, 1999 (69% purchased for $22,000,000). The total purchase consideration paid was $24.5 million. The portion of the purchase consideration allocated to in-process research and development was $551,000, or approximately 2% of the total purchase consideration.

On May 14, 1999, the Company acquired the common stock of Nascent for a total purchase consideration of approximately $4.9 million. The portion of the purchase consideration allocated to in-process research and development expenses was $1.0 million, or approximately 21% of the total purchase consideration. At the acquisition, Nascent was a leading provider of scalable software applications that enable Web access to messaging and directories through any browser-enabled device including a desktop and laptop computer, a wireless handset and PDA devices such as Windows CE and Palm Pilots.

At the acquisition dates, the projects in development for Magnitude Network and Nascent had not reached technological feasibility and had no alternative future uses. The value of in-process research and development at each date was determined using an income approach. This approach takes into consideration earnings remaining after deducting from cash flows related to the in-process technology, the market rates of return on contributory assets, including core developed technology where appropriate, assembled workforce, working capital, tradenames, and fixed assets. The cash flows are then discounted to present value at an appropriate rate. Discount rates are determined by an analysis of the risks associated with each of the identified intangible assets. The discount rate used for in-process research and development was 30% for both Magnitude Network and Nascent. Revenue was predicted to grow at rates comparable to the growth of Internet start-up entities. The discount rate used for core developed technology was 30% for Magnitude Network and Nascent.

Accipiter

CMGI acquired Accipiter on April 8, 1998 for total purchase consideration of $31.9 million. The portion of the purchase price allocated to in-process research and development was $9.2 million, or approximately 29% of the total purchase price. In August, 1998, Accipiter was merged with Engage. At the acquisition date, Accipiter's major in-process project was the development of AdManager version 4.0, which was intended to provide the ad serving functionality that customers were requiring as the use of the Internet rapidly increased and customer Web sites became more complex. In general, previous AdManager releases did not provide for the fault tolerance, redundancy and scalability that customers began to seek after AdManager versions 1.0 and 2.0 were released. Accordingly, customers' long-term product needs required Accipiter to substantially redesign the AdManager architecture (later released as version 4.0) to develop new technologies in the areas of: (1) fault tolerance and scalability, (2) an object-oriented user interface, (3) application programming interfaces and (4) a new report engine.

At the date of the acquisition, management estimated that completion of the AdManager version 4.0 technology would be accomplished by June 1998. The initial development effort had commenced in late 1997. At the acquisition date, the new AdManager technology had not reached a completed prototype stage and beta testing had not yet commenced. At the time of the Accipiter purchase, the AdManager version 4.0 project was approximately 71% complete. The AdManager version 4.0 project was substantially completed within the time originally estimated.

The value of in-process research and development was determined using an income approach. This approach takes into consideration earnings remaining after deducting from cash flows related to the in-process technology, the market rates of return on contributory assets, including developed technology, assembled workforce, working capital and fixed assets. The cash flows are then discounted to present value at an appropriate rate. Discount rates are determined by an analysis of the risks associated with each of the identified intangible assets. The discount rate used for in-process research and development was 24.5%, a slight premium over the estimated weighted-average cost of capital of 24%, and the discount rate used for developed technology was 21%.

Accipiter recorded revenue in 1997 of less than $1 million. Because of the absence of meaningful historical revenue of Accipiter, management projected revenue for the initial year of the forecast period based on its assessment of future market potential and the ability of Accipiter to successfully launch its new product offering. After the initial year of the forecast period, revenue was predicted to grow at rates comparable to the growth of Internet users and online activity and the impact such growth would have on Internet advertising. These projections are based on management's estimates of the significant growth in the number of companies engaged in e-commerce (which is supported by independent market data), the need for e-commerce companies to serve ads over the Internet, expected trends in technology (such as increased speed of the Internet, reduced hardware costs and the resulting increase in new Internet users to whom ads will be served) and the nature and expected timing of new product introductions by Engage and its competitors. These estimates also include growth related to the use of certain Accipiter technologies in conjunction with Engage's products, the marketing and distribution of the resulting products through Engage's sales force and the benefits of Engage's incremental financial support and stability.

Engage's estimated cost of sales as a percentage of revenue is expected to be slightly lower than Accipiter's (classified as support and royalties by Accipiter) on a stand-alone basis (16% in 1997), as certain fixed costs included in cost of sales are spread over a larger revenue base and provide for the realization of efficiencies due to economies of scale through combined operations. Due to these savings, the estimated cost of sales as a percentage of revenue is expected to decrease by 1% each year from Accipiter's historical percentage, to a low of 11% in the fifth forecast year.

Engage's selling, general and administrative costs are expected to be higher than Accipiter's on an absolute basis, but lower as a percentage of revenue. Due to the small revenue base in 1997 and the impact of significant costs associated with building a corporate infrastructure and building a workforce for future operations, Accipiter's selling, general and administrative costs in 1997, as a percent of revenue, are not representative of the expected costs for the combined operations of Engage and Accipiter. Efficiencies due to economies of scale through combined operations, such as consolidated marketing and advertising programs, are expected to be realized immediately.

The resulting net cash flows to which the discount rates were applied in each transaction are based on management's estimates of revenues, cost of revenues, research and development costs, selling and marketing costs, general and administrative costs, and income taxes from such acquired technology. These estimates are based on the assumptions set forth above.

Liquidity and Capital Resources

Working capital at July 31, 1999 increased to $1.4 billion compared to $13 million at July 31, 1998. Approximately $1.0 billion of the net increase in working capital is attributable to increased amounts of available-for sale securities, net of associated deferred tax liabilities. The largest contributing factors to this increase were the conversion of the investment in GeoCities into Yahoo! common stock, the change of the Company's method of accounting for its investments in Lycos to available-for-sale securities, carried at fair value rather than under the equity method, and the initial public offerings of three companies in which CMGI holds investments through CMG@Ventures II: Chemdex, Critical Path, and Silknet. The Company's principal sources of cash during 1999 were $425 million received from the issuance of Series B and Series C convertible redeemable preferred stock, $129 million net proceeds from issuance of stock by subsidiaries, $53.1 million received from the sale of Lycos stock, and $27 million received from the sale of Amazon.com stock. The Company's principal uses of cash during fiscal 1999 were $102 million for investments in affiliates and acquisitions of subsidiaries (net of cash acquired), $90 million for funding of continuing operations, primarily those of start-up activities in the Company's Internet segment, $31.1 million for the purchase of Hollywood Entertainment stock, and $16.2 million for purchases of property and equipment.

In May 1999, the Company's holdings in GeoCities were converted into Yahoo! common stock as a result of Yahoo!'s acquisition of GeoCities. Excluding shares attributable to @Ventures profit partners, the carrying value of CMGI's Yahoo! shares is $631 million at July 31, 1999. During fiscal 1999, CMGI sold 818,000 shares of Lycos, Inc. stock for total proceeds of $53 million. As a result of the Company's sale of Lycos shares during 1999, the Company's ownership interest in Lycos fell below 20% of Lycos' outstanding shares and CMGI began accounting for its investment in Lycos as available-for-sale securities, carried at fair value, rather than under the equity method. Excluding shares allocated to profit members of CMG@Ventures I, the carrying value of the Company's Lycos shares was approximately $542 million. During fiscal 1999, three companies in which CMG@Ventures II holds investments, Chemdex, Critical Path and Silknet, completed initial public offerings. CMGI, through CMG@Ventures II, invested a total of $14 million in those three companies beginning in October 1996, and in fiscal 1998 accounted for its minority investment in each company either on the equity method or at cost. As a result of their initial public offerings, it became appropriate for CMGI to begin accounting for its investments in each of these companies as available-for-sale securities, carried at fair value. At July 31, 1999, the combined carrying value of CMG@Ventures II's Chemdex, Critical Path and Silknet shares was approximately $216 million. Also during 1999, CMGI completed the sale of its CMG Direct subsidiary to MSGI in exchange for approximately $12 million in cash and 2.3 million shares of MSGI stock. At July 31, 1999, the carrying value of the Company's available-for-sale MSGI securities was approximately $45 million.

During the fourth fiscal quarter, Engage completed its initial public offering at $15 per share, raising $94.8 million, net of issuance and other costs. CMGI currently owns 38.6 million shares of Engage common stock.

Upon its January 20, 1999 maturity, CMGI renewed its $20 million collateralized corporate borrowing facility for another one-year period, with similar terms as the expiring facility. This borrowing is now secured by 1,524,930 of CMGI's shares of Lycos common stock. Under this agreement, CMGI could become subject to additional collateral requirements under certain circumstances. The Company is considering either seeking renewal of this facility or repaying it with available funds upon its next maturity on January 20, 2000. The Company's subsidiary, SalesLink, has a $14.3 million bank term note outstanding at July 31, 1999, which provides for repayment in quarterly installments through November 2002. Additionally, SalesLink's credit agreement includes a $9 million revolving line of credit, of which $1.1 million has been reserved in support of outstanding letters of credit for operating leases as of July 31, 1999, and $7.9 million is available for future borrowings. In fiscal 1999, On-Demand Solutions, Inc. was added to the SalesLink credit facility as an additional borrower.

By mutual agreement, the Company and Gateway Inc. decided not to proceed with the strategic alliance and $200 million investment by Gateway in CMGI announced in the Company's May 13, 1999 press release.

During fiscal year 1999, the Company completed the acquisition of seven companies for aggregate purchase prices of $104.7 million including acquisition costs, including I/PRO ($33 million purchase price in April 1999), 2CAN Media ($27.5 million in March 1999), Magnitude Network (increased to 92% ownership in January 1999, $24.5 million), Activerse ($14 million in April 1999), Nascent ($4.9 million in May 1999), Netwright LLC (in June 1999, 66% ownership in exchange for $5 million in future funding commitments) and Digiband ($845,000 in June 1999). The consideration for these acquisitions consisted of 613,592 shares of the Company's common stock valued at a total of $40.4 million, Engage common stock and options valued at $10.2 million, subsidiary stock options valued at $300,000, $26.9 million in cash including acquisition costs paid, and $26.9 million financed through seller's convertible promissory notes. The shares issued by the Company were not registered under the Securities Act of 1933 and were subject to restrictions on transferability for periods ranging up to twelve months. The values of the Company's shares included in the purchase prices of these acquisitions were recorded net of market value discounts ranging from 9% to 10% to reflect restrictions on transferability. In addition, the Company may be required to pay additional consideration for certain of these acquisitions if stated performance goals are met. The Company anticipates recording additional consideration, if any, as purchase price.

In fiscal year 1999, CMGI announced the formation of the @Ventures III venture capital fund (The Fund). The Fund secured capital commitments from outside investors and CMGI, to be invested in emerging Internet service and technology companies. 78.1% of amounts committed to The Fund are provided through two newly formed 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 2% of the net capital gains realized by both entities. Management of these entities is the responsibility of @Ventures Partners III, LLC. The Company has committed to contribute up to $56 million to its newly formed limited liability company affiliate, CMG@Ventures III, LLC, equal to 19.9% of total amounts committed to The Fund, of which approximately $20 million has been funded as of July 31, 1999. CMG@Ventures III, LLC will take strategic positions side by side with @Ventures III L.P. CMGI owns 100% of the capital and is entitled to 80% of the net capital gains realized by CMG@Ventures III, LLC. @Ventures Partners III, LLC is entitled to the remaining 20% of the net capital gains realized by CMG@Ventures III, LLC. The remaining 2% committed to The Fund is provided by a fourth entity, @Ventures Investors, LLC, in which CMGI has no ownership. CMG@Ventures III, LLC is currently proposing an expansion fund to @Ventures III to provide follow-on financing to existing @Ventures III investee companies, pursuant to which CMGI's commitment could increase by up to $38 million. The Company anticipates synergies between these strategic positions and CMGI's core businesses, including speeding technological innovation and access to markets.

During fiscal 1999, through CMG@Ventures II, CMGI made follow-on investments in Chemdex, Critical Path, KOZ, MotherNature.com, Silknet, Softway Systems, ThingWorld.com, Web CT and Visto for an aggregate total of approximately $26 million. During fiscal 1999, through CMG@Ventures III, LLC, CMGI acquired minority ownership interests in twenty-three Internet companies, including Ancestry.com, Asimba.com, AuctionWatch.com, Aureate Media Corporation, BizBuyer.com, eCircles.com, Carparts.com, Exp.com, Furniture.com, HotLinks, INPHO / HomePriceCheck.com, Intelligent/Digital, Name Tree, NextMonet.com, NextPlanetOver.com, OneCore.com, ONElist, PlanetOutdoors.com, Productopia, Promedix.com, Raging Bull, Inc., Virtual Ink and Vstore.com for an aggregate total of approximately $20 million.

The Company's consolidated capital expenditures for continuing operations were $16.2 million in fiscal 1999. Concurrent with its growth through acquisitions and expansion of operations at the Company's previously existing subsidiaries, the Company experienced a substantial increase in its capital expenditures and operating lease arrangements in fiscal year 1999 and anticipates that this will continue in the foreseeable future. Investments in affiliates decreased $38.0 million, primarily related to the change in the Company's method of accounting for its investment in Lycos and the recording of equity in losses of affiliates during the year, partially offset by additional investments in new and previously existing affiliates during fiscal 1999. Goodwill and other intangible assets, net of accumulated amortization, increased $93.9 million in fiscal 1999, primarily due to $103.5 million of goodwill and other intangible assets recorded relating to the acquisitions of Magnitude Network, 2CAN, I/PRO, Activerse, Nascent, NetWright and Digiband during fiscal 1999, offset by amounts amortized during fiscal 1999. Other non-current assets increased $124.1million primarily as a result of an increase in securities which have been allocated to CMG@Ventures I's and II's profit members during fiscal 1999. Deferred income tax liabilities, net, increased approximately $530.3 million primarily as a result of deferred income taxes provided related to the gain on the sale of the Company's investment in GeoCities and to the net unrealized holding gain on available-for-sale securities. Minority interest increased $169.2 million primarily due to the profit members' interest in the Yahoo! shares received in exchange for CMG@Ventures II's investment in GeoCities. Additional paid-in capital increased $144.7 million, primarily as a result of the issuance of stock for acquisitions and income tax benefits recorded related to exercises of stock options.

On August 18, 1999, the Company completed the purchase of 81.5% of AltaVista Company (AltaVista), from Compaq Computer Corporation (Compaq) for approximately $2.4 billion. Compaq retained the remaining 18.5% equity ownership in AltaVista. In return, Compaq received approximately 19 million CMGI common shares, CMGI preferred shares, which were converted approximately 1.8 million CMGI common shares in October 1999, and a $220 million three-year note. AltaVista includes the assets and liabilities constituting the AltaVista Internet search service and also includes former Compaq subsidiaries Zip2 Corp. and Shopping.com.

