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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarter ended April 30, 2002

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

Commission File Number 000-23262

CMGI, INC.

(Exact name of registrant as specified in its charter)

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

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

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

Number of shares outstanding of the issuer's common stock, as of June 12, 2002:

Common Stock, par value $.01 per share	**392,449,546**
Class	**Number of shares outstanding**

CMGI, INC.

FORM 10-Q

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CMGI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	April 30, 2002	July 31, 2001
	(Unaudited) (in thousands, except share and per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 328,903	$ 710,704
Available-for-sale securities	26,170	110,134
Trading security	114,974	—
Accounts receivable, trade, net of allowance for doubtful accounts	62,988	111,593
Inventories	41,319	40,141
Prepaid expenses and other current assets	67,401	53,132
Total current assets	641,755	1,025,704
Property and equipment, net	135,049	209,554
Investments in affiliates	69,411	239,127
Goodwill and other intangible assets, net of accumulated amortization	271,718	464,867
Other assets	40,182	149,679
	$ 1,158,115	$ 2,088,931
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 114,974	$ 33,594
Current installments of long-term debt	736	6,213
Accounts payable	45,243	69,841
Accrued expenses	238,905	280,023
Other current liabilities	16,213	54,717
Total current liabilities	416,071	444,388
Long-term debt, less current installments	6,878	1,814
Deferred income taxes	—	20,795
Other long-term liabilities	7,121	19,097
Due to Hewlett-Packard Company and Hewlett-Packard Financial Services Corporation, net of $33,061 discount	21,939	220,000
Minority interest	100,774	186,440
Commitments and contingencies		
Preferred stock, $0.01 par value per share. Authorized 5,000,000 shares; issued 375,000 Series C convertible, redeemable preferred stock at July 31, 2001, dividend at 2% per annum; zero outstanding as of April 30, 2002 and 375,000 outstanding as of July 31, 2001; carried at liquidation value	—	390,640
Stockholders' equity:		
Common stock, $0.01 par value per share. Authorized 1,400,000,000 shares; issued and outstanding 392,174,370 shares at April 30, 2002 and 346,725,404 shares at July 31, 2001	3,921	3,467
Additional paid-in capital	7,289,976	7,138,132
Deferred compensation	—	(291)
Accumulated deficit	(6,690,347)	(6,353,233)
	603,550	788,075
Accumulated other comprehensive income	1,782	17,682
Total stockholders' equity	605,332	805,757
	$ 1,158,115	$ 2,088,931

See accompanying notes to interim unaudited condensed consolidated financial statements

CMGI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2002	2001	2002	2001
	(in thousands, except per share amounts)			
Net revenue	$ 187,385	$ 290,313	$ 599,842	$ 987,245
Operating expenses (benefit):				
Cost of revenue	169,444	261,224	530,299	900,749
Research and development	13,460	35,621	46,483	133,383
In-process research and development	—	—	—	1,462
Selling	34,987	82,691	113,978	333,334
General and administrative	38,429	64,999	122,395	224,491
Amortization of intangible assets and stock-based compensation	63,543	247,439	193,209	1,379,456
Impairment	(548)	609,491	47,353	2,678,063
Restructuring	1,721	18,526	13,951	127,398
Total operating expenses	321,036	1,319,991	1,067,668	5,778,336
Operating loss	(133,651)	(1,029,678)	(467,826)	(4,791,091)
Other income (expense):				
Interest income	2,492	12,517	12,361	44,432
Interest expense, net	(5,292)	(6,637)	(2,917)	(39,634)
Other gains (losses), net	(7,441)	(48,155)	(34,125)	72,271
Gains (losses) on issuance of stock by subsidiaries	—	(432)	—	122,438
Equity in losses of affiliates	(2,003)	(9,948)	(15,396)	(39,376)
Minority interest	5,683	53,564	37,594	393,323
	(6,561)	909	(2,483)	553,454
Loss before income taxes and extraordinary item	(140,212)	(1,028,769)	(470,309)	(4,237,637)
Income tax benefit	(15,000)	(42,130)	(2,421)	(76,760)
Loss before extraordinary item	(125,212)	(986,639)	(467,888)	(4,160,877)
Extraordinary item:				
Gain on extinguishment of notes payable to Hewlett-Packard Company	—	—	133,075	—
Net loss	$ (125,212)	$ (986,639)	$ (334,813)	$ (4,160,877)
Reconciliation of net loss to net loss available to common stockholders:				
Net loss	$ (125,212)	$ (986,639)	$ (334,813)	$ (4,160,877)
Preferred stock accretion	—	(1,829)	(2,301)	(5,609)
Gain on repurchase of Series C Convertible Preferred stock	—	—	63,505	—
Net loss available to common stockholders	$ (125,212)	$ (988,468)	$ (273,609)	$ (4,166,486)
Basic and diluted loss per share available to common stockholders:				
Loss available to common stockholders	$ (0.32)	$ (2.87)	$ (1.08)	$ (12.82)
Gain on extinguishment of notes payable to Hewlett-Packard Company	—	—	0.35	—
Net loss per share available to common stockholders	$ (0.32)	$ (2.87)	$ (0.73)	$ (12.82)
Shares used in computing basic and diluted loss per share	392,025	344,186	375,603	324,999

See accompanying notes to interim unaudited condensed consolidated financial statements

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CMGI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended April 30,	
	2002	2001
	(in thousands)	
Cash flows from operating activities:		
Net loss	$ (334,813)	$ (4,160,877)
Adjustments to reconcile net loss to net cash used for operating activities:		
Depreciation, amortization and impairment charges	317,450	4,158,361
Deferred income taxes	(2,421)	(77,537)
Non-operating gains, net	(124,991)	(194,709)
Equity in losses of affiliates	15,396	39,376
Minority interest	(37,594)	(393,323)
In-process research and development	—	1,462
Changes in operating assets and liabilities, excluding effects from acquired and divested companies:		
Trade accounts receivable	46,457	98,580
Prepaid expenses and other current assets	(13,314)	(30,777)
Accounts payable and accrued expenses	(106,159)	(37,459)
Deferred revenues	(6,272)	(10,138)
Refundable and accrued income taxes, net	28,145	(6,094)
Other assets and liabilities	(740)	6,532
Net cash used for operating activities	(218,856)	(606,603)
Cash flows from investing activities:		
Additions to property and equipment	(37,925)	(91,347)
Net proceeds from maturities of (purchases of) available-for-sale securities	22,366	20,971
Proceeds from liquidation of stock investments	20,851	954,453
Proceeds from sale of property and equipment	—	35,779
Investments in affiliates	1,662	(64,941)
Cash impact of acquisitions and divestitures of subsidiaries	61	(14,432)
Other	3,384	(240)
Net cash provided by investing activities	10,399	840,243
Cash flows from financing activities:		
Net repayments of obligations under capital leases	(22,429)	(40,476)
Net proceeds from (repayments of) notes payable	(75,000)	(2,082)
Net proceeds from (repayments of) long-term debt	23,281	(3,482)
Payment for retirement of Series C Convertible Preferred Stock	(100,301)	—
Net proceeds from issuance of common stock	1,012	16,955
Net proceeds from issuance of stock by subsidiaries	93	6,535
Other	—	(4,926)
Net cash used for financing activities	(173,344)	(27,476)
Net increase (decrease) in cash and cash equivalents	(381,801)	206,164
Cash and cash equivalents at beginning of period	710,704	639,666
Cash and cash equivalents at end of period	$ 328,903	$ 845,830

See accompanying notes to interim unaudited condensed consolidated financial statements

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

A. BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements have been prepared by CMGI, Inc. ("CMGI" or the "Company") in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments, consisting only of those of a normal recurring nature, necessary for a fair presentation of the Company's financial position, results of operations and cash flows at the dates and for the periods indicated. While the Company believes that the disclosures presented are adequate to make the information not misleading, these condensed consolidated financial statements should be read in conjunction with the audited financial statements and related notes for the year ended July 31, 2001 which are contained in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on October 29, 2001 (as amended on December 12, 2001). The results for the three- and nine-month periods ended April 30, 2002 are not necessarily indicative of the results to be expected for the full fiscal year. Certain prior year amounts in the condensed consolidated financial statements have been reclassified in accordance with US GAAP to conform to current year presentation.

Certain costs related to the purchase price of products sold, inbound and outbound shipping charges, packing supplies and other costs associated with marketplace business of the Company's eBusiness and Fulfillment segment are classified as cost of revenue. Certain fulfillment costs, including warehousing costs related to activities such as receiving goods and the picking and packing of goods for shipment within the Company's eBusiness and Fulfillment segment are classified as selling expenses. The Company's inventory balances principally consist of finished goods.

Marketable securities held by the Company which meet the criteria for classification as trading are carried at fair value. Unrealized holding gains and losses on securities classified as trading are recorded as a component of "Other gains (losses), net" in the accompanying condensed consolidated statements of operations.

B. NEW ACCOUNTING PRONOUNCEMENTS

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

The Company is required to adopt these statements for accounting for goodwill and other intangible assets beginning in the first quarter of fiscal year 2003. The impact on the financial statements of the adoption of the non-amortization provisions of the statement is indeterminable at April 30, 2002 as the Company intends to continue to perform an impairment analysis of the remaining goodwill and other intangible assets through the end of fiscal year 2002 under its existing policy. Upon adoption on August 1, 2002, the Company will perform the required impairment tests of goodwill and indefinite lived intangible assets under SFAS No. 142 and has not yet determined what effect these tests will have on the operations and financial position of the Company.

In June 2001, the FASB issued SFAS No. 143, "*Accounting for Asset Retirement Obligations*." This statement addresses the accounting treatment for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The provisions of the statement apply to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development, or

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

normal operation of a long-lived asset. The statement is effective for financial statements issued for fiscal years beginning after June 15, 2002. The Company has not completed its analysis of the impact of adopting SFAS No. 143, but does not expect this statement to have a material impact on its operations or financial position.

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

In November 2001, the Emerging Issues Task Force of the FASB issued as interpretive guidance Topic No. D-103, *"Income Statement Characterization of Reimbursements Received for 'Out-of-Pocket' Expenses Incurred"* ("Topic D-103"). Topic D-103 requires that reimbursements received for out-of-pocket expenses be classified as revenue on the statement of operations and was adopted by the Company at the beginning of the third quarter of fiscal 2002. This change in revenue classification impacts the Company's Enterprise Software and Services segment, resulting in an increase in both net revenue and cost of revenue of approximately $0.6 million, $0.4 million for the three months ended October 31, 2001 and January 31, 2002, respectively, and $1.1 million and $5.1 million for the three and nine months ended April 30, 2001, respectively. There was no impact on operating loss for any prior periods. Comparative financial statements for prior periods were reclassified to comply with this interpretive guidance.

C. OTHER GAINS (LOSSES), NET

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

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2002	2001	2002	2001
	(in thousands) (unaudited)			
Gain (loss) on sales of marketable securities	$ (798)	$ (116)	$ (31,801)	$ 263,475
Gain (loss) on derivative and sale of hedged Yahoo!, Inc. common stock	—	(1,493)	53,897	85,164
Gain on sale of investment in eGroups, Inc.	—	—	—	8,114
Loss on impairment of marketable securities	(474)	(322)	(2,182)	(149,108)
Loss on impairment of investments in affiliates	(6,374)	(26,078)	(33,390)	(29,640)
Loss on sale of Activate.Net Corporation, Inc.	—	—	(20,743)	—
Loss on sale of Raging Bull, Inc.	—	—	—	(95,896)
Loss on sale of Signatures SNI, Inc.	—	(18,499)	—	(18,499)
Gain on sale of NaviSite, Inc. streaming division	522	—	522	—
Gain on sale of real estate holding	—	—	—	19,801
Gain (loss) on mark-to-market adjustment for trading security	(2,865)	—	20	—
Other, net	2,548	(1,647)	(448)	(11,140)
	$ (7,441)	$ (48,155)	$ (34,125)	$ 72,271

During the nine months ended April 30, 2002, the Company sold marketable securities for total proceeds of approximately $20.6 million and recorded a net pre-tax loss of approximately $31.6 million on these sales. These

sales primarily consisted of approximately 7.1 million shares of Primedia, Inc. stock for proceeds of approximately $15.9 million, approximately 356,000 shares of MKTG Services Group, Inc. stock for total proceeds of approximately $1.1 million, approximately 3.7 million shares of divine, inc. (divine) stock for total proceeds of approximately $2.8 million and approximately 3.2 million shares of NexPrise, Inc. (NexPrise, formerly Ventro Corporation) stock for total proceeds of approximately $0.8 million.

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

During the nine months ended April 30, 2002, the Company recorded impairment charges of approximately $33.4 million for other-than-temporary declines in the carrying value of certain investments in affiliates. These charges were primarily associated with investments made by CMGI@Ventures IV, LLC.

In September 2001, the Company completed the sale of its majority-owned subsidiary, Activate.Net Corporation (Activate), to Loudeye Technologies, Inc. and recorded a pre-tax loss of approximately $20.7 million.

In March 2002, NaviSite, Inc. (NaviSite), a majority-owned subsidiary, completed the sale of its streaming division and recorded a pre-tax gain of approximately $0.5 million.

During the nine months ended April 30, 2001, the Company sold marketable securities for total proceeds of approximately $947.1 million and recorded a net pre-tax gain of approximately $263.5 million on these sales. These sales primarily consisted of approximately 8.4 million shares of Lycos, Inc. stock for proceeds of approximately $394.7 million, approximately 241.0 million shares of Pacific Century CyberWorks Limited (PCCW) stock for proceeds of approximately $190.2 million, approximately 3.7 million shares of Kana Software, Inc. stock for proceeds of approximately $137.6 million, approximately 6.8 million shares of Terra Networks, S.A. (Terra Networks) stock for proceeds of approximately $78.3 million and approximately 1.3 million shares of Critical Path, Inc. stock for proceeds of approximately $72.8 million.

During the nine months ended April 30, 2001, the Company settled the first and second tranche of its borrowing arrangement that hedged a portion of the Company's investment in Yahoo! stock. The Company recognized a pre-tax gain of approximately $85.2 million related to the settlement of the first and second tranche.

During the nine months ended April 30, 2001, the Company recorded approximately $149.1 million of impairment charges to reflect other-than-temporary impairment related to its available-for-sale securities. These charges primarily consisted of approximately $49.3 million, $38.7 million, $29.6 million and $25.4 million of impairment charges related to the Company's holdings of Hollywood Entertainment, MKTG Services, Inc., Netcentives, Inc., and divine, respectively.

In January 2001, AltaVista Company (AltaVista), a majority-owned subsidiary of the Company, sold its subsidiary, Raging Bull, Inc., and recorded a net pre-tax loss of approximately $95.9 million. Also, in December 2000, AltaVista recorded a pre-tax gain of approximately $19.8 million on the sale of a real estate holding.

D. GAINS ON ISSUANCE OF STOCK BY SUBSIDIARIES

During the nine months ended April 30, 2001, the Company recognized gains on issuance of stock by subsidiaries and affiliates primarily related to the issuance of approximately 14.9 million shares of common stock by Engage, Inc. (Engage), a majority-owned subsidiary of the Company, valued at approximately $225.7 million

in its acquisitions of Space Media Holdings Limited (Space) and MediaBridge Technologies, Inc. (MediaBridge). The Company's ownership interest in Engage decreased from approximately 86% to approximately 77% primarily as a result of these stock issuances. The Company provided for deferred income taxes resulting from the gains on issuance of stock by Engage.

E. IMPAIRMENT

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

During the first quarter of fiscal year 2002, the Company recorded impairment charges of approximately $36.6 million. These charges included impairment charges of $27.4 million and $6.5 million related to the purchase of certain leased equipment previously held under operating and capital leases by NaviSite and AltaVista, respectively (see Note L). The Company also recorded approximately $2.8 million related to impairment of customer base and workforce in place intangible assets at Tallán, Inc. (Tallán).

During the second quarter of fiscal year 2002, the Company recorded impairment charges totaling approximately $11.3 million. NaviSite recorded long-lived asset impairment charges of approximately $7.2 million related to: (1) the purchase of certain equipment in excess of fair market value that was previously held under operating leases; (2) the modification of payment terms of certain operating leases that resulted in above market capital leases; and (3) the identification of certain leased assets that will not provide future value and (4) the identification of obsolete equipment and software and for equipment no longer on hand. AltaVista recorded long-lived asset impairment charges totaling approximately $1.1 million related to an adjustment of a previously recorded impairment charge recorded by AltaVista as part of its agreement with Compaq Financial Services Corporation, (now Hewlett-Packard Financial Services Corporation, HPFS) to purchase certain equipment that it had previously leased under operating and capital lease agreements. Tallán recorded an impairment charge totaling approximately $0.6 million resulting from the carrying value of certain other intangible assets, specifically the workforce in place as of the acquisition date, exceeding their estimated fair value at January 31, 2002. The Company also recorded an impairment charge of approximately $2.3 million resulting from a write-off of certain assets which are no longer being utilized by the Company, primarily software and consulting fees capitalized in the development of software for internal use, computer equipment and furniture and fixtures, at the Company's headquarters.

During the third quarter of fiscal year 2002, the Company recorded a net reversal of accruals related to lease termination charges totaling approximately $0.5 million. During the quarter, the Company recorded an asset impairment charge of approximately $2.9 million related to leasehold improvements that were deemed impaired as a result of AltaVista's renegotiation of a real estate lease. Under the renegotiated terms, AltaVista reduced the amount of square footage under the lease and forfeited certain leasehold improvements that were located in the leased building. AltaVista deemed these forfeited leasehold improvements to be permanently impaired as the

leasehold improvements would not provide any future economic benefit to AltaVista. Additionally, Tallán recorded an impairment of long-lived assets charge of approximately $0.7 million resulting from the carrying value of certain other intangible assets, specifically the workforce in place and the customer list as of the acquisition date, exceeding their estimated fair value at April 30, 2002. These impairment charges were offset by an adjustment of a previously recorded accrual of approximately $4.0 million by NaviSite related to lease terminations for idle and active customer equipment held under operating leases in the first quarter of fiscal year 2002.