On September 20, 1999, the Company signed a definitive agreement to acquire AdForce, Inc. (AdForce), a leading provider of centralized online advertising services, in a stock-for-stock merger valued at approximately $500 million. Under the terms of the agreement, CMGI will issue 0.262 CMGI shares for each share of AdForce held on the closing date of the transaction. Closing of the merger is subject to customary conditions, including regulatory approval and approval by AdForce shareholders. In addition, the Company will assume all AdForce stock options outstanding at the effective time of the merger. In connection with the merger, the Company and AdForce also entered into a Stock Option Agreement, whereby AdForce has granted CMGI an option to purchase up to 19.9% of the outstanding shares of AdForce common stock, which option may be exercised in the event that the merger agreement is terminated under certain circumstances.

On September 23, 1999, the Company and Pacific Century CyberWorks Limited (PCCW), a company listed on The Stock Exchange of Hong Kong, entered into an agreement whereby the Company will issue US $350 million worth of its common stock to PCCW in exchange for US $350 million worth of shares of PCCW (based, in each case, on the closing prices on September 3, 1999), subject to certain customary terms and conditions to closing, including regulatory approval. The Company's ownership percentage of PCCW is expected to be approximately 6%. In addition, the Company and PCCW are in discussions to form a strategic relationship to jointly develop their Internet-related business activities in Asia, including the possible establishment of a venture for the development and application of Internet technologies within the Asian marketplace, and an agreement for co-investment with respect to Internet opportunities in the United States and Asia. There are no assurances that an agreement will be reached related to some or all of these issues.

On September 20, 1999, the Company announced it has signed a definitive agreement to acquire AdKnowledge Inc. (AdKnowledge), a leading provider of Web marketing management services focused entirely on the needs of online marketers and agencies, in an all stock transaction valued at approximately $193 million. Under the terms of the merger and contribution agreement, CMGI will initially acquire control of AdKnowledge through the issuance of approximately $170 million of CMGI common stock, followed by a contribution of AdKnowledge shares held by CMGI and AdKnowledge stockholders to Engage, in exchange for approximately $193 million of Engage common stock. The transaction is subject to customary conditions, including regulatory approval and shareholder approval of Engage and AdKnowledge.

On September 29, 1999, the Company signed a definitive agreement to acquire Flycast Communications Corporation (Flycast), a provider of web-based direct response advertising, in a stock-for-stock merger valued at approximately $700 million. Under the terms of the agreement, CMGI will issue 0.4738 CMGI shares for each share of Flycast outstanding immediately prior to the close of the transaction. In addition, the Company will assume all Flycast stock options outstanding at the effective time of the merger. Closing of the merger is subject to customary conditions, including regulatory approval and approval by Flycast shareholders. In connection with the merger, the Company and Flycast also entered into a stock option agreement, whereby Flycast has granted the Company an option to purchase up to 19.9% of the outstanding shares of Flycast common stock, which option may be exercised in the event that the merger agreement is terminated under certain circumstances.

Also subsequent to year end, the Company acquired Cha! Technologies, iAtlas Corporation and Signatures Network and announced definitive agreements to acquire 1stUp.com, Activate.net Corporation, for combined consideration of approximately $200 million in CMGI stock and commitments to fund a total of approximately $113 million in operating capital.

On October 22, 1999, NaviSite completed its initial public offering at $14 per share, raising $71.6 million, net of underwriter's discounts and commissions. CMGI currently owns approximately 19.5 million shares of NaviSite common stock.

Also during October 1999, the Company sold 1.64 million of its Yahoo! shares for total proceeds of approximately $290 million.

The Company intends to continue to fund existing and future Internet efforts, acquire additional companies for cash, stock, or other consideration and to actively seek new CMG@Ventures investment opportunities. Similar to CMGI's current Internet subsidiaries, future Internet company acquisitions will likely be in early stages of business development and therefore are expected to require additional cash funding by the Company to fund their operations. The Company believes that existing working capital and the availability of available-for-sale securities which could be sold or posted as additional collateral for additional loans, will be sufficient to fund its operations, investments and capital expenditures for the foreseeable future. Additionally, the Company may also choose to raise additional capital through private placements. Should additional capital be needed to fund future investment and acquisition activity, the Company may seek to raise additional capital through public or private offerings of the Company's or its subsidiaries' stock, or through debt financing. There can be no assurance, however, that the Company will be able to raise additional capital on terms that are favorable to the Company.

Year 2000 Compliance

Many currently installed computer systems and software products are coded to accept only two digit entries in the date code field. These date code fields will need to accept four digit entries to distinguish 21st century dates from 20th century dates. As a result, many companies will need to update or replace their software and computer systems in order to comply with such "Year 2000" requirements. The Company is in the process of evaluating the Year 2000 compliance of its products and services. The Company is also evaluating the Year 2000 compliance of third party equipment and software that we use in both information technology and non-information technology applications in our business. Examples of non-information technology systems include the building security and voice mail systems.

The Company confronts the Year 2000 problem in several contexts:

Facilities and Services

Many of the Company's subsidiaries rely on its network infrastructure, software and hardware. Certain subsidiaries also offer computer-related services, and because of the business-critical nature of many customers' applications, the Company's risk of lawsuits related to Year 2000 issues could be greater than that of companies in some other industries.

The Company's subsidiary, NaviSite, is a hosting and application management services provider that relies on its network infrastructure to provide its services. The Company relies on NaviSite for network connectivity and hosting of servers for many of its majority-owned subsidiaries. NaviSite faces risks from customer-provided hardware and software that is hosted in its data centers that in many cases has been customized by outside service providers or customer personnel. While NaviSite informs its customers that they are responsible for the Year 2000 compliance of their hosted hardware and software, the Company can not assure that NaviSite's customers will take the steps necessary to achieve Year 2000 compliance. Remote users, including customers, also connect to NaviSite's networks. These remote users' networks may be impacted by Year 2000 complications, which could affect NaviSite's internal structure and ability to provide service to its customers, including CMGI's subsidiaries. These potential Year 2000 complications could disrupt operations and have a material adverse impact on the Company's financial condition and operating results.

The Company continues to conduct awareness campaigns as needed, update inventory and conduct Year 2000 assessment on an ongoing basis as new computer systems and software products are integrated into the Company's operations. The Company intends to continue this ongoing inventory and assessment process through at least December 31, 2000.

Customers

The Company also faces risks from computer systems and application software that certain of the Company's subsidiaries are in the business of selling and servicing. In addition, in the event that a significant number of the Company's customers experience Year 2000-related problems, whether due to the Company's products or not, demand for technical support and assistance may increase dramatically. In this case, the Company's costs for providing technical support may rise and the quality of service or the Company's ability to manage incoming requests may be impaired.

Suppliers

In addition, the Company depends on software and hardware supplied by numerous vendors to provide certain applications and management services, rental services and consulting services. The Company is currently seeking assurances from its existing vendors that their products are Year 2000 compliant, and the Company requires that all new software application providers certify that they are Year 2000 compliant before the Company enters into agreements with them. However, because in most cases the Company does not independently verify the Year 2000 compliance of vendors' products, the Company cannot assure that these vendors' guarantees are true or sufficient or that the Company will not encounter Year 2000 compliance problems involving their products. The Company cannot assure that it will be able to provide its services and maintain its operations if it is unable to obtain products, services or systems that are Year 2000 compliant when it needs them. In addition, if vendors and service providers cannot deliver their products because of their own Year 2000 compliance problems or as a result of systemic failures such as power outages relating to the Year 2000, the Company could experience increased operating costs and lost revenue.

The Year 2000 project plan is coordinated by a committee that reports to senior management, as well as to the Board of Directors on a periodic basis. The Year 2000 readiness efforts consist of the following four phases:

(1) Identification of all software products, information technology systems and non-information technology systems the Company offers or uses. The Company has substantially completed this phase for its existing systems.

(2) Testing and assessment of these products and systems to determine repair or replacement requirements for each. The Company has substantially completed this phase for its existing systems.

(3) Repair or replacement of products and systems, where required, to achieve Year 2000 compliance. The Company expects to substantially complete this phase by December 1, 1999 for its existing business-critical systems.

(4) Creation of contingency plans in the event of Year 2000 failures. The Company has substantially completed its Year 2000 contingency plan. The plan will continue to be updated to reflect changes in business procedures and processes.

Companies that the Company has acquired subsequent to May 1, 1999 are in varying stages of completion of the four phases above. The Company currently expects to substantially complete all phases of the Year 2000 readiness efforts for the existing business-critical systems of these companies by December 1, 1999.

Through September 30, 1999, the Company has incurred expenditures of approximately $3.2 million in connection with Year 2000 readiness efforts. Current cost estimates to complete the Year 2000 readiness efforts are in the range of an additional $1.5 million to $2.0 million. There can be no assurance that the Year 2000 costs will not exceed these estimated amounts.

The Company's business model includes expansion through the acquisition of businesses, technologies, products and services from other businesses. As the Company continues to expand in this manner throughout calendar 1999, the scope and cost estimates of its Year 2000 efforts may increase substantially.

The Company's failure to resolve Year 2000 issues with respect to its products and services could damage its business and revenues and result in liability on its part for such failure. The Company's business and its prospects may be permanently affected by either the liability it incurs to third parties or the negative impact on its business reputation. The Company also relies upon various vendors, utility companies, telecommunications service companies, delivery service companies and other service providers who are outside of its control. There can be no assurance that such companies will not suffer a Year 2000 business disruption, which could harm our business and financial condition. Furthermore, if third-party equipment or software used in its business fails to operate properly with regard to the Year 2000, the Company may need to incur significant unanticipated expenses to remedy any such problems.

Factors That May Affect Future Results

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

Factors that could cause actual results to differ materially from results anticipated in forward-looking statements include, but are not limited to, the following:

CMGI may not have operating income or net income in the future.

During the fiscal year ended July 31, 1999, CMGI had an operating loss of approximately $127 million and net income of approximately $475 million. CMGI may not have operating income or net income in the future. If CMGI continues to have operating losses, CMGI may not have enough money to grow its business in the future.

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

In recent years, CMGI has financed its operating losses with profits from selling some of the stock of companies in which it had invested. 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 that currently possessed by holders of shares of CMGI common stock. CMGI may also be required to take other actions which may lessen the value of CMGI's common stock, including borrowing money on terms that are not favorable to CMGI.

CMGI's success depends greatly on increased use of the Internet by business and individuals.

CMGI's success depends greatly on increased use of the Internet for advertising, marketing, providing services, and conducting business. Commercial use of the Internet is currently at an early stage of development and the future of the Internet is not clear. In addition, it is not clear how effective advertising on the Internet is in generating business as compared to more traditional types of advertising such as print, television, and radio. Because a significant portion of CMGI's business depends on CMGI's Internet operating company subsidiaries, CMGI's business will suffer if commercial use of the Internet fails to grow in the future.

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

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

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

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

CMGI's performance is substantially dependent on the performance of its executive officers and other key employees, in particular, David S. Wetherell, its chairman, president, and chief executive officer, Andrew J. Hajducky III, its chief financial officer and treasurer, and David Andonian, its president of corporate development. The familiarity of these individuals with the Internet industry makes them especially critical to CMGI's success. In addition, CMGI's success is dependent on its ability to attract, train, retain, and motivate high quality personnel, especially for its management team. The loss of the services of any of CMGI's executive officers or key employees may harm its business. CMGI's success also depends on its continuing ability to attract, train, retain, and motivate other highly qualified technical and managerial personnel. Competition for such personnel is intense.

In 1999, CMGI's revenue depended in large part on a single customer and loss of that customer could significantly damage CMGI's business.

During the fiscal year ended July 31, 1999, CMGI derived a significant portion of its revenues from a small number of customers. During the fiscal year ended July 31, 1999, sales to CMGI's largest customer, Cisco Systems, Inc., accounted for 36% of CMGI's total revenues and 47% of CMGI's revenues from its fulfillment services business. CMGI believes that it will continue to derive a significant portion of its operating revenues from sales to a small number of customers. CMGI currently does not have any agreements with Cisco which obligate Cisco to buy a minimum amount of products from CMGI or to designate CMGI as their sole supplier of any particular products or services.

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

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

- difficulty integrating acquired technologies, operations, and personnel with the existing business;
- diversion of management attention in connection with both negotiating the acquisitions and integrating the assets;
- strain on managerial and operational resources as management tries to oversee larger operations;
- exposure to unforeseen liabilities of acquired companies;
- potential issuance of securities in connection with the acquisition which securities lessen the rights of holders of CMGI's currently outstanding securities;
- the need to incur additional debt;
- the requirement to record additional future operating costs for the amortization of goodwill and other intangible assets, which amounts could be significant.

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

Growing concerns about the use of "cookies" may limit our ability to develop user profiles .

Web sites typically place small files of information commonly known as "cookies" on a user's hard drive, generally without the user's knowledge or consent. Cookie information is passed to the Web site through the Internet user's browser software. Our technology currently uses cookies to collect information about an Internet user's movement through the Internet. Most currently available Internet browsers allow users to modify their browser settings to prevent cookies from being stored on their hard drive, and a small minority of users are currently choosing to do so. Users can also delete cookies from their hard drive at any time. Some Internet commentators, privacy advocates and governmental bodies have suggested limiting or eliminating the use of cookies. The effectiveness of our technology could be limited by any reduction or limitation in the use of cookies. If the use or effectiveness of cookies is limited, we would likely have to switch to other technology that allows us to gather demographic and behavioral information. This could require significant reengineering time and resources, might not be completed in time to avoid negative consequences to our business, financial condition or results of operations, and might not be possible at all.

If the United States or other governments regulate the Internet more closely, CMGI's business may be harmed.

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

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

The markets for CMGI's Internet products and services are characterized by: rapidly changing technology; evolving industry standards; frequent new product and service introductions; shifting distribution channels; and changing customer demands.

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

CMGI is subject to intense competition.

The market for Internet products and services is highly competitive. Moreover, the market for Internet products and services lacks significant barriers to entry, enabling new businesses to enter this market relatively easily. Competition in the market for Internet products and services may intensify in the future. Numerous well-established companies and smaller entrepreneurial companies are focusing significant resources on developing and marketing products and services that will compete with CMGI's products and services. In addition, many of CMGI's current and potential competitors have greater financial, technical, operational, and marketing resources. CMGI may not be able to compete successfully against these competitors in selling its goods and services. Competitive pressures may also force prices for Internet goods and services down and such price reductions may reduce CMGI's revenues.

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

A significant element of CMGI's business plan involves selling, in public or private offerings, the companies, or portions of the companies, that it has acquired and developed. Market and other conditions largely beyond CMGI's control affect: CMGI's ability to engage in such sales; the timing of such sales; and the amount of proceeds from such sales.

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

The value of CMGI's business may fluctuate because the value of some of its assets fluctuates.

A portion of CMGI's assets include the equity securities of both publicly traded and non-publicly traded companies. In particular, CMGI owns a significant number of shares of common stock of Engage Technologies, Inc., NaviSite, Inc., Lycos, Inc., Yahoo!, Hollywood Entertainment Corporation, Chemdex Corporation and Silknet Software, Inc., which are publicly traded companies. The market price and valuations of the securities that CMGI holds in these and other companies 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 growth places strains on its managerial, operational and financial resources.