NaviSite is currently evaluating its business model and the manner in which it provides services. As a result of this evaluation, NaviSite may restructure its business, which could result in a change in its long-lived asset lives and may result in future impairment charges. The evaluation is in the preliminary stages and the outcome is uncertain at this point in time.

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

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

As a result of sequential declines in operating results, primarily due to the continued weak overall demand for on-line advertising and marketing services and changes in business strategies, management determined that the carrying value of goodwill and certain other intangible assets of Engage’s media business, Yesmail, Inc. (Yesmail), AdForce, and AltaVista should be adjusted. Accordingly, the Company recorded impairment charges of approximately $524.1 million, $350.6 million, $241.8 million and $862.6 million, respectively, totaling $1.98 billion during the second quarter of fiscal 2001 to adjust the carrying value of these intangible assets. Also during the second quarter of fiscal 2001, CMGI announced its decision to cease funding of ExchangePath, LLC (ExchangePath). In connection with this decision, management determined that the carrying value of certain intangible assets of ExchangePath, principally goodwill, were permanently impaired and recorded impairment charges in the quarter ended January 31, 2001 of approximately $5.7 million. The Company also recorded other

impairment charges during the second quarter of fiscal 2001 totaling approximately $13.8 million primarily related to certain intangible assets of Tallán.

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

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

F. RESTRUCTURING CHARGES

During the nine months ended April 30, 2002, the Company recorded net restructuring charges totaling approximately $14.0 million in accordance with Emerging Issues Task Force (EITF) Issue No. 94-3 and Staff Accounting Bulletin No. (SAB) 100.

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

During the first quarter of fiscal year 2002, Engage incurred approximately $12.5 million of restructuring charges, which were primarily a result of the closing of its on-line advertising operations and its implementation of a restructuring plan designed to reduce its corporate overhead costs through reductions in the size of its staff. The closing of the on-line advertising business resulted in severance costs resulting from the termination of approximately 232 employees and contract termination costs in connection with the costs to exit facility and equipment leases. Also during the first quarter of fiscal year 2002, AltaVista incurred restructuring charges of approximately $10.0 million, which were primarily a result of a change in its business strategy from an on-line advertising and portal-based business model to a search software business model. The restructuring charges were primarily related to severance costs in connection with a reduction in the workforce of approximately 120 persons, costs associated with the closing of its Irving, California office location, and the write-off of an information systems software package. In addition, MyWay incurred approximately $5.9 million in restructuring charges primarily related to the write-off of property and equipment, as well as the termination of customer and vendor contracts. Tallán incurred restructuring charges of approximately $4.0 million that primarily related to

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

severance costs associated with a reduction in the workforce of approximately 72 persons, as well as costs associated with the closing of five office locations. NaviPath, Inc. (NaviPath) incurred restructuring charges of approximately $3.1 million that primarily related to severance costs and legal and other professional fees incurred in connection with the cessation of its operations. The Company also recorded approximately $2.2 million primarily related to the write-off of property and equipment and costs incurred to exit facility leases in Europe.

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

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

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

During the third quarter of fiscal year 2002, the Company recorded approximately $4.8 million in restructuring expenses primarily related to AltaVista, MyWay and its corporate headquarters. AltaVista recorded restructuring charges of approximately $3.6 million primarily related to an adjustment of a previously recorded restructuring charge for vacant space in a facility resulting from AltaVista's decision to move from an on-line advertising and portal-based business model to a search software based business model. In the first quarter of fiscal year 2002, AltaVista recorded a restructuring charge for one year of rent related to space that was previously occupied by the portal business. As a result of the renegotiation of a real estate lease, the space that had been included in the original restructuring charge was forfeited. Therefore, during the third quarter of fiscal year 2002, AltaVista recorded a restructuring charge for the portion of the termination fee that related to the forfeited space. MyWay incurred restructuring expenses of $0.5 million primarily related to severance costs resulting from the termination of remaining employees. The restructuring charge incurred at the Company's headquarters of approximately $0.6 million primarily related to additional severance costs that were not estimable until the third quarter of fiscal year 2002 resulting from the termination of certain employees that had been notified as part of the Company's headcount reduction implemented during the second quarter of fiscal year 2002.

These restructuring charges recorded were partially offset by a reversal of approximately $2.5 million and $0.2 million at NaviSite and Engage, respectively. During the three months ended April 30, 2002, NaviSite and Engage settled certain vendor and customer contractual obligations for amounts less than originally anticipated and recorded a reversal of previously recorded restructuring expense.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following tables summarize the activity in the restructuring accrual included as a component of accrued expenses from July 31, 2001 through April 30, 2002:

	Employee Related Expenses	Contractual Obligations	Asset Impairments	Total
		(in thousands) (unaudited)		
Accrued restructuring balance at July 31, 2001	$ 4,168	$ 91,384	$ —	$ 95,552
Q1 Restructuring	5,916	13,621	18,589	38,126
Q2 Restructuring	1,140	235	662	2,037
Q3 Restructuring	918	3,456	400	4,774
Restructuring adjustments	—	(30,986)	—	(30,986)
Cash charges	(10,176)	(36,769)	—	(46,945)
Non-cash charges	—	(10,767)	(19,651)	(30,418)
Accrued restructuring balance at April 30, 2002	$ 1,966	$ 30,174	$ —	$ 32,140

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

The net restructuring charges (benefits) for the three and nine month periods ended April 30, 2002 and 2001 would have been allocated as follows had the Company recorded the expense and adjustment within the functional department of the restructured activities:

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2002	2001	2002	2001
		(in thousands) (unaudited)		
Cost of revenue	$ (2,440)	$ 439	$ (17,562)	$ 40,607
Research and development	(19)	779	3,404	13,737
Selling	261	5,407	8,907	26,327
General and administrative	3,919	11,901	19,202	46,727
	$ 1,721	$ 18,526	$ 13,951	$ 127,398

G. SEGMENT INFORMATION

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

The Company previously reported five operating segments: i) Interactive Marketing, ii) eBusiness and Fulfillment, iii) Search and Portals, iv) Infrastructure and Enabling Technologies, and v) Internet Professional Services. As a result of the cessation of operations, sale or other disposition of several subsidiaries and restructuring efforts at several of the remaining subsidiaries, the Company has realigned its operating segments and now reports three operating segments: i) Enterprise Software and Services (which consists of Engage, Yesmail, AltaVista, ProvisionSoft, Equilibrium Technologies, Inc. (Equilibrium) and Tallán) ii) eBusiness and Fulfillment (which consists of SalesLink Corporation (SalesLink), uBid, Inc. (uBid) and the historical results of Signatures SNI, Inc., until the sale of the Company's majority interest in February 2001), iii) Managed Application Services (which consists of NaviSite, and the historical results of NaviPath, ExchangePath and 1stUp

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

until the cessation of their operations in January 2002, January 2001 and December 2000, respectively, and Activate, until its sale in September 2001). The Other segment represents certain corporate marketing and administrative expenses and the Company's venture capital arm which invests in companies involved in various aspects of the Internet.

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

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

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2002	2001	2002	2001
	(in thousands) (unaudited)			
Net revenue:				
Enterprise Software and Services	$ 36,522	$ 88,612	$ 122,674	$ 350,236
eBusiness and Fulfillment	140,582	166,197	427,473	528,524
Managed Application Services	10,070	30,932	43,159	92,736
Portals (formerly Search and Portals)	211	4,572	6,536	15,749
Other	—	—	—	—
	$ 187,385	$ 290,313	$ 599,842	$ 987,245
Operating loss:				
Enterprise Software and Services	$ (68,279)	$ (833,802)	$ (223,201)	$ (4,097,664)
eBusiness and Fulfillment	(53,536)	(55,032)	(135,315)	(134,629)
Managed Application Services	(1,373)	(89,588)	(63,562)	(308,840)
Portals (formerly Search and Portals)	(95)	(26,911)	(6,391)	(179,750)
Other	(10,368)	(24,345)	(39,357)	(70,208)
	$ (133,651)	$ (1,029,678)	$ (467,826)	$ (4,791,091)
Pro forma operating income (loss):				
Enterprise Software and Services	$ (22,598)	$ (55,720)	$ (63,463)	$ (230,936)
eBusiness and Fulfillment	(20,690)	(3,610)	(37,424)	(10,008)
Managed Application Services	(3,032)	(47,648)	(34,899)	(188,170)
Portals (formerly Search and Portals)	353	(2,155)	60	(39,996)
Other	(8,497)	(22,557)	(29,246)	(65,473)
	$ (54,464)	$ (131,690)	$ (164,972)	$ (534,583)

H. EARNINGS PER SHARE

The Company calculates earnings per share in accordance with 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. Zero and approximately 6.9 million weighted average common stock equivalents and zero and approximately 9.7 million shares representing the weighted average effect of assumed conversion of convertible preferred stock were excluded from the denominator in the diluted loss per share calculation for the three months ended April 30, 2002 and 2001, respectively. Approximately 3.1 million and 9.2 million weighted average common stock equivalents and zero and approximately 9.6 million shares representing the weighted average effect of assumed conversion of convertible preferred stock were excluded from the denominator in the diluted loss per share calculation for the nine months ended April 30, 2002 and 2001, respectively.