CMGI's rapid growth has placed, and is expected to continue to place, a significant strain on its managerial, operational and financial resources. Further, as the number of CMGI's users, advertisers and other business partners grows, CMGI will be required to manage multiple relationships with various customers, strategic partners and other third parties. Further growth of CMGI or increase in the number of its strategic relationships will increase this strain on CMGI's managerial, operational and financial resources, inhibiting CMGI's ability to achieve the rapid execution necessary to successfully implement its business plan. In addition, CMGI's future success will also depend on its ability to expand its sales and marketing organization and its support organization commensurate with the growth of CMGI's business and the Internet.

CMGI must develop and maintain positive brand name awareness.

CMGI believes that establishing and maintaining its brand names is essential to expanding its Internet business and attracting new customers. CMGI also believes that the importance of brand name recognition will increase in the future because of the growing number of Internet companies that will need to differentiate themselves. Promotion and enhancement of CMGI's brand names will depend largely on CMGI's 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 name may suffer.

CMGI's quarterly results may fluctuate widely.

CMGI's operating results have fluctuated widely on a quarterly basis during the last several years, and CMGI expects to experience significant fluctuation in future quarterly operating results. Many factors, some of which are beyond CMGI's control, have contributed to these quarterly fluctuations in the past and may continue to do so. Such factors include: demand for CMGI's products and services; payment of costs associated with CMGI's acquisitions, sales of assets and investments; timing of sales of assets; market acceptance of new products and services; specific economic conditions in the Internet and direct marketing industries; and general economic conditions.

The emerging nature of the commercial uses of the Internet makes predictions concerning CMGI's future revenues difficult. CMGI believes that period-to-period comparisons of its results of operations will not necessarily be meaningful and should not be relied upon as indicative of CMGI's 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.

The market price of CMGI's common stock has been, and is likely to continue to be, volatile, experiencing wide fluctuations. In recent years, the stock market has experienced significant price and volume fluctuations which have particularly impacted the market prices of equity securities of many companies providing Internet-related products and services. Some of these fluctuations appear to be unrelated or disproportionate to the operating performance of such companies. Future market movements may adversely affect the market price of CMGI's common stock.

CMGI faces security risks.

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

Ownership of CMGI is concentrated.

David S. Wetherell, CMGI's chairman, president, and chief executive officer, beneficially owned approximately 15% of CMGI's outstanding common stock as of October 22, 1999. As a result, Mr. Wetherell possesses significant influence over CMGI on matters including the election of directors. Additionally, Compaq Computer Corporation and its wholly owned subsidiary Digital Equipment Corporation, owned approximately 16% as of October 22, 1999, and had its 18,090.45 shares of Series D Preferred Stock been converted into common stock as of such date, would have owned approximately 18%. The concentration of CMGI's share ownership may: delay or prevent a change in control of CMGI; impede a merger, consolidation, takeover, or other business involving CMGI; or discourage a potential acquiror from making a tender offer or otherwise attempting to obtain control of CMGI.

CMGI relies on NaviSite for network connectivity.

CMGI and many of its majority owned subsidiaries rely on NaviSite for network connectivity and hosting of servers. If NaviSite fails to perform such services, CMGI's internal business operations may be interrupted, and the ability of CMGI's wholly owned subsidiaries to provide services to customers may also be interrupted. Such interruptions may have an adverse impact on the business and revenues of CMGI and its majority owned subsidiaries.

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

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

CMGI expects that its export sales 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 CMGI's products and services more expensive and, therefore, potentially less competitive in international markets. As CMGI increases its international sales, its 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 could be subject to infringement claims.

From time to time, CMGI has been, and expects to continue to be, subject to third party claims in the ordinary course of business, including claims of alleged infringement of intellectual property rights by CMGI. Any such claims may damage CMGI's business by: subjecting CMGI to significant liability for damages; resulting in invalidation of CMGI's proprietary rights; being time-consuming and expensive to defend even if such claims are not meritorious; and resulting in the diversion of management time and attention.

CMGI may have liability for information retrieved from the Internet.

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

EXHIBIT 13.3

CMGI, Inc. and Subsidiaries
Consolidated Balance Sheets

(in thousands, except share and per share amounts)

ASSETS	July 31, 1999	1998
Current assets:		
Cash and cash equivalents	$ 468,912	$ 61,537
Available-for-sale securities	1,532,327	5,764
Accounts receivable, trade, less allowance for doubtful accounts of $3,034 and $900 in 1999 and 1998	41,794	21,431
Inventories	8,367	8,250
Prepaid expenses and other current assets	5,934	5,355
Net current assets of discontinued operations	--	482
Total current assets	2,057,334	102,819
Property and equipment, net	24,832	13,403
Investments in affiliates	44,623	82,616
Goodwill and other intangible assets, net of accumulated amortization of $18,712 in 1999 and $3,379 in 1998	149,703	55,770
Net non-current assets of discontinued operations	--	1,246
Other assets	128,102	3,964
	$ 2,404,594	$ 259,818
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 20,000	$ 27,656
Current installments of long-term debt	5,258	16,594
Accounts payable	31,812	10,809
Accrued income taxes	11,777	10,085
Accrued expenses	42,559	18,731
Deferred income taxes	508,348	--
Deferred revenues	6,726	4,932
Other current liabilities	49,849	1,228
Total current liabilities	676,329	90,035
Long-term debt, less current installments	15,060	1,373
Long-term deferred revenues	1,509	--
Deferred income taxes	35,140	15,536
Other long-term liabilities	18,298	4,428
Minority interest	184,514	15,310
Commitments and contingencies		
Preferred stock, $0.01 par value. Authorized 5,000,000 shares; issued 35,000 shares Series B convertible, redeemable preferred stock at July 31, 1999, conversion premium at 4% per annum and issued 375,000 Series C convertible, redeemable preferred stock at July 31, 1999, dividend at 2% per annum; both carried at liquidation value	411,283	--
Stockholders' equity:		
Common stock, $0.01 par value per share. Authorized 400,000,000 shares; issued and outstanding 95,584,140 shares at July 31, 1999 and 92,135,772 shares at July 31,1998	956	921
Additional paid-in capital	235,229	90,569
Deferred compensation	(180)	(1,442)
Retained earnings	518,102	43,524
	754,107	133,572
Accumulated other comprehensive income (loss)	308,354	(436)
Total stockholders' equity	1,062,461	133,136
	$ 2,404,594	$ 259,818

see accompanying notes to consolidated financial statements

CMGI, Inc. and Subsidiaries
Consolidated Statements of Operations

(in thousands, except per share amounts)	Years ended July 31, 1999	1998	1997
Net revenues	$ 175,666	$ 81,916	$ 60,056
Operating expenses:			
Cost of revenues	168,909	72,950	34,866
Research and development	22,478	19,223	17,767
In-process research and development	6,061	10,325	1,312
Selling	45,667	28,882	33,228
General and administrative	59,210	20,795	13,803
Total operating expenses	302,325	152,175	100,976
Operating loss	(126,659)	(70,259)	(40,920)
Other income (expense):			
Interest income	4,640	2,426	3,368
Interest expense	(4,371)	(3,296)	(1,619)
Gains on issuance of stock by subsidiaries and affiliates	130,729	46,285	--
Other gains, net	758,312	96,562	27,140
Equity in losses of affiliates	(15,737)	(12,871)	(5,556)
Minority interest	2,331	(28)	4,787
	875,904	129,078	28,120
Income (loss) from continuing operations before income taxes	749,245	58,819	(12,800)
Income tax expense	325,402	31,555	2,034
Income (loss) from continuing operations	423,843	27,264	(14,834)
Discontinued operations, net of income taxes:			
Gain on sale of CMG Direct Corporation	53,203	--	--
Loss from discontinued operations	(806)	(338)	(7,193)
Gain on sale of data warehouse product rights	--	4,978	--
Net income (loss)	476,240	31,904	(22,027)
Preferred stock accretion	(1,662)	--	--
Net income (loss) available to common stockholders	$ 474,578	$ 31,904	$ (22,027)
Earnings (loss) per share:			
Basic:			
Income (loss) from continuing operations available to common stockholders	$ 4.53	$ 0.33	$ (0.20)
Gain on sale of CMG Direct Corporation	0.57	--	--
Loss from discontinued operations	(0.01)	--	(0.09)
Gain on sale of data warehouse product rights	--	0.06	--
Net income (loss) available to common stockholders	$ 5.09	$ 0.39	$ (0.29)
Diluted:			
Income (loss) from continuing operations available to common stockholders	$ 4.10	$ 0.30	$ (0.20)
Gain on sale of CMG Direct Corporation	0.51	--	--
Loss from discontinued operations	(0.01)	--	(0.09)
Gain on sale of data warehouse product rights	--	0.06	--
Net income (loss) available to common stockholders	$ 4.60	$ 0.36	$ (0.29)
Weighted average shares outstanding:			
Basic	93,266	83,332	75,432
Diluted	103,416	90,060	75,432

see accompanying notes to consolidated financial statements

CMGI, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity

(in thousands, except share amounts)

	Common stock	Additional paid-in capital	Accumulated other comprehensive income (loss)	Deferred compensation	Retained earnings	Treasury stock	Total stockholders' equity
Balance at July 31, 1996 (73,333,976 shares)	$ 733	$ 8,602	$ --	$ --	$ 44,657	$ --	$ 53,992
Comprehensive loss (net of taxes):							
Net loss	--	--	--	--	(22,027)	--	(22,027)
Other comprehensive income:							
Net unrealized holding gain arising during period	--	--	852	--	--	--	852
Total comprehensive loss							(21,175)
Dividend of Lycos, Inc. common Stock	--	--	--	--	(11,010)	--	(11,010)
Purchase of treasury stock (800,000 shares)	--	--	--	--	--	(984)	(984)
Issuance of common stock (4,742,368 shares)	39	7,147	--	--	--	984	8,170
Tax benefit of stock option exercises	--	277	--	--	--	--	277
Effect of subsidiaries' equity transactions	--	178	--	--	--	--	178
Balance at July 31, 1997 (77,276,344 shares)	772	16,204	852	--	11,620	--	29,448
Comprehensive income (net of taxes):							
Net income	--	--	--	--	31,904	--	31,904
Other comprehensive income:							
Net unrealized holding gain arising during period	--	--	1,167	--	--	--	1,167
Less: Reclassification adjustment for gain realized in net income	--	--	(2,455)	--	--	--	(2,455)
Total comprehensive income							30,616
Issuance of common stock (14,859,428 shares)	149	67,651	--	--	--	--	67,800
Deferred compensation related to acquisition of Accipiter, Inc.	--	1,731	--	(1,731)	--	--	--
Amortization of deferred compensation	--	--	--	289	--	--	289
Tax benefit of stock option exercises	--	3,114	--	--	--	--	3,114
Effect of subsidiaries' equity transactions	--	1,869	--	--	--	--	1,869
Balance at July 31, 1998 (92,135,772 shares)	921	90,569	(436)	(1,442)	43,524	--	133,136
Comprehensive income (net of taxes):							
Net income	--	--	--	--	476,240	--	476,240
Other comprehensive income:							
Net unrealized holding gain arising during period	--	--	314,910	--	--	--	314,910
Less: Reclassification adjustment for gain realized in net income	--	--	(6,120)	--	--	--	(6,120)
Total comprehensive income							785,030
Preferred stock accretion	--	--	--	--	(1,662)	--	(1,662)
Issuance of common stock (3,448,368 shares)	35	87,006	--	--	--	--	87,041
Amortization of deferred compensation	--	--	--	1,262	--	--	1,262
Tax benefit of stock option exercises	--	43,202	--	--	--	--	43,202
Effect of subsidiaries' equity transactions	--	14,452	--	--	--	--	14,452
Balance at July 31, 1999 (95,584,140 shares)	$ 956	$ 235,229	$ 308,354	$ (180)	$ 518,102	$ --	$1,062,461

see accompanying notes to consolidated financial statements

CMGI, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

(in thousands)	Years ended July 31, 1999	1998	1997
Cash flows from operating activities:			
Income (loss) from continuing operations	$ 423,843	$ 27,264	$ (14,834)
Adjustments to reconcile income (loss) from continuing operations to net cash used for continuing operations:			
Depreciation and amortization	22,669	6,953	4,044
Deferred income taxes	312,445	4,206	(871)
Non-operating gains, net	(889,041)	(142,847)	(27,140)
Equity in losses of affiliates	15,737	12,871	5,556
Minority interest	(2,331)	28	(4,787)
In-process research and development	6,061	10,325	1,312
Changes in operating assets and liabilities, excluding effects from acquisitions and deconsolidation of subsidiaries:			
Trade accounts receivable	(17,208)	(8,977)	(11,985)
Inventories	(117)	(3,873)	(2,390)
Prepaid expenses	(2,647)	(1,322)	(4,065)
Accounts payable and accrued expenses	34,749	8,019	11,536
Deferred revenues	5,879	3,618	12,851
Refundable and accrued income taxes, net	2,199	15,031	(3,157)
Other assets and liabilities	(2,322)	(636)	(460)
Net cash used for operating activities of continuing operations	(90,084)	(69,340)	(34,390)
Net cash used for operating activities of discontinued operations	(280)	(2,385)	(7,263)
Net cash used for operating activities	(90,364)	(71,725)	(41,653)
Cash flows from investing activities:			
Additions to property and equipment - continuing operations	(16,211)	(8,043)	(4,809)
Additions to property and equipment - discontinued operations	(63)	(146)	(2,130)
Investments in affiliates and acquisitions of subsidiaries, net of cash acquired	(102,227)	(34,512)	(23,566)
Proceeds from sale of data warehouse product rights - discontinued operations	--	9,543	--
Proceeds from sale of CMG Direct Corporation - discontinued operations	12,835	--	--
Proceeds from sales of Lycos, Inc. common stock	53,106	108,876	--
Proceeds from sales or maturities of available-for-sale securities	31,562	7,555	13,069
Purchases of available-for-sale securities	(31,123)	(5,000)	--
Proceeds from sales of NetCarta Corporation and investment in TeleT Communications	--	--	19,018
Reduction in cash due to deconsolidation of Lycos, Inc.	--	(41,017)	--
Other, net	1,510	(338)	(734)
Net cash provided by (used for) investing activities	(50,611)	36,918	848
Cash flows from financing activities:			
Proceeds (repayments) from issuance of notes payable, net	(6,654)	4,456	22,630
Proceeds from issuance of long-term debt	--	10,250	6,500
Repayments of long-term debt	(5,609)	(7,521)	(1,230)
Net proceeds from issuance of Series B and Series C convertible redeemable preferred stock	424,805	--	--
Net proceeds from issuance of common and treasury stock	7,613	23,206	8,170
Purchase of treasury stock	--	--	(984)
Net proceeds from issuance of stock by subsidiaries	129,461	3,526	--
Other	(1,266)	2,665	2,094
Net cash provided by financing activities	548,350	36,582	37,180
Net increase (decrease) in cash and cash equivalents	407,375	1,775	(3,625)
Cash and cash equivalents at beginning of year	61,537	59,762	63,387
Cash and cash equivalents at end of year	$ 468,912	$ 61,537	$ 59,762

see accompanying notes to consolidated financial statements

(1) Nature of Operations

CMGI, Inc. and its consolidated subsidiaries, ("CMGI" or "the Company") develop and operate Internet and fulfillment services companies. CMGI's Internet strategy includes the internal development and operation of majority-owned subsidiaries as well as taking strategic positions in other Internet companies that have demonstrated synergies with CMGI's core businesses. The Company's strategy also envisions and promotes opportunities for synergistic business relationships among the companies within its portfolio.