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 for the three and nine months ended April 30, 2002 and 2001.

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

I. COMPREHENSIVE LOSS

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

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2002	2001	2002	2001
	(in thousands) (unaudited)			
Net loss	$ (125,212)	$ (986,639)	$ (334,813)	$ (4,160,877)
Net unrealized holding gain (loss) arising during period	(4,169)	(38,528)	(32,156)	(557,443)
Reclassification adjustment for realized loss in net loss	3,212	501	16,256	(17,090)
Comprehensive loss	$ (126,169)	$ (1,024,666)	$ (350,713)	$ (4,735,410)

J. CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS SUPPLEMENTAL INFORMATION

	Nine Months Ended April 30,	
	2002	2001
	(in thousands) (unaudited)	
Cash paid during the period for:		
Interest	$ 942	$ 5,296
Income taxes	$ 1,341	$ 16,794
Cash received during the period for:		
Federal income tax refund	$ 13,975	$ —

During the nine months ended April 30, 2002, significant non-cash investing activities included the following transactions:

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

In August 2001, the Company issued approximately 5.4 million shares of its common stock to Compaq Computer Corporation, (recently acquired by Hewlett-Packard Company (HP)), a significant stockholder of CMGI, as a semi-annual interest payment valued at approximately $11.5 million related to notes payable issued in the acquisition of AltaVista.

Effective August 1, 2001, the Company's subsidiary, NaviSite, restructured certain operating lease agreements with HPFS (see Note L).

In October 2001, the Company's affiliate, CMG@Ventures I, LLC distributed approximately 1.7 million shares of Terra Networks, S.A. stock to certain of its profit members. In November 2001, the Company's affiliates, CMG@Ventures I, LLC and CMG@Ventures II, LLC, distributed the following shares to certain of their respective profit members: approximately 1.2 million shares of Terra Networks stock, approximately

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

574,000 shares of Yahoo! common stock, approximately 257,000 shares of Vicinity Corporation common stock, approximately 178,000 shares of Kana Software, Inc. common stock, approximately 106,000 shares of NexPrise common stock, approximately 80,000 shares of Hollywood Entertainment common stock, approximately 66,000 shares of Critical Path, Inc. common stock, approximately 44,000 shares of Amazon.com, Inc. common stock, approximately 12,000 shares of PTEK Holdings, Inc. common stock and approximately 3,000 shares of MarchFirst, Inc. common stock. Certain portions of these distributions were made to David Wetherell, CMGI's Chairman and former Chief Executive Officer, in his capacity as a profit member of CMGI@Ventures I, LLC and CMG@Ventures II, LLC. These distributions resulted in a reduction in "Other assets" and "Minority interest" in the accompanying condensed consolidated balance sheets.

In November 2001, the Company retired its $220.0 million in face amounts of notes payable due to HP (see Note L).

Also in November 2001, the Company repurchased all of the outstanding shares of its Series C Convertible Preferred Stock (see Note M).

K. DERIVATIVE FINANCIAL INSTRUMENTS

In April 2000, the Company entered into a borrowing arrangement that hedged a portion of the Company's investment in common stock of Yahoo!. Under the terms of the contract, the Company agreed to deliver, at its discretion, either cash or Yahoo! common stock in three separate tranches, with maturity dates ranging from August 2000 to February 2001. The Company executed the first tranche in April 2000 and received approximately $106.4 million. The Company subsequently settled this tranche through the delivery of 581,499 shares of Yahoo! common stock in August 2000. In May 2000, the Company received approximately $68.5 million and $5.7 million upon the execution of the second and third tranches, respectively. The Company settled the second tranche for cash totaling approximately $33.6 million in October 2000. The Company settled the third tranche through the delivery of 47,684 shares of Yahoo! common stock in February 2001. In November 2000, the Company entered into a new agreement to hedge the Company's investment in 581,499 shares of Yahoo! common stock. The Company received approximately $31.5 million of cash in connection with this new agreement. Under the terms of the new contract, the Company delivered 581,499 shares of Yahoo! common stock on August 1, 2001, and recognized a pre-tax gain in the condensed consolidated statement of operations of approximately $53.9 million. The net gain is included in "Other gains (losses), net".

L. AGREEMENTS WITH HEWLETT-PACKARD COMPANY AND HEWLETT-PACKARD FINANCIAL SERVICES CORPORATION

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

Additionally, under the terms of these agreements, AltaVista agreed to purchase certain equipment that it had previously leased from HPFS under operating and capital lease agreements in exchange for a cash payment of $20.0 million. Based on an independent appraisal, the fair market value of the equipment was determined to be

$7.9 million. As the fair market value of the equipment was less than the sum of the cash payment and the carrying value of the equipment under capital lease agreements, net of the remaining obligations, AltaVista recorded an impairment charge on long-lived assets in fiscal year 2002 of approximately $7.6 million. On November 8, 2001, AltaVista completed and recorded the purchase of this equipment.

In November 2001, as part of the agreement with HPFS, NaviSite received $20.0 million in cash from HPFS in exchange for a six-year convertible note payable. This note, which also relates to the $35.0 million equipment purchase described above, bears interest at 12% and requires payment of interest only for the first three years from the date of issuance. A portion of the interest payable to HPFS in the first two years may be paid in NaviSite common stock. Principal and interest payments are due on a straight-line basis commencing in year four until maturity on the sixth anniversary from the issuance date. The convertible note payable is secured by substantially all assets of NaviSite and cannot be prepaid. The principal balance may be converted into NaviSite common stock at the option of the holder at any time prior to maturity at a conversion rate of $0.26 per share. The conversion rate of $0.26 results in beneficial conversion rights for HPFS. The intrinsic value of the beneficial conversion rights amounted to approximately $36.0 million which has been reflected as a reduction of the carrying value of the convertible notes payable and will be amortized into interest expense over the life of the notes. As of April 30, 2002, approximately $2.8 million has been amortized into interest expense. Should HPFS convert its note payable into NaviSite's common stock, HPFS would own a controlling interest in NaviSite.

In November 2001, as part of these agreements, HP agreed to deem the Company's $220.0 million in face amounts of notes payable, plus the accrued interest thereon, paid in full in exchange for $75.0 million in cash, approximately 4.5 million shares of CMGI common stock and CMGI's 49% ownership interest in its affiliate, B2E Solutions, LLC, of which HP had previously owned the remaining 51%. As a result, the Company recorded an extraordinary gain of approximately $133.1 million related to the extinguishment of the Company's $220.0 million in face amounts notes payable to HP. The gain was calculated as the difference between the carrying value of the notes payable plus accrued interest thereon, less the carrying value of the consideration exchanged. The carrying value of the consideration approximated fair market value at the date of the transaction.

M. RETIREMENT OF SERIES C CONVERTIBLE PREFERRED STOCK

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

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

As a result of this transaction, the Company recognized an increase in the stockholders' equity section of the accompanying condensed consolidated balance sheets of approximately $63.5 million. The gain was calculated

as the difference between the carrying value of the Series C Preferred Stock less the carrying value of the consideration exchanged at the date of the transaction. The carrying value of the consideration exchanged approximated fair market value at the date of the transaction. Additionally, the Company has reclassified its investment in PCCW shares from "Other assets" to "Trading security" and, in accordance with SFAS No. 115, recognized a pre-tax gain in the condensed consolidated statements of operations of approximately $19.6 million. The liability related to the obligation to deliver the PCCW stock is carried at market value and has been classified as a current note payable in the accompanying condensed consolidated balance sheets. Changes in market value of this note payable are recorded through "interest expense" and offset any changes in the market value of the PCCW stock, which are reflected in "Other gains (losses), net," resulting in no net impact to the accompanying condensed consolidated statements of operations.

N. CONTINGENCIES

In December 1999, Neil Braun, a former officer of iCAST Corporation, a wholly owned subsidiary of the Company ("iCAST"), filed a complaint in United States District Court, Southern District of New York naming the Company, iCAST and David S. Wetherell as defendants. In the complaint, Mr. Braun alleged breach of contract regarding his termination from iCAST and claimed that he was entitled to acceleration of options to purchase CMGI common stock and iCAST common stock, upon his termination, under contract and promissory estoppel principles. Mr. Braun also claimed that, under quantum meruit principles, he was entitled to lost compensation. Mr. Braun sought damages of approximately $50 million and requested specific performance of the acceleration and exercise of options. In August 2001, the Court (i) granted summary judgment dismissing Mr. Wetherell as a defendant and (ii) granted summary judgment, disposing of Mr. Braun's contract claim. In February 2002, the Court granted summary judgment disposing of Mr. Braun's promissory estoppel claim. Trial on the quantum meruit claim was held in March 2002 and the jury returned a verdict in favor of Mr. Braun and against the Company in the amount of $113,482.24. As to iCAST, the jury found that Mr. Braun had not proven his claim. The Company filed a motion for directed verdict, which motion sought to set aside the jury verdict against the Company. Such motion was denied. In May 2002, Mr. Braun appealed the verdict.

In August 2001, Jeffrey Black, a former employee of AltaVista Company, filed a complaint in Superior Court of the State of California (Santa Clara County) in his individual capacity as well as in his capacity as a trustee of two family trusts against the Company and AltaVista alleging certain claims arising out of the termination of Mr. Black's employment with AltaVista. As set forth in the complaint, Mr. Black is seeking monetary damages in excess of $70 million. The Company and AltaVista each believes that these claims are without merit and plans to vigorously defend against these claims. In March 2002, the court ordered the case to arbitration in California. In June 2002, Mr. Black appealed such order.

On February 26, 2002, a purported class action lawsuit was filed in the Court of Chancery of the State of Delaware against the Company, Engage and the individual members of the Board of Directors of Engage (David S. Wetherell, George A. McMillan, Christopher M. Cuddy, Edward M. Bennett and Peter J. Rice). The complaint alleges, among other things, breaches of fiduciary duties by the Company and the individual defendants, and violations of Delaware law. The complaint requests, among other things, that the court (i) enjoin Engage from effecting a proposed reverse stock split, (ii) enjoin the issuance of shares of Engage common stock to the Company upon conversion of promissory notes previously issued by Engage to the Company, (iii) award rescissory relief if the reverse stock split and stock issuances are consummated, and (iv) award the plaintiff compensatory damages, attorneys' fees and expenses. On February 28, 2002, the Delaware Court of Chancery denied a request by the plaintiffs for the scheduling of a preliminary injunction hearing, and denied a request to allow expedited discovery in the lawsuit. In May 2002, the plaintiffs filed an amended complaint. In addition to

the requests stated in the original complaint, the amended complaint requests that the court (i) enjoin a merger as to which the Company had extended an offer but has not reached a definitive agreement by and among the Company, a wholly owned subsidiary of the Company and Engage (the "Merger"), and (ii) declare the Merger not to be entirely fair to the plaintiffs. The Company and Engage each believes that these claims are without merit and plans to vigorously defend against these claims.

On May 21, 2002, a purported class action lawsuit was filed with the Court of Chancery of the State of Delaware against the Company, Engage and the individual members of the Board of Directors of Engage (David S. Wetherell, George A. McMillan, Christopher M. Cuddy, Edward M. Bennett and Peter J. Rice). The complaint alleges, among other things, breaches of fiduciary duties. The complaint requests, among other things, that the Court (i) enjoin, preliminarily and permanently, the Merger, (ii) rescind the Merger (in the event it is consummated) or grant the plaintiffs rescissory damages, (iii) direct that the defendants account to plaintiffs for all damages caused to the plaintiffs and any special benefits obtained as a result of alleged unlawful conduct, and (iv) award the plaintiffs the costs and disbursements (including attorneys' fees) relating to this action. The Company and Engage each believes that these claims are without merit and plans to vigorously defend against these claims.

On May 21, 2002, another purported class action lawsuit was filed with the Court of Chancery of the State of Delaware against the Company, Engage and Robert W. Bartlett, Jr., Edward A. Bennett, Christopher M. Cuddy, George A. McMillan, Peter M. Rice, David S. Wetherell and Andrew J. Zimmon (officers and directors of Engage). The complaint alleges, among other things, breaches of fiduciary duties. The complaint requests, among other things, that the Court (i) enjoin, preliminarily and permanently, the Merger, (ii) rescind the Merger (in the event it is consummated) or grant the plaintiffs rescissory damages, (iii) direct that the defendants account to plaintiffs for all profits and any special benefits obtained as a result of alleged unlawful conduct, and (iv) award the plaintiffs the costs and disbursements (including attorneys' and experts' fees) relating to this action. The Company and Engage each believes that these claims are without merit and plans to vigorously defend against these claims.

The Company is also subject to a number of actions brought by former employees as well as other disputes that arise in the ordinary course of business.

Although the Company believes that, as to each of these actions, the cases have no merit, and that the ultimate resolution of these disputes will not have a material adverse impact on its financial position, results of operations, or cash flows, any adverse trial or jury verdicts could result in a material loss to the Company. The costs and other effects of pending or future litigation, claims, settlements, and judgments, and changes in those matters, could have a material adverse effect on the Company's business, financial condition and operating results. At this time, the Company is unable to predict the outcomes of the litigation and cannot reasonably estimate a range of possible loss given the current status of the cases.

O. SUBSEQUENT EVENT

On May 21, 2002, CMGI announced that its Board of Directors had approved a proposal to acquire all of the outstanding publicly held shares of Engage, Inc. Under the proposal, each publicly held share of Engage would be exchanged for .2286 of a share of CMGI common stock pursuant to a merger among Engage, CMGI and a wholly-owned subsidiary of CMGI. The merger would be subject to, among other things, negotiation and execution of a definitive merger agreement. CMGI currently holds approximately 148 million shares of common stock of Engage (excluding shares issuable upon conversion of notes held by CMGI), which represents approximately 75.5% of Engage's outstanding shares.

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

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

Basis of Presentation

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

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

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

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Three months ended April 30, 2002 compared to three months ended April 30, 2001

Net Revenue:

	Three Months Ended April 30, 2002	As a % of Total Net Revenue	Three Months Ended April 30, 2001	As a % of Total Net Revenue	$ Change	% Change
			($ in thousands)			
Enterprise Software and Services	$ 36,522	20 %	$ 88,612	30 %	$ (52,090)	(59)%
eBusiness and Fulfillment	140,582	75%	166,197	57 %	(25,615)	(15)%
Managed Application Services	10,070	5%	30,932	11 %	(20,862)	(67)%
Portals	211	0%	4,572	2 %	(4,361)	(95)%
Other	—	—	—	—	—	—
Total	$ 187,385	100 %	$ 290,313	100 %	$(102,928)	(35)%

The decrease in net revenue for the three months ended April 30, 2002 as compared to the same period of the prior year was primarily a result of a decrease in net revenue at existing companies during the third quarter of fiscal year 2002 and to a lesser extent the effects of the sale or cessation of operations of several companies in fiscal 2001 and 2002.

The decrease in net revenue within the Enterprise Software and Services segment was primarily due to significant decreases at Engage, AltaVista and Tallán. The decrease in net revenue at Engage was primarily due to the continued softness in the on-line advertising market that led to the decision by Engage to exit its on-line advertising business during the first quarter of fiscal year 2002. Engage also experienced a 56% decrease in service revenue as compared to the third quarter of fiscal 2001 caused mostly by the loss of net revenue from two large consulting projects that were completed and not replaced by similar projects in fiscal 2002. The decrease in net revenue at AltaVista was due to continued softness in the on-line advertising market and a slight decrease in its internet search software business due to lower technology spending in the marketplace. During the second half of fiscal 2001, AltaVista made changes in its business strategy from an on-line advertising and portal-based business model to a search software business model. The decrease in net revenue at Tallán was due to continued softness in the custom programming segment of information technology services. The decline in the custom programming segment of information technology service resulted in decreases of 12% and 58% in rates and billed hours, respectively at Tallán, as compared to the same period in the prior year, as well as a reduction in scope of a number of projects prior to the beginning of fiscal year 2002.

The decrease in net revenue within the eBusiness and Fulfillment segment was primarily the result of decreased net revenue at SalesLink and uBid. Net revenue at SalesLink declined as a result of the decline in volume from two significant customers of its supply chain management line of business, a loss of two customers of its literature distribution line of business and overall volume decreases from existing customers due to declines in market conditions. Net revenue at uBid decreased primarily as a result of management's strategic decision to reduce the number and type of products sold in an effort to begin emphasizing the sale of higher margin inventory. In addition, uBid experienced a shift in the mix of its bidding volume from its business to consumer auctions, under which uBid records gross revenue, to its consumer to consumer auctions, under which uBid records a percentage of the transaction. Net revenue at uBid also decreased as a result of a $4.2 million adjustment to decrease net revenue in the quarter ended April 30, 2002. The adjustment is the result of more timely processing a credit backlog.

The decrease in net revenue within the Managed Application Services segment was primarily due to a decrease in net revenue at NaviSite due primarily to an approximately 51% decrease in its customer base as compared to the same period in the prior year and to the cessation of operations at NaviPath.

The decrease in net revenue within the Portals segment was primarily due to the cessation of operations of MyWay during the second quarter of fiscal year 2002.

The Company expects consolidated net revenue to decrease in the next quarter primarily as a result of increased emphasis on the sale of higher margin inventory within the eBusiness and fulfillment segment and continued poor market conditions within the segments the Company operates.