(2) Summary of Significant Accounting Policies

Principles of Consolidation and Presentation

The consolidated financial statements of the Company include its wholly-owned and majority-owned subsidiaries which at July 31, 1999 include, Engage Technologies, Inc. (Engage), SalesLink Corporation (SalesLink), InSolutions, Inc. (InSolutions), On-Demand Solutions, Inc. (On-Demand Solutions), CMG@Ventures, Inc., CMG@Ventures I, LLC (CMG@Ventures I, formerly CMG@Ventures, L.P.), CMG@Ventures Capital Corporation, CMG Securities Corporation, CMG@Ventures Securities Corporation, CMG@Ventures II, LLC (CMG@Ventures II), Blaxxun Interactive, Inc. (Blaxxun), Adsmart Corporation (Adsmart), MyWay.com (formerly Planet Direct Corporation), Navisite, Inc. (NaviSite), NaviNet, Inc. (NaviNet), ZineZone Corporation (ZineZone), Magnitude Network, Inc. (Magnitude Network), Nascent Technologies, Inc. (Nascent), Activerse, Inc. (Activerse), CMGI Solutions, Inc. (Solutions), iCAST Corporation (iCAST) and Netwright, LLC. All significant intercompany accounts and transactions have been eliminated in consolidation. The Company accounts for investments in businesses in which it owns between 20% and 50% using the equity method. 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 with current year presentations.

Revenue Recognition

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

Prior to August 1, 1998, revenue from the sales of product licenses to customers were generally recognized when the product was shipped, provided no significant obligations remained and collectibility was probable, in accordance with Statement of Position ("SOP") 91-1, Software Revenue Recognition. Effective August 1, 1998, the Company adopted the provisions of SOP 97-2, Software Revenue Recognition. For transactions after August 1, 1998, revenues from software product licenses, database services and web-site traffic audit reports are generally recognized when (i) a signed noncancelable software license exists, (ii) delivery has occurred, (iii) the Company's fee is fixed or determinable, and (iv) collectibility is probable. Revenue from license agreements that have that have significant customizations and modifications of the software product is deferred and recognized using the percentage of completion method. There was no material change to the Company's accounting for revenue as a result of the adoption of SOP 97-2.

Revenue from periodic subscriptions is recognized ratably over the subscription term, typically twelve months. Revenue from usage based subscriptions is recognized monthly based on actual usage.

Service and support revenue includes software maintenance and other professional service revenues, primarily from consulting, implementation and training. Revenue from software maintenance is deferred and recognized ratably over the term of each maintenance agreement, typically twelve months. Revenue from professional services is recognized as the services are performed, collectibility is probable and such revenues are contractually nonrefundable.

Revenue also consists of monthly fees for server hosting, systems administration, application rentals and Web site management services. Revenue (other than installation fees) is generally billed and recognized over the term of the contract, generally one year, based on actual usage. Installation fees are typically recognized at the time that installation occurs.

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

Gain on Issuances of Stock by Subsidiaries

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 as part of the line item "Other gains, net" in its Consolidated Statements of Operations. Otherwise, the increase is reflected in "effect of subsidiaries' equity transactions" in the Company's Consolidated Statements of Stockholders' Equity.

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

the Consolidated Statements of Stockholders' Equity.

Cash Equivalents and Statement of Cash Flows Supplemental Information

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

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

	Year ended July 31,		
	1999	1998	1997
Interest	$ 3,910,000	$ 2,856,000	$ 1,429,000
Income taxes	$ 10,764,000	$ 15,720,000	$ 1,856,000

During fiscal year 1999, significant non-cash investing activities included the sale of the Company's investments in GeoCities, Reel.com, Inc. (Reel.com) and Sage Enterprises, Inc. (Sage Enterprises) in exchange for common stock of Yahoo! Inc. (Yahoo!), Hollywood Entertainment Corporation (Hollywood Entertainment) and Amazon.com, Inc. (Amazon.com), respectively (see note 11). In addition, the Company completed the sale of its wholly-owned subsidiary, CMG Direct to Marketing Services Group, Inc. (MSGI) in exchange for cash and shares of MSGI common stock (see note 4). Also, portions of the consideration for acquisitions of businesses by the Company, or its subsidiaries, during fiscal 1999 included the issuance of shares of the Company's and its subsidiary's common stock and the issuance of seller's notes (see note 8).

In September 1998, CMG@Ventures I distributed 558,317 shares of Lycos stock to its profit members. In October 1998, CMG@Ventures II distributed 15,059 shares of Amazon.com stock to its profit members. In addition, during fiscal year 1999, CMG@Ventures I distributed 817,838 shares of Yahoo! stock and 8,004 shares of USWeb Corporation stock to its profit members and CMG@Ventures II distributed 39,773 shares of Yahoo! stock to its profit members.

During fiscal year 1998, significant non-cash investing activities included the sale of data warehouse product rights by the Company's subsidiary, Engage, in exchange for available-for-sale securities in addition to $9.5 million in cash (see note 4). In addition, CMG@Ventures I distributed 593,164 shares of Lycos stock and 24,843 shares of Premiere Technologies, Inc. stock to its profit members. Also, portions of the consideration for acquisitions of businesses by the Company, or its subsidiary, during fiscal 1998 included the issuance of shares of the Company's common stock and the issuance of seller's notes (see note 8).

During fiscal year 1997, significant non-cash investing activities included the sale of the Company's equity interest in TeleT Communications, LLC (TeleT) in exchange for available-for-sale securities in addition to $550,000 in cash (see note 10) and the acquisition of one subsidiary, Pacific Direct Marketing Corporation (Pacific Link), for consideration which included $7.5 million financed through a seller's note (see note 8). Significant non-cash financing activities in fiscal 1997 consisted of the dividend distribution of 603,000 shares of Lycos stock to CMGI shareholders (see note 15).

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.

Marketable Securities

The Company determines the appropriate classification of marketable securities at the time of acquisition and reevaluates such designation at each balance sheet date. Marketable securities which meet the criteria for classification as available-for-sale are carried at fair value, based on quoted market prices, net of market value discount to reflect any restrictions on transferability, with unrealized gains and losses reported as a separate component of stockholders' equity.

Inventories

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

Accounting for Impairment of Long-Lived Assets

The Company assesses the need to record impairment losses on long-lived assets used in operations when indicators of impairment are present. On an on-going basis, management reviews the value and period of amortization or depreciation of long-lived assets, including costs in excess of net assets of subsidiaries acquired. During this review, the Company reevaluates the significant assumptions used in determining the original cost of long-lived assets. Although the assumptions may vary from transaction to transaction, they generally include revenue growth, operating results, cash flows and other indicators of value. Management then determines whether there has been a permanent impairment of the value of long-lived assets based upon events or circumstances which have occurred since acquisition.

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.

Investments in Affiliates

The Company's investments in affiliated companies for which its ownership exceeds 20%, but which are not majority-owned or controlled, are accounted for using the equity method. Under the equity method, the Company's proportionate share of each affiliate's net income or loss 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". Amortization is recorded on a straight-line basis over periods ranging from five to ten years.

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

Intangible Assets

Goodwill and other intangible assets are being amortized principally over periods expected to be benefited, ranging from two to fifteen years.

Research and Development Costs and Software Costs

Expenditures 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 have 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.

Accounting for Income Taxes

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

Earnings (Loss) Per Share

The Company calculates earnings per share in accordance with Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings per Share". Basic earnings per share is computed based on the weighted average number of common shares outstanding during the period. The dilutive effect of common stock equivalents and convertible preferred stock are included in the calculation of diluted earnings per share only when the effect of their inclusion would be dilutive.

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, 1999, 1998 and 1997.

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

	Years Ended July 31,		
	1999	1998	1997
Weighted average number of common shares outstanding - basic	93,266,000	83,332,000	75,432,000
Weighted average number of dilutive common stock equivalents outstanding	8,905,000	6,728,000	--
Weighted average effect of assumed conversion of convertible preferred stock	1,245,000	--	--
Weighted average number of common shares outstanding - diluted	103,416,000	90,060,000	75,432,000

Stock-Based Compensation Plans

The Company has adopted 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. The pro forma impact on earnings per share has been disclosed in the Notes to Consolidated Financial Statements as required by SFAS No. 123 (see note 16).

Use of Estimates

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

Diversification of Risk

Sales to one customer, Cisco Systems, Inc. (Cisco), accounted for 36% and 47% of net revenues and 47% and 61% of fulfillment services segment net revenues for fiscal year 1999 and 1998, respectively. Accounts receivable from this customer amounted to approximately 18% and 29% of total trade accounts receivable at July 31, 1999 and July 31, 1998, respectively. The Company's products and services are provided to customers primarily in North America.

Financial instruments which potentially subject the Company to concentrations of credit risk are cash equivalents, available-for-sale securities, and accounts receivable. The Company's cash equivalent investment portfolio is diversified and consists primarily of short-term investment grade securities. To reduce risk, the Company performs ongoing credit evaluations of its customers' financial conditions and generally does not require collateral on accounts receivable. The Company has not incurred any material write-offs related to its accounts receivable.

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

Comprehensive Income

The Company adopted SFAS No. 130,"Reporting Comprehensive Income" ("Statement 130") in fiscal year 1999 which established standards for the reporting and display of comprehensive income and its components in a full set of comparative general-purpose financial statements. Statement 130 requires net unrealized holding gains, which prior to adoption were reported separately in stockholders' equity, to be included in other comprehensive income (expense). The adoption of Statement 130 resulted in revised and additional disclosures but had no effect on the financial position, results of operations, or liquidity of the Company. Comprehensive income is reported by the Company in the Consolidated Statements of Stockholders' Equity. The information for fiscal years 1998 and 1997 has been restated from prior presentation to conform to Statement 130 requirements.

Segment and Related Information

The Company adopted SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information"("Statement 131") during fiscal year 1999. Statement 131 establishes standards for the way that public business enterprises report information about operating segments in annual financial statements.

Recent Accounting Pronouncements

In March 1998, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants ("AcSEC"), issued Statement of Position (SOP) 98-1, "Accounting for the Cost of Computer Software Developed or Obtained for Internal Use". SOP 98-1 requires the capitalization of various internal costs related to the implementation of computer software obtained for internal use. The Company is required to adopt this standard in the first quarter of fiscal year 2000, and expects that the adoption of SOP 98-1 will not have a material impact on its financial position or its results of operations.

In April 1998, AcSEC issued SOP 98-5, "Reporting Costs of Start-Up Activities". Under SOP 98-5, the cost of start-up activities should be expensed as incurred. Start-up activities are broadly defined as those one-time activities related to opening a new facility, introducing a new product or service, conducting business in a new territory, conducting business with a new class of customer, commencing some new operation or organizing a new entity. SOP 98-5 will be effective for the Company's fiscal 2000 financial statements. The Company does not expect its adoption to have a material impact on its financial position or results of operations.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities. SFAS 133 requires the recognition of all derivatives as either assets or liabilities in the statement of financial position and the measurement of those instruments at fair value. The Company is required to adopt this standard in the first quarter of fiscal year 2001 pursuant to SFAS No. 137 (issued in June 1999), which delays the adoption of SFAS 133 until that time. The Company expects that the adoption of SFAS 133 will not have a material impact on the its financial position or its results of operations.

(3) Segment Information

In 1999, the Company adopted SFAS No. 131, which requires the reporting of segment information using the "management approach" versus the "industry approach" previously required. Based on the information provided to the Company's chief operating decision maker for purposes of making decisions about allocating resources and assessing performance, the Company's continuing operations have been classified in two primary business segments, (i) Internet and (ii) fulfillment services. The Internet segment focuses on strategic Internet opportunities afforded by the Internet and interactive media markets. The fulfillment services segment provides product and literature fulfillment and supply chain management, telemarketing, and outsourced e-business program

management services. Corporate and other includes certain cash equivalents and certain other assets which are not identifiable to the operations of the Company's primary business segments.

From its inception in August 1995, through July 31, 1997, the Company's subsidiary, Engage, focused on providing traditional mailing list maintenance and database services (through its ListLab division), and on developing data mining, querying, analysis and targeting software products for use in large database applications. As such, the results of Engage's operations were classified in the Company's list and database services segment through July 31, 1997. During the first quarter of fiscal 1998, Engage sold certain rights to its Engage.Fusion(TM) and Engage.Discover(TM) data warehouse products to Red Brick Systems, Inc. These products had been developed to accelerate the design and creation of very large data

warehouses and perform high-end data query and analysis. Engage retained certain rights to sell Engage.Fusion and Engage.Discover to interactive media markets as part of its product suite. Additionally, during the first quarter of fiscal year 1998, Engage transferred its ListLab division to its subsidiary CMG Direct Corporation (CMG Direct). With the sale of these rights and transfer of its ListLab division, Engage narrowed its focus to the Internet software solutions market. As a result of this repositioning, beginning in fiscal year 1998, the operating results of Engage began to be classified in the Company's Internet segment.

Summarized financial information of the Company's continuing operations by business segment for the fiscal years ended July 31, 1999, 1998 and 1997 is as follows:

	Years Ended July 31,		
	1999	1998	1997
Net revenues:			
Internet	$ 41,295,000	$ 18,709,000	$ 23,917,000
Fulfillment services	134,371,000	63,207,000	36,139,000
	$ 175,666,000	$ 81,916,000	$ 60,056,000
Operating income (loss):			
Internet	$ (131,812,000)	$ (71,703,000)	$ (45,250,000)
Fulfillment services	5,153,000	1,444,000	4,330,000
	$ (126,659,000)	$ (70,259,000)	$ (40,920,000)
Total assets:			
Internet	$ 1,979,363,000	$ 120,759,000	$ 87,626,000
Fulfillment services	74,295,000	67,356,000	32,734,000
Corporate and other	350,936,000	69,975,000	19,181,000
	$ 2,404,594,000	$ 258,090,000	$ 139,541,000
Depreciation and amortization:			
Internet	$ 18,728,000	$ 4,397,000	$ 2,410,000
Fulfillment services	3,941,000	2,556,000	1,634,000
	$ 22,669,000	$ 6,953,000	$ 4,044,000

Other gains, net, minority interest and equity in losses of affiliates as reported in the Consolidated Statements of Operations for the years ended July 31, 1999, 1998 and 1997 relate to the Internet segment. All intercompany transactions have been eliminated, and intersegment revenues are not significant.