Cost of Revenue:

	Three Months Ended April 30, 2002	As a % of Segment Net Revenue	Three Months Ended April 30, 2001	As a % of Segment Net Revenue	$ Change	% Change
			($ in thousands)			
Enterprise Software and Services	$ 19,062	52 %	$ 55,119	62 %	$ (36,057)	(65)%
eBusiness and Fulfillment	138,755	99 %	147,676	89 %	(8,921)	(6)%
Managed Application Services	11,668	116 %	54,304	176 %	(42,636)	(79)%
Portals	(41)	(19)%	4,125	90 %	(4,166)	(101)%
Total	$ 169,444	90 %	$ 261,224	90 %	$ (91,780)	(35)%

Cost of revenue consisted primarily of expenses related to the cost of products purchased for sale or distribution. Additionally, cost of revenue included expenses related to the content, connectivity and production associated with delivering the Company's products and services. The Company's cost of revenue as a percentage of net revenue remained relatively flat for the quarter ended April 30, 2002 as compared to the same period of the prior fiscal year, reflecting a shift in focus from lower margin on-line advertising business models to higher margin software business models at Engage and AltaVista, the sale of Activate and the effects of the cessation of operations of NaviPath and MyWay during fiscal 2002, offset by increased costs at uBid in fiscal 2002.

Cost of revenue as a percentage of net revenue within the Enterprise Software and Services segment decreased to approximately 52% for the quarter ended April 30, 2002 from approximately 62% in the same period of the prior year primarily due to lower costs at Engage as a result of its decision to cease operations of its lower margin on-line advertising business and to focus on its higher margin software business and by the shift in business strategy at AltaVista from an on-line advertising and portal-based business model to a search software business model. Additionally, equipment costs at AltaVista decreased by approximately $3.1 million versus the same period of the prior year as a result of AltaVista's agreement with Compaq Financial Services Corporation, now Hewlett Packard Financial Services Corporation (HPFS) in the first quarter of fiscal 2002 to purchase certain equipment it had previously leased. Also, AltaVista's ad serving fees decreased by approximately $1.7 million as a result of the renegotiation of a significant contract between AltaVista and a third party ad serving vendor during the second half of fiscal year 2001. Due to the nature of its business, Tallán's costs of revenue vary according to its net revenue and thus the significant decrease in net revenue during the quarter ended April 30, 2002 also resulted in a significant decrease in cost of revenue at Tallán.

Cost of revenue as a percentage of net revenue within the eBusiness and Fulfillment segment increased to approximately 99% from approximately 89% in the same period of the prior year primarily due to systems issues related to the implementation of a new order management system at uBid. The increase in cost of revenue as a percentage of net revenue at uBid is primarily a result of higher inventory and inventory-related costs due largely to technical difficulties encountered during the conversion to a new order management system and a new warehouse facility and as a result of approximately $1.0 million of additional reserves recorded for excess and obsolete inventory. Cost of revenue as a percentage of net revenue remained relatively flat at SalesLink reflecting lower sales volume in the supply chain management and literature distribution lines of businesses and a reduction of headcount, partially offset by increases in depreciation from newly acquired equipment.

Cost of revenue as a percentage of net revenue within the Managed Application Services segment decreased to approximately 116% from approximately 176% in the same period of the prior year, primarily as a result of the cessation of operations at NaviPath, the sale of Activate and reduced costs at NaviSite. The reduced costs at

NaviSite were a result of lower labor costs realized through increased efficiencies and headcount reductions, reduced equipment expenses resulting from the restructuring of certain operating leases with HPFS and other lessors and NaviSite's sale of its streaming division in March 2002.

The decrease within the Portals segment was primarily due to the cessation of operations of MyWay.

The Company expects consolidated cost of revenue as a percentage of net revenue to decrease in future periods primarily as a result of the focus on higher margin products within the Enterprise Software and Services segment, the realization of the economic benefits of the new order management and warehouse systems at uBid and reduced inventory costs to be provided by uBid's equipment refurbishment center.

Research and Development Expenses:

	Three Months Ended April 30, 2002	As a % of Segment Net Revenue	Three Months Ended April 30, 2001	As a % of Segment Net Revenue	$ Change	% Change
			($ in thousands)			
Enterprise Software and Services	$ 12,457	34 %	$ 28,846	33 %	$ (16,389)	(57)%
Managed Application Services	1,003	10 %	5,377	17 %	(4,374)	(81)%
Portals	—	—	1,398	31 %	(1,398)	(100)%
Total	$ 13,460	7 %	$ 35,621	12 %	$ (22,161)	(62)%

Research and development expenses consisted primarily of personnel and related costs to design, develop, enhance, test and deploy the Company's products and services either prior to the development efforts reaching technological feasibility or once the product had reached the maintenance phase of its life cycle. Research and development expenses decreased primarily due to the shift in business focus at Engage and AltaVista and the cessation of operations at NaviPath, MyWay and ProvisionSoft's subsidiary, AdForce, the sale of a division of NaviSite and the sale of Activate.

The decrease within the Enterprise Software and Services segment was primarily the result of a reduction of headcount-related costs at Engage and management's restructuring initiatives at AltaVista. The decrease at Engage was primarily the result of a reduction in headcount expenses and to a lesser extent decreases in outside consulting costs related to software development costs and software licensing fees. The decrease at AltaVista was primarily related to a reduction of headcount related expenses and facilities and equipment costs resulting from scaled back development efforts of the AltaVista portal site in connection with the change from an on-line advertising and portal-based business model to a search software business model.

The decrease within the Managed Application Services segment was primarily the result of the cessation of operations at NaviPath, the sale of Activate and reduced costs at NaviSite. The reduced costs at NaviSite were primarily related to the sale of NaviSite's streaming division and a decrease in certain costs within its remaining operations associated with headcount reductions, the restructuring of certain equipment leases and a reduction in the use of outside consultants.

The decrease within the Portals segment was primarily due to the cessation of operations of MyWay.

The Company recognizes that an investment in research and development is required to remain competitive, therefore consolidated research and development expenses may increase in future periods due to the continued development of its products and services.

Selling Expenses:

	Three Months Ended April 30, 2002	As a % of Segment Net Revenue	Three Months Ended April 30, 2001	As a % of Segment Net Revenue	$ Change	% Change
			($ in thousands)			
Enterprise Software and Services	$ 18,165	50 %	$ 51,009	58 %	$ (32,844)	(64)%
eBusiness and Fulfillment	14,032	10 %	14,317	9 %	(285)	(2)%
Managed Application Services	2,730	27 %	11,393	37 %	(8,663)	(76)%
Portals	(97)	(46)%	922	20 %	(1,019)	(111)%
Other	157	—	5,050	—	(4,893)	(97)%
Total	$ 34,987	19 %	$ 82,691	28 %	$ (47,704)	(58)%

Selling expenses consisted primarily of advertising and other general marketing related expenses, compensation and employee-related expenses, sales commissions, facilities costs, credit card processing fees, tradeshow expenses and travel costs. Certain fulfillment costs, including warehousing costs related to activities such as receiving goods and the picking and packing of goods for shipment within the Company's eBusiness and Fulfillment segment, are classified as selling expenses. Selling expenses decreased during the three months ended April 30, 2002 as compared to the same period of the prior year primarily due to headcount reductions, lower sales commissions as a result of lower net revenue, a reduction of marketing campaigns, the cessation of the operations of AdForce and NaviPath, the closing of Engage's on-line advertising business, the sale of a division of NaviSite and the sale of Activate.

The decrease within the Enterprise Software and Services segment was primarily due to a decrease at Engage related to a decrease in headcount and associated sales commissions, decreased costs associated with advertising and direct mailing initiatives and reductions in travel, consulting, market research and trade show expenses for its remaining operations. The decrease in the segment is also due to a decrease in headcount and a reduction in scope of certain sales and marketing campaigns at AltaVista and Equilibrium.

Selling expenses within the eBusiness and Fulfillment segment decreased slightly as a result of a slight decrease in headcount at SalesLink, partially offset by increased credit card fees and warehousing and fulfillment costs at uBid.

The decrease in the Managed Application Services segment was primarily the result of a decrease in headcount and associated sales commissions and a reduction in the scope of certain marketing, advertising and product literature programs at NaviSite. Additionally, the decrease resulted from the sale of NaviSite's streaming division, the cessation of the operations of NaviPath and the sale of Activate during fiscal year 2002.

The decrease in the Portals segment was primarily the result of the cessation of the operations of MyWay.

The decrease in Other expenses was primarily the result of a reduction in corporate marketing department headcount and other costs associated with the reduction in scope of certain corporate marketing programs at the Company's headquarters.

The Company recognizes that an investment in the marketing of its products and services is required to remain competitive; therefore consolidated selling expenses may increase in future periods as the Company continues to create increased brand awareness of both its existing and new products and services, such as the Company's purchase of the naming rights for the New England Patriots new football stadium known as CMGI Field.