(4) Discontinued operations

In May 1999, the Company completed the sale of its subsidiary, CMG Direct Corporation (CMG Direct) to Marketing Services Group, Inc. (MSGI.) At the time, CMG Direct comprised the Company's entire lists and database services segment. As a result of the sale of CMG Direct the Company received total proceeds of $91.4 million consisting of approximately $12.3 million and approximately 2.3 million shares of MSGI common stock. As a result of the sale the net gain of $53.2 million recorded by the Company and the historical operations of the Company's lists and database services segment have been reflected as income (loss) from discontinued operations in the accompanying consolidated financial statements. The gain on sale of data warehouse product rights by Engage in the first quarter of fiscal 1998 has also been reflected as discontinued operations. These data warehouse products were developed by Engage during fiscal 1996 and 1997, when Engage was included in the Company's lists and database services segment. CMG Direct's net assets, which included accounts receivable, prepaid expenses, net property and equipment, net goodwill, other assets, accounts payable, accrued expenses and other liabilities are reported as net current and non-current assets of discontinued operations at July 31, 1998. Certain prior period amounts in the consolidated financial statements have been reclassified in accordance with generally accepted accounting principles to reflect the Company's lists and database services segment as discontinued operations. Summarized financial information for discontinued operations is as follows:

	Years Ended July 31,		
Results of operations:	July 31, 1999	July 31, 1998	July 31,1997
Net revenues	$ 6,998,000	$ 9,568,000	$ 10,551,000
Operating expenses	8,343,000	10,125,000	22,740,000
Operating loss	(1,345,000)	(557,000)	(12,189,000)
Gain on sale of CMG Direct	90,444,000	--	--
Gain on sale of data warehouse product rights	--	8,437,000	--
Income (loss) before income taxes	89,099,000	7,880,000	(12,189,000)
Income tax expense (benefit)	36,702,000	3,240,000	(4,996,000)
Net income (loss) from discontinued operations	$ 52,397,00	$ 4,640,000	$ (7,193,000)

Financial Position:	As of July 31, 1998
Current assets	$ 2,748,000
Property and equipment, net	570,000
Other assets	676,000
Current liabilities	(2,266,000)
Net assets of discontinued operations	$ 1,728,000

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

During the first quarter of fiscal year 1998, the Company owned in excess of 50% of Lycos and accounted for its investment under the consolidation method. Through subsequent sale and distribution of Lycos shares, the Company's ownership percentage in Lycos was reduced to below 50% beginning in November 1997. As such, beginning in November 1997, the Company began accounting for its remaining investment in Lycos under the equity method of accounting, rather than the consolidated method. Prior to these events, the operating results of Lycos were consolidated with those of CMGI's other majority owned subsidiaries in the Company's consolidated balance sheets.

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

The Company's historical consolidated operating results for the fiscal years ended July 31, 1997 included Lycos net revenues of $22,253,000 and Lycos operating losses of ($8,759,000). The Company's consolidated operating results for the fiscal quarter ended October 31, 1997 included Lycos net revenues and operating loss of $9,303,000 and ($433,000), respectively.

Beginning in November 1998, CMGI's ownership interest in Vicinity Corporation (Vicinity) was reduced to below 50% as a result of employee stock option exercises. As such, beginning in November 1998, the Company began to account for its investment in Vicinity under the equity method of accounting, rather than the consolidation method. Prior to these events, the operating results of Vicinity were consolidated within the operating results of the Company's Internet segment, and the assets and liabilities of Vicinity were consolidated with those of CMGI's other majority-owned subsidiaries in the Company's consolidated balance sheets. The Company's historical quarterly consolidated operating results for the fiscal quarter ended October 31, 1998 included Vicinity net revenues of $1,454,000 and operating losses of ($621,000.)

(6) Available-for-Sale Securities

At July 31, 1999 and 1998, available-for-sale securities consist of common stock investments, carried at fair value and based on quoted market prices, net of a market value discount to reflect any remaining restrictions on transferability. Available-for-sale securities at July 31, 1999 primarily consist of approximately: 4.6 million shares of Yahoo! valued at $631 million, 13.1 million shares of Lycos valued at $542 million, 2.8 million shares of Silknet Software, Inc. (Silknet) valued at $86 million, 4.7 million shares of Hollywood Entertainment valued at $83 million, 2.7 million shares of Chemdex Corporation (Chemdex) valued at $76 million and 1.6 million shares of Critical Path, Inc. (Critical Path) valued at $54 million. Shares of publicly traded companies held by CMG@Ventures I and II which have been allocated to CMG@Ventures I's and II's profit members have been classified in other non-current assets in the accompanying Consolidated Balance Sheet and valued at carrying value as of the date of allocation. Certain shares included in available-for-sale securities at July 31, 1999 may be required to be allocated to CMG@Ventures I's and II's profit members in the future. Also included in available-for-sale securities at July 31, 1999, were 1.5 million shares of Lycos common stock which the Company may be required to sell to Lycos, at prices ranging from $0.0025 to $2.40 per share, pursuant to employee stock option exercises. Corresponding liabilities of $47.8 million and $11.1 million have been included in other current and other non-current liabilities, respectively, as of July 31, 1999 to reflect this potential obligation. The net unrealized holding gain (loss) of $308 million and ($436,000), net of deferred income taxes, has been presented as "accumulated other comprehensive income (loss)" within the Consolidated Statement of Stockholders' Equity at July 31, 1999 and 1998, respectively.

(7) Property and Equipment

Property and equipment consists of the following:

	July 31, 1999	1998
Machinery and equipment	$ 14,974,000	$ 12,648,000
Leasehold improvements	11,632,000	2,825,000
Software	7,941,000	3,558,000
Office furniture and equipment	3,015,000	1,959,000
	37,562,000	20,990,000
Less: Accumulated depreciation and amortization	12,730,000	7,587,000
Net Property and Equipment	$ 24,832,000	$ 13,403,000

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(8) Business Combinations

During the third fiscal quarter of 1999, CMGI exercised its right to invest an additional $22 million in cash to increase its ownership in Magnitude Network (Magnitude Network) from 23% to 92%. Magnitude Network is a company that focuses on opportunities surrounding the integration of radio and the Internet. CMGI had previously invested total cash of $2.5 million in Magnitude Network in June and October 1998. Accordingly, beginning in February 1999, CMGI began accounting for its investment in Magnitude Network under the consolidation method of accounting, rather than the equity method.

In March 1999, CMGI completed the acquisition of 2CAN Media, Inc. (2CAN) for initial consideration of approximately $27,493,000. Immediately following the completion of the acquisition, 2CAN was merged with and into CMGI's subsidiary, Adsmart Corporation (Adsmart). 2CAN was an interactive media company serving the online advertising community with site-focused sales and advertising representation. As the primary component of the initial consideration paid for 2CAN, CMGI and Adsmart jointly issued convertible promissory notes in the aggregate principal amount of $26,983,000. Pursuant to the conversion terms of the notes, as of July 31, 1999, promissory notes in the principal amount of $24,142,000 have been satisfied through the payment of $3,552,000 in cash and the issuance of 305,445 shares of CMGI common stock. The consideration paid is subject to a dollar for dollar reduction if certain revenue amounts are not achieved by Adsmart (including 2CAN) during the period from March 11, 1999 to December 31, 1999. Additionally, the initial consideration is subject to an increase of $0.83 for each $1 of calendar year 1999 revenues achieved by Adsmart and 2CAN in excess of $28 million. The additional consideration is payable in shares of CMGI common stock. Contingent consideration, if paid, will be recorded as additional purchase price. The shares of CMGI common stock issued in the 2CAN acquisition are not registered under the Securities Act of 1933, as amended, and are subject to restrictions on transferability for a period of twelve months following the date of the issuance.

In April 1999, the Company's subsidiary, Engage, acquired Internet Profiles Corporation (I/PRO), which provides Web site traffic measurement and audit services, for approximately $33 million including acquisition costs of $244,000, consisting of $1.6 million in net cash, $20.9 million in CMGI shares and $10.2 million in Engage shares and options. Of the purchase price, $4.5 million was allocated to in process research and development which was charged to operations during fiscal 1999. In addition, CMGI must pay up to $3 million to the former I/PRO stockholders if stated performance goals are met by I/PRO one year after the closing. Engage must reimburse CMGI for any such payments, at CMGI's election, in cash or by issuance of shares of Engage Series C convertible preferred stock at its then fair market value. Any additional payment will be treated as additional purchase price. The shares of CMGI common stock are not registered under the Securities Act of 1933, as amended, and are subject restrictions on transferability for periods of up to twelve months following the date of the issuance. The value of the CMGI shares included in the purchase price was recorded net of a 9% weighted average market value discount to reflect the restrictions on transferability.

Also during 1999, the Company, or its subsidiaries, completed the acquisitions of four other companies for purchase prices valued at a combined total of approximately $19,765,000 including acquisition costs of $300,000. Those acquisitions were Activerse ($14,050,000 purchase price in April 1999), Nascent Technologies ($4,870,000 in May 1999), Netwright LLC (in June 1999, 66% ownership in exchange for $5 million in future funding commitments) and Digiband ($845,000 in June 1999). The combined consideration for these acquisitions consisted primarily of 253,060 shares of the Company's common stock valued at $19,465,000. The shares of CMGI common stock issued by the Company are not registered under the Securities Act of 1933, as amended, and are subject restrictions on transferability for periods of up to twelve months following the date of the issuance. The value of the CMGI shares included in the purchase price was recorded net of a 10% market value discount to reflect the restrictions on transferability.

In April 1998, the Company acquired Accipiter, a company specializing in Internet advertising management solutions, in exchange for 5,054,768 shares of the Company's common stock. The shares issued by the Company in the acquisition of Accipiter were not registered under the Securities Act of 1933 and were subject to restrictions on transferability for periods ranging from six to twenty-four months from the date of issuance. The value of the Company's shares included in the purchase price was recorded net of a 10% market value discount to reflect the restrictions on transferability. Of the purchase price, $9,200,000 was allocated to in process research and development which has been charged to operations during fiscal 1998. In August 1998, Accipiter was merged with Engage. Approximately $1.7 million of deferred compensation was recorded during fiscal 1998 relating to approximately 172,000 of the Company's common shares issued to the then employee stockholders of Accipiter which are being held in escrow. These shares are subject to forfeiture upon termination of employment over a two-year period. Deferred compensation expense is being recognized over the two-year service period beginning April 1, 1998.

Also during fiscal 1998, the Company, or its subsidiaries, completed the acquisition of three other companies, including InSolutions (in June 1998), Servercast Communications, LLC (Servercast, in July 1998) and On-Demand Solutions (on July 31, 1998). The combined consideration for these acquisitions consisted of a combination of the Company's common stock, cash and seller's notes. The shares issued by the Company were not registered under the Securities Act of 1933 and were subject to restrictions on transferability for periods ranging from twelve to twenty-four months. The value of the Company's shares included in the purchase prices of these acquisitions were recorded net of market value discount of 10% to reflect the restrictions on transferability. Of the cash consideration, $5,000,000 was provided through additional bank borrowings by the Company's subsidiary, SalesLink. Additional consideration of

approximately $1,500,000 could be paid related to the acquisition of InSolutions if certain future performance goals are met which will be recorded as additional purchase price.

In October 1996, the Company's subsidiary, SalesLink, acquired Pacific Link, a company specializing in high technology product and literature fulfillment and turnkey outsourcing for consideration totaling $17 million, consisting of cash and a seller's note.

The acquisitions during fiscal 1998 and 1999 have been accounted for using the purchase method, and, accordingly, the purchase prices have been allocated to the assets purchased and liabilities assumed based upon their fair values at the dates of acquisition. The portions of the purchase prices allocated to goodwill are being amortized on a straight-line basis over five years for all fiscal year 1998 acquisitions with the exception of InSolutions and On-Demand Solutions whose goodwill is being amortized over 15 years. Goodwill and other intangibles, totaling $103.5 million, were recorded related to acquisitions in 1999, and are being amortized on a straight-line basis over two or five years, depending on the asset class. The acquired companies are included in the Company's consolidated financial statements from the dates of acquisition.

The purchase prices for the fiscal year 1999 and 1998 acquisitions were allocated as follows:

	Year ended July 31, 1999				
	Magnitude Network	2CAN	I/PRO	All Others	Total
Working capital (deficit), including cash acquired	$ 1,209,000	$ (4,156,000)	$ (150,000)	$ (3,762,000)	$ (6,859,000)
Property, plant and equipment	363,000	114,000	1,675,000	236,000	2,388,000
Other assets (liabilities), net	(69,000)	149,000	(235,000)	(491,000)	(646,000)
In-process research and development	551,000	--	4,500,000	1,010,000	6,061,000
Goodwill	22,162,000	31,386,000	22,288,000	22,772,000	98,608,000
Developed technology	--	--	3,000,000	--	3,000,000
Other identifiable intangible assets	--	--	1,920,000	--	1,920,000
Minority interest	(119,000)	--	--	--	(119,000)
Losses recorded under equity method	388,000	--	--	--	388,000
Purchase price	$ 24,485,000	$ 27,493,000	$ 32,998,000	$ 19,765,000	$104,741,000

	1998
	Total
Working capital (deficit), including cash acquired	$ (548,000)
Property, plant and equipment	1,746,000
Other assets (liabilities), net	(220,000)
In-process research and development	9,200,000
Goodwill	46,191,000
Developed technology	1,600,000
Other identifiable intangible assets	200,000
Minority interest	--
Losses recorded under equity method	--
Purchase price	$ 58,249,000

The following unaudited pro forma financial information presents the consolidated operations of the Company and the acquired companies as if the 1999 and 1998 acquisitions had occurred as of the beginning of fiscal 1998 and 1997, respectively, after giving effect to certain adjustments including increased amortization of goodwill and other intangible assets related to the acquisitions, increased interest expense related to long-term debt issued in conjunction with the acquisitions and decreased compensation for certain officers to reflect contractual post-acquisition compensation. The in-process research and development charges of $6,061,000 and $9,200,000 which were recorded in fiscal 1999 and 1998, respectively, related to the acquisitions of I/PRO, Magnitude Network and Nascent in 1999 and primarily Accipiter in 1998 are excluded from the pro forma results as they are non-recurring and not indicative of normal operating results. The unaudited pro forma information excludes the impact of the acquisition of Servercast and Netwright LLC since it is not material to the Company's consolidated financial statements. The 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:

	Year ended July 31,	
	1999	1998
Net revenues	$187,129,000	$ 116,469,000
Net income	$464,578,000	$ 15,392,000
Basic net income per share	$ 4.95	$ 0.17
Diluted net income per share	$ 4.48	$ 0.16

(9) CMG@Ventures Investments

The Company's first Internet venture fund, CMG@Ventures I, was formed in February 1996. CMGI completed its $35 million commitment to this fund during fiscal 1997. The Company's second Internet venture fund, CMG@Ventures II, was formed during fiscal 1997. The Company is entitled to approximately 77.5% and 80% of the net capital gains, as defined, on investments made by CMG@Ventures I and CMG@Ventures II, respectively. The remaining interest in the net capital gains on these investments are attributed to profit members, including the President and Chief Executive Officer and the Chief Financial Officer of the Company. The Company is responsible for all operating expenses of CMG@Ventures I and CMG@Ventures II.

During fiscal 1997, CMG@Ventures I invested a total of $10.8 million in five companies, including Thingworld.com, LLC (Thingworld.com, formerly Parable, LLC), Lycos, NetCarta Corporation (NetCarta), Vicinity and GeoCities. CMG@Ventures II invested a total of $8.3 million in five companies during fiscal year 1997, including Silknet Software, Inc. (Silknet), KOZ, Inc. (KOZ), Softway

Systems, Inc. (Softway Systems), Sage Enterprises and Reel.com. CMG@Ventures II invested a total of $27.6 million in fifteen companies during fiscal year 1998, including Blaxxun, GeoCities, Vicinity, Silknet, Thingworld.com, KOZ, Sage Enterprises, Reel.com, Speech Machines plc (Speech Machines), Chemdex, TicketsLive Corporation (TicketsLive), Critical Path, MotherNature.com, Visto Corporation (Visto), and WebCT (formerly Universal Learning Technology). During fiscal 1999, CMG@Ventures II invested $26.4 million in nine companies, including Silknet, Thingworld.com, KOZ, Softway Systems, Chemdex, Critical Path, MotherNature.com, Visto and WebCT.

At July 31, 1999, CMG@Ventures I and CMG@Ventures II held investments in Blaxxun (54% legal ownership), Chemdex (9%), Critical Path (4%), KOZ (8%), MotherNature.com (13%), Silknet (18%), Speech Machines (19%), Thingworld.com (36%), Vicinity (33%), Visto (9%), WebCT (30%) and Lycos. Including shares remaining in CMG@Ventures I and those already distributed from the fund, CMGI held a combined 17% ownership interest in Lycos at July 31, 1999. CMG@Ventures II also held 2.4 million shares of Hollywood Entertainment common stock. CMG@Ventures II received the Hollywood Entertainment shares during fiscal 1999 in exchange for its investment in Reel.com.

In fiscal year 1999, CMGI announced the formation of the @Ventures III venture capital fund (The Fund). The Fund secured capital commitments from outside investors, and CMGI, to be invested in emerging Internet service and technology companies. 78.1% of amounts committed to The Fund are provided through two newly formed 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 2% of the net capital gains realized by both entities. Management of these entities, is the responsibility of @Ventures Partners III, LLC, which is entitled to 20% of their net gains. The Company has committed to contribute up to $56 million to its newly formed limited liability company affiliate, CMG@Ventures III, LLC, equal to 19.9% of total amounts committed to The Fund, of which approximately $20 million has been funded as of July 31, 1999. CMG@Ventures III, LLC will take strategic positions side by side with @Ventures III L.P. CMGI owns 100% of the capital and is entitled to 80% of the net capital gains realized by CMG@Ventures III, LLC. @Ventures Partners III, LLC is entitled to the remaining 20% of the net capital gains realized by CMG@Ventures III, LLC. The remaining 2% committed to The Fund is provided by a fourth entity, @Ventures Investors, LLC, in which CMGI has no ownership. The Company's Chief Executive Officer and Chief Financial Officer each have individual ownership interests in @Ventures Investors, LLC and, as members of @Ventures Partners III, LLC, are entitled to a portion of net gains distributed to @Ventures Partners III, LLC. CMG@Ventures III, LLC is currently proposing an expansion fund to @Ventures III to provide follow-on financing to existing @Ventures III investee companies, pursuant to which CMGI's commitment could increase by up to $38 million. The Company anticipates synergies between these strategic positions and CMGI's core businesses, including speeding technological innovation and access to markets.

At July 31, 1999, CMG@Ventures III, LLC held investments in the following companies: Ancestry.com, Inc. (8% legal ownership), Asimba, Inc. (4%), AuctionWatch.com, Inc. (formerly Omnibot, 1%), Aureate Media Corporation (6%), BizBuyer.com (8%), Intelligent/Digital, Inc. (6%), Carparts.com (4%), eCircles Corporation (8%), Exp.com, Inc. (formerly Advoco.com ,5%), Furniture.com, Inc. (4%), HotLinks Network, Inc. (9%), INPHO.com, Inc. / HomePriceCheck.com (15%), NameTree, Inc. (6%), NextMonet.com, Inc. (11%), NextPlanetOver.com (5%), OneCore Financial Network, Inc. (6%), ONEList.com, Inc. (6%), PlanetOutdoors.com, Inc. (6%), Productopia, Inc. (7%), Promedix.com, Inc. (7%) Raging Bull, Inc. (12%), Virtual Ink Corporation (8%) and Vstore.com (1%).

(10) 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" for the years ended July 31,:

	1999	1998	1997
Gain on stock issuance by Engage	$ 81,103,000	$ --	$ --
Gain on stock issuance by GeoCities	29,373,000	--	--
Gain on stock issuance by Lycos	20,253,000	46,285,000	--
	$ 130,729,000	$ 46,285,000	$ --

Gain on issuance of stock by Engage relates primarily to the issuance by Engage of 7.8 million shares of its common stock in its initial public offering ($15.00 per share) and in a private placement of its common stock ($13.95 per share) during July 1999. Engage received net proceeds totaling approximately $108 million from these stock issuances and the Company's ownership in Engage was reduced from approximately 96% to 79%. The pre-tax gain represents the increase in the Company's net equity in Engage as a result of Engage's stock issuances. The Company provided for deferred income taxes resulting from the gain on issuance of stock by Engage.

In August 1998, the Company's affiliate, GeoCities, completed its initial public offering of common stock, issuing approximately 5.5 million shares at a price of $17.00 per share, which raised $84.5 million in net proceeds for GeoCities. As a result of the initial public offering, the Company's ownership interest in GeoCities was reduced from approximately 34% to 28%. The Company recorded a pre-tax gain of $24.1 million related to the issuance of stock by GeoCities in its initial public offering. The Company also recorded net pre-tax gains totaling $5.3 million related to other issuances of stock by GeoCities during fiscal 1999 which included stock issued by GeoCities in its acquisition of Starseed, Inc. (known as WebRing) and Futuretouch. The gains were recorded net of the interests attributable to CMG@Ventures I's and II's profit members. The Company provided for deferred income taxes related to the gains on issuances of stock by GeoCities.

The gain on issuance of stock by Lycos in fiscal 1999 was primarily related to the issuance of 4.1 million shares by Lycos, valued at approximately $158 million during August 1998 in its acquisition of WhoWhere? Inc. With this transaction, the Company's ownership interest in Lycos was reduced from approximately 24% to 22%. During fiscal 1998, the Company recorded a pre-tax gain of $16.8 million relating to Lycos' issuance of 1,268,709 shares of its common stock, valued at approximately $61 million, in its acquisition of Tripod, Inc. during February 1998. With this transaction, the Company's ownership in Lycos was reduced from approximately 46% to 42%. The Company's pre-tax gain was recorded net of the impact of a $7.2 million in-process research development charge recorded by Lycos in conjunction with the acquisition of Tripod, Inc. In June 1998, the Company recorded a pre-tax gain of $23.0 million relating to Lycos' secondary public offering of 2,337,500 shares of common stock at $50 per share, which raised net proceeds of $111.2 million for Lycos. With this transaction, the Company's ownership in Lycos was reduced from approximately 35%

to 31%. The Company also recorded net pre-tax gains totaling $6.6 million on other issuances of stock by Lycos during fiscal 1998, which included stock issued by Lycos relating to other acquisitions and minority investments during fiscal 1998, net of the impact of in-process research and development charges recorded by Lycos, and stock issued by Lycos as a result of employee stock option exercises. The gains on issuance of stock by Lycos in fiscal 1999 and 1998 were recorded net of the interests attributable to CMG@Ventures I's profit members. The Company provided for deferred income taxes resulting from the gains on stock issuances by Lycos during fiscal 1999 and 1998.

(11) Other Gains, Net

The following schedule reflects the components of "Other gains, net" for the years ended July 31,:

	1999	1998	1997
Gain on sale of investment in GeoCities	$ 661,171,000	$ --	$ --
Gain on sale of investment in Sage Enterprises	19,057,000	--	--
Gain on sale of investment in Reel.com	23,158,000	--	--
Gain on sale of Lycos stock	45,475,000	92,388,000	--
Gain on sale of NetCarta	--	--	15,111,000
Gain on dividend distribution of Lycos stock	--	--	8,413,000
Other	9,451,000	4,174,000	3,616,000
	$ 758,312,000	$ 96,562,000	$ 27,140,000

The Company recorded a pre-tax gain of $661,171,000 on the sale of its investment in GeoCities to Yahoo!. The Company's subsidiaries, CMG@Ventures I and CMG@Ventures II converted its holdings in GeoCities into 5,595,706 shares and 341,423 shares of Yahoo! common stock, respectively, valued at a total of $878.7 million. The gain was recorded net of the interests attributable to CMG@Ventures I's and II's profit members.

During fiscal year 1999, the Company recorded a pre-tax gain of $19.1 million on the sale of CMG@Ventures II's investment in Sage Enterprises. CMG@Ventures II converted its holdings in Sage Enterprises into 225,558 shares of Amazon.com common stock, valued at $26.5 million, as part of a merger wherein Amazon.com acquired Sage Enterprises. This gain was recorded net of the 20% interest attributable to CMG@Ventures II's profit members.

During fiscal 1999, the Company recorded a pre-tax gain of $23.2 million on the sale of CMG@Ventures II's investment in Reel.com. CMG@Ventures II's holdings in Reel.com were converted into 1,943,783 restricted common and 485,946 restricted, convertible preferred shares of Hollywood Entertainment, valued at a total of $32.8 million, as part of a merger wherein Hollywood Entertainment acquired Reel.com. The preferred shares were subsequently converted into common shares on a 1-for-1 basis. The gain is reported net of the 20% interest attributable to CMG@Ventures II's profit members.

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

During fiscal 1998, the Company sold 1,955,015 of its Lycos shares, including 1,705,015 sold on the open market throughout the year and 250,000 shares sold as part of Lycos' secondary public offering in June 1998. The Company received net proceeds of $108.9 million from its sales of Lycos shares in fiscal 1998 and recorded pre-tax gains on the sales totaling $92.4 million. The gains on the Company's sales of Lycos shares are reported net of the associated interest attributed to CMG@Ventures I's profit members.

During fiscal 1997, the Company sold its subsidiary, NetCarta to Microsoft Corporation (Microsoft) with the Company receiving proceeds of $18,468,000. As a result of the sale, the Company recognized a pre-tax gain of $15.1 million, reported net of the 22.5% interest attributed to CMG@Ventures I's profit members. Also, on July 31, 1997, the Company distributed 603,000 shares of Lycos common stock, with a market value of $11.0 million, to the Company's stockholders as a dividend. The distribution resulted in a pre-tax gain of $8.4 million during fiscal 1997.

Also included in "Other gains, net" in fiscal 1999 were a gain on the sale of Amazon.com common stock of $7.0 million, a gain on the sale of Critical Path common stock of $3.4 million and an impairment charge of ($952,000) related to CMG@Ventures II's investment in Softway Systems. Also included in "Other gains, net" in fiscal 1998 and 1997 were a gain on the sale of Premiere Technologies, Inc. common stock of $4.2 million and a gain on the sale of CMG@Ventures I's investment in TeleT Communications of $3.6 million, respectively. These gains were reported net of the interest, if any, attributable to CMG@Ventures I's and II's profit members.

(12) Borrowing Arrangements

Notes payable at July 31, 1999 consisted of $20 million in collateralized corporate borrowings. Notes payable at July 31, 1998 consisted of $20 million in collateralized corporate borrowings, $6.2 million owed by Saleslink under its revolving line of credit facility and $1.5 million owed by other subsidiaries of the Company under line of credit facilties.

The Company's collateralized corporate borrowings were secured by 1,524,930 and 2,511,578 of the Company's shares of Lycos stock at July 31, 1999 and 1998, respectively. Under this agreement, the Company could become subject to additional collateral requirements under certain circumstances. The $20 million in borrowings outstanding at July 31, 1998 were payable in full in January 1999. On January 20, 1999, the Company renewed this agreement for an additional term of one year. The Company is considering either seeking renewal of this facility or repaying it with available funds upon its next maturity on January 20, 2000. Interest under this facility at July 31, 1999 and July 31, 1998 is payable quarterly at the London Interbank Offered Rate (LIBOR) plus 1.75%, respectively (7.09% and 7.44% effective rates at July 31, 1999 and 1998, respectively). The Company has entered into an interest rate swap agreement with the lender that effectively fixed the interest rate on this $20 million debt at a rate of 6.81% beginning April 20, 1999 through January 20, 2000.

SalesLink's fiscal 1998 line of credit borrowings were made under a revolving credit agreement with a bank. The revolving credit agreement provides for the option of interest at LIBOR or the higher of 1) the rate announced by BankBoston, N.A. as its base rate (Prime), or 2) 0.5% above the Federal Funds Effective Rate plus, in any case, an applicable margin based on SalesLink's leverage ratio (7.22% and 7.65% effective rates at July 31, 1999 and 1998, respectively. The $6.2 million balance outstanding at July 31, 1998 under Saleslink's line of credit agreement was repaid during 1999 and there are no outstanding borrowings under this facility as of July 31, 1999. At July 31, 1999, SalesLink's revolving line of credit agreement totaled $9 million, of which $1.1 million had been reserved in support of outstanding letters of credit for operating leases, and $7.9 million was available for future borrowings. The line of credit matures November 11, 2002 and includes a commitment fee payable quarterly at a rate of 0.05% per annum on the average daily unused portion of the line.

Long-term debt consists of the following:

	July 31, 1999	July 31, 1998
Term notes payable to a bank issued by SalesLink	$ 14,338,000	$ 15,500,000
Note payable to former shareholder of 2CAN	3,034,000	--
Notes payable to former shareholder of InSolutions	1,946,000	1,467,000
Notes payable to former members of Servercast issued by NaviSite	1,000,000	1,000,000
	20,318,000	17,967,000
Less: Current portion	5,258,000	16,594,000
	$ 15,060,000	$ 1,373,000

Saleslink's term notes payable to a bank provide for the option of interest at LIBOR or the higher of 1) Prime, or 2) 0.5% above the Federal Funds Effective Rate plus, in any case, an applicable margin based on Saleslink's leverage ratio (7.22% and 7.65% effective rates at July 31, 1999 and 1998, respectively). The bank term notes outstanding at July 31, 1999 provide for repayment in quarterly installments through October 31, 2002, with the remaining balance to be paid on November 11, 2000.

The obligations of SalesLink under its bank line of credit and bank term loans have been guaranteed by CMGI. Such obligations had been classified as current liabilities in the Company's July 31, 1998 balance sheet since, at that date, SalesLink was not in compliance with certain covenants of its borrowing arrangements. In connection with the investment by CMGI of a $10 million original principal amount of subordinated convertible notes and warrants to purchase SalesLink Series A Convertible Preferred Stock, the bank has since waived all covenant defaults and amended certain financial and operating covenants contained in the SalesLink bank facility. There are no current defaults as of July 31, 1999.