General and Administrative Expenses:

	Three Months Ended April 30, 2002	As a % of Segment Net Revenue	Three Months Ended April 30, 2001	As a % of Segment Net Revenue	$ Change	% Change
			($ in thousands)			
Enterprise Software and Services	$ 15,356	42 %	$ 21,691	24 %	$ (6,335)	(29)%
eBusiness and Fulfillment	10,928	8 %	9,398	6 %	1,530	16 %
Managed Application Services	2,656	26 %	13,900	45 %	(11,244)	(81)%
Portals	—	—	770	17 %	(770)	(100)%
Other	9,489	—	19,240	—	(9,751)	(51)%
Total	$ 38,429	21 %	$ 64,999	22 %	$(26,570)	(41)%

General and administrative expenses consist primarily of compensation and related costs, facilities costs, bad debt expense and fees for professional services. General and administrative expenses decreased during the three months ended April 30, 2002 as compared to the same period in the prior year primarily due to headcount reductions, the consolidation of office space, reduced information systems costs, the cessation of the operations of AdForce and NaviPath, the closing of the on-line advertising operations of Engage, the sale of a division of NaviSite and the sale of Activate, partially offset by a charge recorded by AltaVista as a result of the renegotiation of a real estate lease and a charge recorded by Engage related to future lease costs for certain facilities that are no longer occupied by Engage.

The decrease in the Enterprise Software and Services segment was primarily the result of the cessation of operations at AdForce and reduced costs at Engage and AltaVista. The decrease at Engage primarily related to decreased headcount-related expenses, decreased franchise taxes and decreased bad debt expense, partially offset by a charge of approximately $2.6 million related to future lease costs for certain facilities no longer occupied by Engage. This charge represents the total future lease costs under the facility lease, less estimated proceeds from possible subleasing arrangements that Engage anticipates entering into in future periods. The decrease at AltaVista reflects a decrease in professional fees and a decrease in headcount resulting from restructuring initiatives in fiscal 2001 and 2002, partially offset by a charge related to the renegotiation of the terms of a real estate lease. Under the renegotiated terms, AltaVista paid approximately $7.4 million in cash, proceeds from a letter of credit, available-for-sale securities and AltaVista warrants to the landlord. Of the $7.4 million fee, $4.7 million has been classified as general and administrative expense as it represents office space that AltaVista will retain and continue to use at a lower cost per square foot than the original lease. Therefore, the charge represents the excess of the lease costs above the current fair market value. In exchange for the fee, AltaVista's future commitment under the lease for both the square footage and the cost per square foot were reduced. AltaVista recorded the remaining $2.7 million of the termination fee as an adjustment to a previously recorded restructuring charge related to vacant space in the facility. The original restructuring charge resulted from AltaVista's decision to move from an on-line advertising and portal based business model to a search software based business model.

The increase in the eBusiness and Fulfillment segment was primarily result of the increased professional fees at uBid and SalesLink and increased IT headcount-related expenses at uBid.

The decrease in the Managed Application Services segment was primarily due to the cessation of operations at NaviPath, the sale of Activate, reduced headcount related expenses and reduced bad debt expense at NaviSite resulting from restructuring initiatives in fiscal 2002 and the sale of NaviSite's streaming division.

The decrease in the Portals segment was primarily the result of the cessation of the operations of MyWay.

The decrease in the Other expenses, which includes certain corporate administrative functions such as legal, finance and business development, was primarily the result of a decrease in headcount-related costs as part of an overall effort to reduce spending across all Corporate administrative functions as well as reduced professional fees and facility related costs.

The Company anticipates consolidated general and administrative expenses to decrease as the Company and its subsidiaries begin to realize the economic impact of the significant restructuring initiatives completed over the past several quarters and due to management's continued focus on cost containment and reduction.

Amortization of Intangible Assets and Stock-Based Compensation:

	Three Months Ended April 30, 2002	As a % of Segment Net Revenue	Three Months Ended April 30, 2001	As a % of Segment Net Revenue	$ Change	% Change
			($ in thousands)			
Enterprise Software and Services	$ 33,018	90 %	$ 168,263	190 %	$(135,245)	(80)%
eBusiness and Fulfillment	30,403	22 %	49,838	30 %	(19,435)	(39)%
Managed Application Services	67	1 %	5,168	17%	(5,101)	(99)%
Portals	—	—	24,115	527 %	(24,115)	(100)%
Other	55	—	55	—	—	0%
Total	$ 63,543	34 %	$ 247,439	85 %	$(183,896)	(74)%

Amortization of intangible assets and stock-based compensation consisted primarily of amortization expense related to goodwill and other intangible assets generated by acquisitions made during fiscal year 2000. Included within amortization of intangible assets and stock-based compensation was approximately $0.4 million and $23.5 million of stock-based compensation for the three months ended April 30, 2002 and 2001, respectively. The overall decrease in amortization of intangible assets was primarily the result of intangible asset impairment charges recorded during fiscal 2001. These impairment charges reduced the carrying amounts of goodwill and other intangible assets to be amortized over their remaining useful lives.

The decrease in the Enterprise Software and Services segment primarily resulted from impairment charges recorded during fiscal year 2001 related to certain intangible assets of Engage's media business, AltaVista, AdForce and Tallán.

The decrease in the eBusiness and Fulfillment segment primarily resulted from a decrease in the amortization of stock-based compensation as a result of the sale of the Company's majority interest in Signatures.

The decrease in the Managed Application Services segment primarily resulted from impairment charges recorded during fiscal year 2001 related to the sale of Activate.

The decrease in the Portals segment primarily resulted from impairment charges recorded during fiscal year 2001 related to certain intangible assets of MyWay.

The Company anticipates that the amortization of intangible assets and stock-based compensation will remain relatively constant through July 31, 2002, at which time the Company expects to adopt Statement of Financial Accounting Standards (SFAS) Nos. 141 and 142. In accordance with these statements, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to periodic impairment tests. Other intangible assets will continue to be amortized over their useful lives. The impact on the financial statements of the adoption of the non-amortization provisions of this statement is indeterminable at April 30, 2002 as the Company intends to continue to perform an impairment analysis of the remaining goodwill and other intangible assets through the end of fiscal year 2002 under its existing policy. Upon adoption on

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August 1, 2002, the Company will perform the required impairment tests of goodwill and indefinite lived intangible assets under SFAS 142 and has not yet determined what effect these tests will have on the operations and financial position of the Company.

Impairment:

	Three Months Ended April 30, 2002	As a % of Segment Net Revenue	Three Months Ended April 30, 2001	As a % of Segment Net Revenue	$ Change	% Change
			($ in thousands)			
Enterprise Software and Services	$ 3,619	10%	$ 579,113	654%	$(575,494)	(99)%
Managed Application Services	(3,986)	(40)%	30,378	98%	(34,364)	(113)%
Other	(181)	—	—	—	(181)	100%
Total	$ (548)	0%	$ 609,491	210%	$(610,039)	(100)%

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

The impairment charge recorded during the three months ended April 30, 2002 within the Enterprise Software and Services segment primarily reflects an asset impairment charge of approximately $2.9 million related leasehold improvements that were deemed impaired as a result of AltaVista's renegotiation of a real estate lease. Under the renegotiated terms, AltaVista reduced the amount of square footage under the lease and forfeited certain leasehold improvements that were located in the leased building. AltaVista deemed these forfeited leasehold improvements to be permanently impaired as the leasehold improvements would not provide any future economic benefit to AltaVista. Additionally, Tallán recorded an impairment of long-lived assets charge of approximately $0.7 million resulting from the carrying value of certain other intangible assets, specifically the workforce in place and the customer list as of the acquisition date, exceeding its estimated fair value at April 30, 2002.

The impairment charge recorded during the three months ended April 30, 2002 within the Managed Application Services segment reflects an adjustment of a previously recorded accrual of approximately $4.0 million at NaviSite related to lease terminations for idle and active customer equipment held under operating leases. Additionally, the impairment charge related to the purchase of certain equipment in excess of its fair market value and was initially recorded in the first quarter of fiscal year 2002.

NaviSite is currently evaluating its business model and the manner in which it provides services. As a result of this evaluation, NaviSite may restructure its business, which could result in a change in its long-lived asset lives and may result in future impairment charges. The evaluation is in the preliminary stages and the outcome is uncertain at this point in time.

The Company expects to adopt SFAS Nos. 141 and 142 on August 1, 2002. In accordance with these statements, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to periodic impairment tests. The impairment factors evaluated by management may change in subsequent periods, given that the Company operates in a volatile business environment. This could result in additional material impairment charges in future periods.

Restructuring Charges (Benefits):

	Three Months Ended April 30, 2002	As a % of Segment Net Revenue	Three Months Ended April 30, 2001	As a % of Segment Net Revenue	$ Change	% Change
			($ in thousands)			
Enterprise Software and Services	$ 3,124	9%	$ 18,373	21%	$(15,249)	(83)%
Managed Application Services	(2,695)	(27)%	—	—	(2,695)	(100)%
Portals	444	210%	153	3%	291	190%
Other	848	—	—	—	848	100%
Total	$ 1,721	1%	$ 18,526	6%	$(16,805)	(91)%

The Company's restructuring initiatives involved strategic decisions to exit certain businesses or to re-evaluate the current state of on-going businesses. Restructuring charges consisted primarily of contract terminations, severance charges and equipment charges incurred as a result of the cessation of operations of certain subsidiaries and actions taken at several remaining subsidiaries to increase operational efficiencies, improve margins and further reduce expenses. Severance charges include employee termination costs as a result of a reduction in workforce and salary expense for certain employees involved in the restructuring efforts. Employees affected by the restructuring were notified both through direct personal contact and by written notification. The contract terminations primarily consisted of costs to exit facility and equipment leases and to terminate bandwidth and other vendor contracts. The asset impairment charges primarily relate to the write-off of property and equipment. During the three months ended April 30, 2002, the Company recorded a net restructuring benefit primarily as a result of the negotiation of settlements with vendors for amounts less than originally estimated.