The Company issued a note payable to a former shareholder of InSolutions in June 1999 as additional consideration for the Company's acquisition of InSolutions. In accordance with the purchase agreement, InSolutions had met certain performance goals and therefore the Company has issued a second note payable to the former shareholder. The Company had issued a note payable in June 1998 to the former shareholder as consideration for the Company's acquisition of Insolutions which was payable in twelve monthly installments from beginning November 30, 1998. Both notes bear interest at 5.71%. The second note issued is payable in twelve monthly installments beginning November 30, 1999. Additional principal amounts totaling $1.5 million could become due under this note if InSolutions meets certain future performance goals (see note 8). The contingent principal amounts owed, if any, would bear interest at 5.71% and would be payable in twelve monthly installments beginning November 30, 2000. The Company's subsidiary, NaviSite, issued $1 million in notes payable to former members of Servercast as consideration for the acquisition of Servercast in July 1998. These notes bear interest at 5.50% and are repayable on January 2, 2000.

The Company and its subsidiary, Adsmart, jointly issued notes payable to former shareholders of 2CAN in March 1999 as partial purchase consideration. The notes bear interest at an annual rate of 6.5% and are due and payable in full in March 2004. Under the terms of the purchase agreement the notes are subject to a dollar for dollar reduction if certain revenue targets are not met by Adsmart during the period March 11, 1999 to December 31, 1999.

Maturities of long-term debt for the next five fiscal years are as follows: 2000, $5,258,000; 2001, $4,663,000; 2002, $5,812,500; 2003, $1,550,000; 2004, $3,034,000; 2005 and thereafter, none.

As of July 14, 1998, the Company's wholly-owned subsidiary, Saleslink, had entered into an interest rate swap agreement with the lender providing SalesLink's bank borrowing arrangements. The agreement effectively set a maximum LIBOR interest rate base on debt for a notional principal amount of $7.75 million at a rate of 7.63% through October 30, 2002. At July 31, 1999, based on prices quoted from the bank, interest rate hedge agreement values would indicate an asset of $62,000 if the contract were to be terminated.

(13) Commitments and Contingencies

The Company leases facilities and certain other machinery and equipment under various noncancelable operating leases expiring through June 2013. Future minimum lease payments as of July 31, 1999 are as follows:

Year ending July 31:	
2000	$ 30,263,000
2001	25,996,000
2002	18,653,000
2003	11,605,000
2004	12,197,000
Thereafter	51,761,000
	$ 150,475,000

Total rent and equipment lease expense charged to continuing operations was $16,284,000, $10,454,000 and $5,528,000 for the years ended July 31, 1999, 1998 and 1997, respectively.

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

NaviSite has provided letters of credit totaling $6.4 million as construction and lease security deposits for two facilities under construction. NaviSite is currently finalizing construction contracts in connection with those facilities and will be required, upon execution of the contract, to obtain a letter of credit in the amount of the remaining balance due under the contract, which is currently estimated to be less than $15 million.

(14) Redeemable Convertible Preferred Stock

On June 29, 1999, CMGI completed a $375 million private placement of 375,000 shares of newly issued Series C Redeemable Convertible Preferred Stock ("Series C Preferred Stock"). Each share of Series C Preferred Stock has a stated value of $1,000 per share. The Company will pay a semi-annual dividend of 2% per annum, in arrears, on June 30 and December 30 of each year at the Company's option, in cash or through an adjustment to the liquidation preference of the Series C Preferred Stock. Such adjustments, if any, will also increase the number of shares into which the Series C Preferred Stock is convertible into common stock. The Series C Preferred Stock is segregated into three separate tranches of 125,000 shares each. The shares in each tranche have identical rights and preferences to shares in other tranches except as to conversion price. The three tranches are convertible into common stock at prices of $91.43, $75.15 and $75.32 per share. The conversion price calculated for each tranche is also subject to adjustment for certain actions taken by the Company. The Series C Preferred Stock may be converted into common stock by the holders any time and automatically converts into common stock on June 30, 2002. The Series C Preferred Stock is redeemable at the option of the holders upon the occurrence of certain events.

On December 22, 1998, CMGI completed a $50 million private placement of 50,000 shares of newly issued Series B Redeemable Convertible Preferred Stock ("Series B Preferred Stock"). Each share of Series B Preferred Stock has a stated value of $1,000 per share, and accretes an incremental conversion premium at a rate of 4% per year. Subject to certain limitations, the Series B Preferred Stock plus accreted conversion premium may be converted into shares of the Company's common stock at a fixed price of $26 per common share for one year or until the earlier occurrence of certain specified events. Under certain circumstances, the Company has the option to redeem the Series B convertible preferred stock; and under certain circumstances the Company may be required to redeem the Series B Preferred Stock. After one year or the earlier occurrence of certain specified events, if the Series B Preferred Stock has not been redeemed, the conversion price is based upon a formula which is tied to the undiscounted market price of the Company's common stock. Subject to waiver by the Company, the maximum number of shares of the Company's common stock into which the Series B Preferred Stock may convert is 4,166,668. The Series B Preferred Stock automatically converts into common stock on December 22, 2000. The Series B Preferred Stock is redeemable at the option of the holders upon the occurrence of certain events. Preferred stockholders have preference over common stockholders in dividends and liquidation rights. In April 1999, 15,000 shares of Series B Preferred Stock, with a face amount of $15,000,000 and accumulated conversion premium of $184,000, were converted into 584,004 shares of the Company's common stock.

(15) Stockholders' Equity

On May 11, 1998, January 11, 1999 and May 27, 1999 the Company effected 2-for-1 common stock splits in the form of stock dividends. Accordingly, all data shown in the accompanying consolidated financial statements have been retroactively adjusted to reflect these events.

During the first and second quarters of fiscal 1997, the Company repurchased 800,000 shares of its common stock on the open market at an average cost of $1.23 per share, for a total of $984,000. The Company sold 3,763,816 shares of its common stock (the "CMGI Shares"), including the 800,000 treasury shares acquired in fiscal 1997, to Microsoft on January 31, 1997. The CMGI Shares purchased by Microsoft were priced at $1.8125 per share, with proceeds to CMGI totaling $6,821,917. Microsoft is subject to "stand still" provisions, whereby it is prohibited for a period of three years, without the consent of CMGI, (i) from increasing its ownership in CMGI above ten percent of CMGI's outstanding shares, (ii) from exercising any control or influence over CMGI, and (iii) from entering into any voting agreement with respect to its CMGI Shares.

On July 31, 1997, the Company distributed 603,000 shares of Lycos common stock, with a market value of $11,010,000 at the date of distribution, to the Company's stockholders as a dividend. The distribution resulted in a pre-tax gain of $8,413,000 in fiscal 1997 reflected as "Other gains, net" in the accompanying Consolidated Statements of Operations.

Pursuant to a stock purchase agreement entered into as of December 19, 1997, the Company sold 4,024,016 shares of its common stock to Intel Corporation (Intel). The CMGI shares sold to Intel were priced at $2.718 per share, with proceeds to CMGI totaling $10,937,000. Intel is subject to "stand still" provisions, whereby it is prohibited for a period of three years, without the consent of CMGI, (i) from increasing its ownership in CMGI above ten percent of CMGI's outstanding shares, (ii) from exercising any control or influence over CMGI, and (iii) from entering into any voting agreement with respect to its CMGI shares.

The Company sold 2,500,000 shares of its common stock to Sumitomo Corporation (Sumitomo) on February 27, 1998. The CMGI shares sold to Sumitomo were priced at $4.00 per share, with proceeds to CMGI totaling $10,000,000. Sumitomo is subject to "stand still" provisions, whereby it is prohibited for a period of three years, without the consent of CMGI, from (i) increasing its ownership in CMGI above ten percent of CMGI's outstanding shares, (ii) proposing or soliciting any person to propose a business combination with, or change of control of, CMGI, (iii) making, proposing or soliciting any person to propose a tender offer for CMGI stock, and (iv) entering into any voting agreement with respect to its CMGI shares.

Effect of subsidiaries' equity transactions in fiscal 1998 relate to the issuance by Blaxxun of common and preferred shares for total proceeds of $690,000, including $500,000 invested by the Company. As a result of the fiscal 1998 transactions, the Company's ownership in Blaxxun was reduced from 92% to 81%. An increase of $3.1 million, net of deferred income taxes, has been recorded in the accompanying Consolidated Statement of Stockholders' Equity to reflect the increase in the Company's net equity in Blaxxun as a result of this transaction.

Effect of subsidiaries' equity transactions during fiscal 1999 primarily related to equity transactions of NaviSite and Engage, prior to its initial public offering. During June 1999, NaviSite completed a private equity placement of approximately 2.1 million preferred shares at $7.40 per share, raising net proceeds to NaviSite of approximately $15.4 million. With this transaction, the Company's ownership in NaviSite was reduced from approximately 99% to 89%. An increase of $7.9 million, net of deferred income taxes, has been recorded in the accompanying Consolidated Statement of Stockholders' Equity to reflect the increase in the Company's net equity in NaviSite as a result of NaviSite's private placement. During April 1999, Engage acquired I/PRO for consideration which included the issuance of 1 million shares of Engage common stock and Engage stock options valued at a total of $10.2 million. As a result of the issuance, the Company's ownership in Engage was reduced from approximately 98% to 96%. An increase of $4.7 million, net of deferred income taxes, has been recorded in the accompanying Consolidated Statement of Stockholders' Equity to reflect the increase in the Company's net equity in Engage as a result of this transaction.

(16) Stock Option Plans

The Company has two stock option plans currently in effect: the 1986 Stock Option Plan (the "1986 Plan") and the 1995 Stock Option Plan For Non-Employee Directors (the "Directors' Plan"). Options under both plans are granted at fair market value on the date of the grant. Options granted under the 1986 Plan are generally exercisable in equal cumulative installments over a four-to-ten year period beginning one year after the date of grant. Options under the Directors' Plan become exercisable in five equal annual installments beginning immediately after each Annual Stockholders' Meeting following the date of grant. Outstanding options under both Plans at July 31, 1999 expire through 2009.

Under the 1986 Plan, non-qualified stock options or incentive stock options may be granted to the Company's or its subsidiaries' employees, as defined. The Board of Directors administers this plan, selects the individuals to whom options will be granted, and determines the number of shares and exercise price of each option. During fiscal 1999, the maximum number of the Company's common shares available under the 1986 Plan was increased from 18,000,000 shares to 28,000,000 shares. The number of shares reserved for issuance pursuant to the 1986 Plan is reduced by the number of shares issued under the Company's 1995 Employee Stock Purchase Plan (see note 17).

Pursuant to the Directors' Plan, 2,256,000 shares of the Company's common stock were initially reserved. Options for 376,000 shares are to be granted to each Director who is neither an officer or full time employee of the Company, nor an affiliate of an institutional investor which owns shares of common stock of the Company. Options were granted to existing Directors with five years of continuous service at the date the Plan was adopted, and are granted to subsequent Directors at the time of election to the Board.

The status of the plans during the three fiscal years ended July 31, 1999, was as follows:

	1999		1998		1997	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Options outstanding, beginning of year	8,909,516	$ 2.21	7,741,520	$ 0.95	8,174,864	$ 0.97
Granted	3,689,250	37.93	3,525,000	4.34	1,352,400	1.99
Exercised	(1,890,642)	3.10	(1,906,252)	1.22	(869,016)	1.05
Canceled	(293,578)	6.16	(450,752)	1.46	(916,728)	2.54
Options outstanding, end of year	10,414,546	$ 14.58	8,909,516	$ 2.21	7,741,520	$ 0.95
Options exercisable, end of year	2,996,548	$ 0.81	2,584,940	$ 0.62	2,959,088	$ 0.75
Options available for grant, end of year	10,467,886		3,918,088		7,125,120	

The following table summarizes information about the Company's stock options outstanding at July 31, 1999:

	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
$ 0.33 - $ 1.70	4,100,025	3.1 years	$ 0.52	2,632,653	$ 0.49
$ 1.91 - $ 4.45	2,159,046	3.1	2.58	349,570	2.69
$ 10.00 - $ 15.98	2,532,223	5.3	10.23	5,991	10.22
$ 16.50 - $ 28.63	382,002	4.4	16.78	8,334	16.50
$ 46.03 - $ 68.00	558,000	4.5	51.23	--	--
$ 75.44 - $ 118.97	100,250	4.8	101.98	--	--
$ 119.25 - $ 127.56	583,000	8.0	125.38	--	--
	10,414,546	4.1 years	$ 14.58	2,996,548	$ 0.81

SFAS No. 123, "Accounting for Stock-Based Compensation", sets forth a fair-value based method of recognizing stock-based compensation expense. As permitted by SFAS No. 123, the Company has elected to continue to apply APB No. 25 to account for its stock-based compensation plans. Had compensation cost for awards in fiscal 1998, 1997 and 1996 under the Company's stock-based compensation plans been determined based on the fair value method set forth under SFAS No. 123, the pro forma effect on the Company's net income (loss) and earnings (loss) per share would have been as follows:

	Years Ended July 31,		
	1999	1998	1997
Pro forma net income (loss)	$ 454,631,000	$ 28,604,000	$ (23,907,000)
Pro forma net income (loss) per share:			
Basic	$ 4.87	$ 0.34	$ (0.32)
Diluted	$ 4.40	$ 0.32	$ (0.32)

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,		
	1999	1998	1997
Volatility	97.3%	90.1%	66.7%
Risk-free interest rate	5.7%	5.5%	6.2%
Expected life of options (in years)	3.1	4.2	6.2

The weighted average fair value per share of options granted during fiscal 1999, 1998, and 1997 was $26.02, $2.93, and $1.27, respectively.

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

(17) Employee Stock Purchase Plan

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

At the beginning of each of the Company's fiscal quarters, commencing with February 1, 1995, employees 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 54,530, 66,392, and 46,076 shares of common stock of the Company under the Plan during fiscal 1999, 1998, and 1997, respectively.

(18) Income Taxes

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

	Years Ended July 31,		
	1999	1998	1997
Income from continuing operations	$ 325,402,000	$ 31,555,000	$ 2,034,000
Discontinued operations	37,240,000	3,240,000	(4,996,000)
Unrealized holding gain included in comprehensive income, but excluded from net income	215,835,000	--	593,000
Subsidiaries' equity transactions charged directly to stockholders' equity	4,538,000	1,297,000	125,000
Compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes charged directly to stockholders' equity	(43,202,000)	(3,114,000)	(277,000)
Total tax provision (benefit)	$ 539,813,000	$ 32,978,000	$ (2,521,000)

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

	Current	Deferred	Total
July 31, 1997:			
Federal	$ 724,000	$ (849,000)	$ (125,000)
State	2,181,000	(22,000)	2,159,000
	$ 2,905,000	$ (871,000)	$ 2,034,000
July 31, 1998:			
Federal	$ 17,229,000	$ 7,424,000	$ 24,653,000
State	10,120,000	(3,218,000)	6,902,000
	$ 27,349,000	$ 4,206,000	$ 31,555,000
July 31, 1999:			
Federal	$ 7,262,000	$ 237,980,000	$ 245,242,000
State	5,695,000	74,465,000	80,160,000
	$ 12,957,000	$ 312,445,000	$ 325,402,000

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, 1999			July 31, 1998		
	Current	Non-current	Total	Current	Non-current	Total
Deferred tax assets:						
Accruals and reserves	$ 10,765,000	$ --	$ 10,765,000	$ 3,322,000	$ --	$ 3,322,000
Tax basis in excess of financial basis of available-for-sale securities	16,554,000	--	16,554,000	740,000	--	740,000
Tax basis in excess of financial basis of investments in subsidiaries and affiliates	--	8,879,000	8,879,000	--	9,731,000	9,731,000
Net operating loss carryforwards of acquired subsidiaries	--	12,865,000	12,865,000	--	957,000	957,000
Other	--	--	--	22,000	1,361,000	1,383,000
Total gross deferred tax assets	27,319,000	21,744,000	49,063,000	4,084,000	12,049,000	16,133,000
Less: valuation allowance	(1,733,000)	(19,977,000)	(21,710,000)	(1,617,000)	(11,253,000)	(12,870,000)
Net deferred tax assets	25,586,000	1,767,000	27,353,000	2,467,000	796,000	3,263,000
Deferred tax liabilities:						
Financial basis in excess of tax basis of investments in subsidiaries and affiliates	--	(36,798,000)	(36,798,000)	--	(15,897,000)	(15,897,000)
Financial basis in excess of tax basis of available-for-sale securities	(533,934,000)	--	(533,934,000)	--	--	--
Differences in tax depreciation and amortization	--	(109,000)	(109,000)	--	(293,000)	(293,000)
Other	--	--	--	(102,000)	(142,000)	(244,000)
Total gross deferred tax liabilities	(533,934,000)	(36,907,000)	(570,841,000)	(102,000)	(16,332,000)	(16,434,000)
Net deferred tax asset (liability)	$ (508,348,000)	$(35,140,000)	(543,488,000)	$ 2,365,000	$ (15,536,000)	$(13,171,000)

Subsequently reported tax benefits relating to the valuation allowance for deferred tax assets as of July 31, 1999 and July 31, 1998 will be allocated as follows:

	July 31, 1999	July 31, 1998
Income tax benefit recognized in the Consolidated Statement of Operations	$ 8,173,000	$ 10,986,000
Goodwill and other intangible assets	13,537,000	1,704,000
Accumulated other comprehensive income	--	180,000
	$ 21,710,000	$ 12,870,000

The net change in the total valuation allowance for the year ended July 31, 1999 was an increase of $8,840,000. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely than not the Company will realize the benefits of these deductible differences, net of the existing valuation allowance at July 31, 1999.

The Company has net operating loss carryforwards for federal and state tax purposes of approximately $31.7 million and $18.9 million, respectively, attributable to the pre-acquisition periods of acquired companies. The federal net operating loss carryforwards will expire from 2009 through 2018 and the state net operating loss carryforwards will expire from 2001 through 2003. The tax benefits related to these net operating loss carryforwards, when and if realized, will be recorded as a decrease to goodwill and other non-current intangible assets. The utilization of these net operating loss carryforwards may be limited pursuant to Internal Revenue Code Section 382 as a result of prior ownership changes.

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,

	1999	1998	1997
Computed "expected" tax expense (benefit)	$ 262,236,000	$ 20,587,000	$ (4,480,000)
Increase (decrease) in income tax expense resulting from:			
Non-deductible goodwill amortization	5,316,000	859,000	294,000
Valuation allowance	(2,813,000)	2,465,000	4,903,000
Non-deductible in-process research and development charge related to acquisition of subsidiary	2,121,000	3,220,000	--
Utilization of research and development credits	--	(612,000)	--
State income taxes, net of federal benefit	52,104,000	4,486,000	1,403,000
Other	6,438,000	550,000	(86,000)
Actual income tax expense	$ 325,402,000	$ 31,555,000	$ 2,034,000

(19) Selected Quarterly Financial Information (unaudited)

The following table sets forth selected quarterly financial and stock price information for the years ended July 31, 1999 and 1998. 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 System ("NASDAQ/NMS") under the symbol CMGI. Included below are the high and low sales prices (adjusted for 2-for-1 stock splits effected on May 11, 1998, January 11, 1999 and May 27, 1999) during each quarterly period for the shares of common stock as reported by NASDAQ/NMS.

(in thousands, except per share data)

	Fiscal 1999 Quarter ended				Fiscal 1998 Quarter ended			
	Oct. 31	Jan. 31	Apr. 30	Jul. 31	Oct. 31	Jan. 31	Apr. 30	Jul. 31
Net revenues	$ 37,405	$ 38,972	$ 45,702	$ 53,587	$ 22,595	$ 15,230	$ 18,145	$ 25,946
Cost of revenues	35,625	37,123	44,216	51,945	13,675	14,275	17,230	27,770
Research and development expenses	5,353	5,239	5,053	6,833	6,047	4,513	3,849	4,814
In-process research and development expenses	--	--	4,500	1,561	--	875	9,250	200
Selling, general and administrative expenses	16,555	17,679	26,000	44,643	15,071	9,204	11,317	14,085
Operating loss	(20,128)	(21,069)	(34,067)	(51,395)	(12,198)	(13,637)	(23,501)	(20,923)
Interest income (expense), net	(509)	(417)	(210)	1,405	73	(420)	(202)	(321)
Non-operating gains, net	88,600	54,859	859	744,723	10,404	10,772	49,144	72,527
Equity in losses of affiliates	(3,359)	(6,189)	(3,553)	(2,636)	(1,529)	(2,987)	(4,247)	(4,108)
Minority interest	101	103	275	1,852	(28)	--	--	--
Income tax benefit (expense)	(26,316)	(14,138)	9,473	(294,421)	1,019	336	(13,125)	(19,785)
Income (loss) from continuing operations	38,389	13,149	(27,223)	399,528	(2,259)	(5,936)	8,069	27,390
Discontinued operations, net of income taxes	(131)	(148)	(527)	53,203	4,944	102	(147)	(259)
Net income (loss)	$ 38,258	$ 13,001	$ (27,750)	$ 452,731	$ 2,685	$ (5,834)	$ 7,922	$ 27,131
Market Price								
High	$ 22.50	$ 77.50	$ 165.00	$ 129.19	$ 3.56	$ 4.63	$ 13.44	$ 22.94
Low	$ 8.63	$ 14.53	$ 41.00	$ 71.50	$ 1.84	$ 2.39	$ 4.57	$ 8.31

(20) Subsequent Events

Subsequent to July 31, 1999, CMGI completed the acquisitions of AltaVista Company (AltaVista), Cha! Technologies Services, Inc. (Cha! Technologies), iAtlas Corporation (iAtlas) and Signatures Network and announced definitive agreements to acquire 1stUp.com, Activate.net Corporation (Activate.net), AdForce, Inc. (AdForce). AdKnowledge Inc. (AdKnowledge) and Flycast Communications Corporation (Flycast), subject to customary conditions, including target company shareholder approval and in the case of AdForce, AdKnowledge and Flycast, regulatory approval. These acquisitions will be accounted for using the purchase method, and the Company expects the majority of the purchase prices for the acquisitions will be allocated to intangible assets.

On August 18, 1999, the Company completed the purchase of 81.5% of AltaVista, from Compaq Computer Corporation (Compaq) for approximately $2.4 billion. Compaq retained the remaining 18.5% equity ownership in AltaVista. In return, Compaq received approximately 19 million CMGI common shares, CMGI preferred shares, which were converted into approximately 1.8 million CMGI common shares in October 1999, and a $220 million three-year note. AltaVista includes the assets and liabilities constituting the AltaVista Internet search service and also includes former Compaq subsidiaries Zip2 Corporation and Shopping.com.

On September 20, 1999, the Company signed a definitive agreement to acquire AdForce, a leading provider of centralized online advertising services, in a stock-for-stock merger valued at approximately $500 million. Under the terms of the agreement, CMGI will issue 0.262 CMGI shares for each share of AdForce held on the closing date of the transaction. Closing of the merger is subject to customary conditions, including regulatory approval and approval by AdForce shareholders. In addition, the Company will assume all AdForce stock options outstanding at the effective time of the merger. In connection with the merger, the Company and AdForce also entered into a Stock Option Agreement, whereby AdForce has granted CMGI an option to purchase up to 19.9% of the outstanding shares of AdForce common stock, which option may be exercised in the event that the merger agreement is terminated under certain circumstances.

On September 20, 1999, the Company announced it had signed a definitive agreement to acquire AdKnowledge, a leading provider of Web marketing management services focused entirely on the needs of online marketers and agencies, in an all stock transaction valued at approximately $193 million. Under the terms of the merger and contribution agreement, CMGI will initially acquire control of AdKnowledge through the issuance of approximately $170 million of CMGI common stock, followed by a contribution of AdKnowledge shares held by CMGI and AdKnowledge stockholders to Engage, in exchange for approximately $193 million of Engage common stock. The transaction is subject to customary conditions, including regulatory approval and shareholder approval of Engage and AdKnowledge.

On September 29, 1999, the Company signed a definitive agreement to acquire Flycast, a provider of web-based direct response advertising, in a stock-for-stock merger valued at approximately $700 million. Under the terms of the agreement, CMGI will issue 0.4738 CMGI shares for each share of Flycast outstanding immediately prior to the close of the transaction. In addition, the Company will assume all Flycast stock options outstanding at the effective time of the merger. Closing of the merger is subject to customary conditions, including regulatory approval and approval by Flycast shareholders. In connection with the merger, the Company and Flycast also entered into a Stock Option Agreement, whereby Flycast has granted the Company an option to purchase up to 19.9% of the outstanding shares of Flycast common stock, which option may be exercised in the event that the merger agreement is terminated under certain circumstances.

Also subsequent to year end, the Company acquired Cha! Technologies, iAtlas Corporation and Signatures Network and announced definitive agreements to acquire 1stUp.com and Activate.net for combined consideration of approximately $200 million in CMGI stock and commitments to fund a total of approximately $113 million in operating capital.

On September 23, 1999, the Company and Pacific Century CyberWorks Limited ("PCCW"), a company listed on The Stock Exchange of Hong Kong, entered into an agreement whereby the Company will issue US $350 million worth of its common stock to PCCW in exchange for US $350 million worth of shares of PCCW (based, in each case, on the closing price on September 3, 1999), subject to certain customary terms and conditions to closing including regulatory approval. The Company's ownership percentage of PCCW is expected to be approximately 6%. In addition, the Company and PCCW are in discussions to form a strategic relationship to jointly develop their Internet-related business activities in Asia, including the possible establishment of a venture for the development and application of Internet technologies within the Asian marketplace, and an agreement for co-investment with respect to Internet opportunities in the United States and Asia.

On October 20, 1999, the Board of Directors approved the 1999 Non-Employee Directors Stock Option Plan, which reserves 1 million shares of common stock available for future issuance under the plan.

On October 22, 1999, NaviSite completed its initial public offering at $14 per share, raising $71.6 million, net of underwriter's discounts and commissions. CMGI currently owns approximately 19.5 million shares of NaviSite common stock and will record a gain on issuance of stock by NaviSite in the first quarter of fiscal 2000.

Also during October 1999, the Company sold 1.64 million shares of its Yahoo! stock for total proceeds of approximately $290 million.

INDEPENDENT AUDITORS' REPORT

The Board of Directors
CMGI, Inc.:

We have audited the accompanying consolidated balance sheets of CMGI, Inc. and subsidiaries as of July 31, 1999 and 1998, 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, 1999. 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 generally accepted auditing standards. 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, 1999 and 1998, and the results of their operations and their cash flows for each of the years in the three-year period ended July 31, 1999, in conformity with generally accepted accounting principles.

/s/ KPMG LLP
KPMG LLP

Boston, Massachusetts
September 24, 1999, except for Note 20
which is as of October 29, 1999

EXHIBIT 21

Subsidiaries Of CMGI, Inc.
as of October 25, 1999

Name	Jurisdiction of Organization
CMGI, Inc.	DE
Activerse, Inc.	DE
ADSmart Corporation	DE
Alta Vista Company	DE
Shopping.com	CA
Zip2 Corporation	CA
Blaxxun Interactive, Inc.	DE
Blaxxun A.G.	Germany
Shopping.com Europe B .V	Netherlands
Cha! Technologies Services, Inc.	DE
1ClickBrands, LLC	DE
CMG Securities Corporation	MA
CMG@Ventures Capital Corporation	DE
CMG@Ventures I, LLC	DE
CMG@Ventures II, LLC	DE
CMG@Ventures III, LLC	DE
CMG@Ventures Securities Corporation	DE
CMG@Ventures, Inc.	DE
CMGI Solutions, Inc.	DE
CMGI Systems Corporation	DE
Engage Technologies, Inc.	DE
Engage Technologies Limited (UK)	Great Britain
Engage Technologies GmbH	Germany
IAtlas Corporation	DE
Icast Corporation	DE
Signatures SNI, Inc.	DE
Signatures Network, Inc.	DE
InSolutions, Incorporated	DE
Magnitude Network, Inc.	DE
Nascent Technologies, Inc.	VA
NaviNet, Inc.	DE
NaviSite, Inc.	DE
Servercast Communications, L.L.C.	DE
NetWright, L.L.C.	MA
On-Demand Solutions, Inc.	MA
Pacific Direct Marketing Corporation	CA
Planet Direct Corporation	DE
SalesLink Corporation	DE
ZineZone.com	DE

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

The Board of Directors
CMGI, Inc.:

We consent to incorporation by reference in the registration statements No. 33-86742 and No. 33-06745 on Form S-8 and No. 333-85047 and No. 333-71863 on Form S-3 of CMGI, Inc., of our report dated September 24, 1999, except for Note 20 which is as of October 29, 1999, relating to the consolidated balance sheets of CMGI, Inc. and subsidiaries as of July 31, 1999 and 1998, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years of the three-year period ended July 31, 1999, and our report dated September 24, 1999 relating to the consolidated financial statement schedule, which reports appear in the July 31, 1999 annual report on Form 10-K of CMGI, Inc.

/s/ KPMG LLP
KPMG LLP

Boston, Massachusetts
October 29, 1999

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS IN THE ANNUAL REPORT ON FORM 10-K OF CMGI, INC. FOR THE PERIOD ENDED JULY 31, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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12-MOS
JUL-31-1999
AUG-01-1998
JUL-31-1999
468,912
1,532,327
41,794
3,034
8,367
2,057,334
24,832
0
2,404,594
676,329
0
411,283
0
956
1,061,505
2,404,594
175,666
175,666
168,909
168,909
133,416
0
4,371
749,245
325,402
423,843
52,397
0
0
476,240
5.09
4.60