The restructuring charge recorded during the three months ended April 30, 2002 in the Enterprise Software and Services segment primarily related to charges of approximately $3.3 million at AltaVista, offset by a reversal of approximately $0.2 million at Engage. AltaVista recorded restructuring charges of approximately $3.3 million primarily related to an adjustment to a previously recorded restructuring charge related to vacant space in an office facility. In connection with its decision to move from an on-line advertising and portal based business model to a search based business model, AltaVista originally recorded a restructuring charge related to space that was previously occupied by the portal business. The original restructuring charge was based on twelve months of future lease costs under the lease, less estimated proceeds from possible subleasing arrangements anticipated by AltaVista. As a result of the renegotiation of a real estate lease, the space that had been included in the original restructuring charge was forfeited by AltaVista, therefore AltaVista recorded an additional restructuring charge for the net amount not previously recorded as a restructuring charge.

The net restructuring benefit recorded during the three months ended April 30, 2002 in the Managed Application Services segment primarily related to NaviSite settling certain customer and vendor contracts for amounts less than originally estimated.

The restructuring charge recorded during the three months ended April 30, 2002 in the Portals segment primarily related to charges of approximately $0.4 million at MyWay related to severance costs to its remaining employees in connection with the cessation of its business.

The net restructuring charge recorded during the three months ended April 30, 2002 in Other primarily related to approximately $0.6 million of additional severance costs. These costs resulted from the termination of certain corporate employees who had been notified as part of the Company's reduction in force implemented during the second quarter of fiscal year 2002, although the amount of the severance payments could not be estimated until the quarter ended April 30, 2002.

Other Income/Expenses:

There were no gains (losses) on issuance of stock by subsidiaries and affiliates in the third quarter of fiscal year 2002. Loss on issuance of stock by subsidiaries and affiliates in the three months ended April 30, 2001 primarily related to a pre-tax loss of approximately $0.5 million on the issuance of stock by Engage to employees as a result of stock option exercises.

Other gains (losses), net decreased $(40.7) million, or 85%, to $(7.4) million for the quarter ended April 30, 2002 from $(48.2) million for the same period in fiscal 2001. Other gains (losses), net for the quarter ended April 30, 2002 primarily consisted of a pre-tax loss of $6.4 million related to impairment charges for other-than-temporary declines in the carrying value of certain investments in affiliates, a pre-tax loss of approximately $2.9 million related to the change in market value of a trading security held by the Company, a pre-tax loss of approximately $0.8 million on the sale of NexPrise, Inc. (formerly Ventro Corporation) common stock and a pre-tax loss of approximately $0.5 million related to impairment charges taken on certain available-for-sale securities held by the Company. These losses were partially offset by a net pre-tax gain of approximately $0.5 million related to the gain on the sale of NaviSite's streaming division. Other gains, (losses), net for the quarter ended April 30, 2001 primarily consisted of a pre-tax loss of $26.1 million related to impairment charges for other-than-temporary declines in the carrying value of certain investments in affiliates and a pre-tax loss of approximately $18.5 million on the sale of a majority interest in Signatures.

Interest income decreased $10.0 million to $2.5 million for the three months ended April 30, 2002 from $12.5 million for the same period in fiscal 2001 as a result of the Company's lower average cash and cash equivalent balances and lower interest rates as compared to the same period of the prior year. Interest expense decreased $1.3 million to $5.3 million for the third quarter of fiscal 2002 from $6.6 million for the same period in fiscal 2001, primarily due to the amortization of the beneficial conversion feature of NaviSite's note payable to HPFS, slightly offset by a favorable fair market adjustment of approximately $2.9 million related to the decrease in value of the obligation to the former shareholders of the Series C Preferred Stock and the retirement of the notes payable to Compaq Computer Corporation, recently acquired by Hewlett-Packard Company, (HP), in November 2001.

Equity in losses of affiliates resulted from the Company's minority ownership in certain investments that are accounted for under the equity method of accounting. Under the equity method, the Company's proportionate share of each affiliate's operating profits and losses and amortization of the Company's net excess investment over its equity in each affiliate's net assets is included in equity in losses of affiliates. Equity in losses of affiliates decreased $7.9 million to $2.0 million for the three months ended April 30, 2002, from $9.9 million for the same period in fiscal 2001, primarily reflecting a decreased number of investments accounted for under the equity method compared to last year's third fiscal quarter. The Company expects its affiliate companies to continue to invest in the development of their products and services, and to recognize operating losses, which will result in future charges recorded by the Company to reflect its proportionate share of such losses.

Minority interest, net decreased to $5.7 million for the three months ended April 30, 2002 from $53.6 million for the same period of fiscal 2001, primarily as a result of reduced losses at AltaVista, Engage, NaviSite and the cessation of operations at MyWay. Minority interest for the third quarter of fiscal year 2002 primarily reflects the Company's minority interest in the net losses of three subsidiaries, Engage, AltaVista and NaviSite.

Income Tax Benefit:

For the three months ended April 30, 2002, the Company recorded an income tax benefit of $15.0 million attributable to a federal income tax refund resulting from a change in tax law, which allowed the Company to

carry back a portion of its fiscal year 2001 net operating loss up to five years against taxable income reported in earlier years. Exclusive of taxes provided for significant, unusual or extraordinary items that will be reported separately, the Company provides for income taxes on a year to date basis at an effective rate based upon its estimate of full year earnings.

Nine months ended April 30, 2002 compared to nine months ended April 30, 2001

Net Revenue:

	Nine Months Ended April 30, 2002	As a % of Total Net Revenue	Nine Months Ended April 30, 2001	As a % of Total Net Revenue	$ Change	% Change
			($ in thousands)			
Enterprise Software and Services	$ 122,674	21 %	$ 350,236	35 %	$(227,562)	(65)%
eBusiness and Fulfillment	427,473	71 %	528,524	54 %	(101,051)	(19)%
Managed Application Services	43,159	7 %	92,736	9 %	(49,577)	(53)%
Portals	6,536	1 %	15,749	2 %	(9,213)	(58)%
Total	$ 599,842	100 %	$ 987,245	100 %	$(387,403)	(39)%

The decrease in net revenue for the nine months ended April 30, 2002 as compared to the same period of the prior year was primarily a result of the decreased net revenue at existing companies during the nine months ended April 30, 2002 and to a lesser extent the effects of the sale or cessation of operations of several companies in fiscal 2001 and 2002.

The decrease in net revenue within the Enterprise Software and Services segment was primarily due to decreases at Engage, AltaVista and Tallán. The decrease in net revenue at Engage was primarily due to the softness in the on-line advertising market which led to the decision by Engage to exit its on-line advertising business during the first quarter of fiscal year 2002. The decrease was also due to a decrease in license revenue at Engage related to its AdManager software, and to a lesser extent, its ProfileServer and ContentServer products, as well as a 33% decrease in service net revenue as compared to the nine months ended April 30, 2001. The decrease in net revenue at AltaVista was due to continued softness in the on-line advertising market, slightly offset by an increase in its software license revenue. During the second half of fiscal 2001, AltaVista made changes in its business strategy from an on on-line advertising and portal-based business model to a search software business model. The decrease in net revenue at Tallán was due to continued softness in the custom programming segment of information technology services. The decline in the custom programming segment of information technology service resulted in a decrease of 11% and 62% in rates and billed hours, respectively at Tallán as compared to the same period in the prior year, as well as a reduction in scope of a number of projects prior to the beginning of fiscal year 2002.

The decrease in net revenue within the eBusiness and Fulfillment segment was primarily the result of the impact of the sale of the Company’s majority interest in Signatures and decreased net revenue at SalesLink and uBid. Net revenue at SalesLink declined as a result of the decline in volume within its supply chain management line of business and literature distribution line of business. Net revenue at uBid decreased primarily due to decreased overall sales volume and an increase in drop shipment sales as a percent of total sales during the nine months ended April 30, 2002 as compared to the nine months ended April 30, 2001. Drop shipment sales result in uBid recording its net fee on the transaction as revenue as opposed to direct shipment sales of uBid’s inventory, which result in uBid recording the gross merchandise sale as revenue. In addition, uBid experienced a shift in the mix of its bidding volume from its business to consumer auctions, under which uBid records gross revenue, to its consumer to consumer auctions, under which uBid records a percentage of the transaction.

The decrease in net revenue within the Managed Application Services segment was primarily due to the cessation of operations of 1stUp and NaviPath, the sale of Activate and a decrease in revenue at NaviSite. The decrease in net revenue at NaviSite was due primarily to an approximate 51% decrease in its customer base as compared to the same period of the prior year.

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The decrease in net revenue within the Portals segment was primarily due to the cessation of operations of MyWay.

Cost of Revenue:

	Nine Months Ended April 30, 2002	As a % of Segment Net Revenue	Nine Months Ended April 30, 2001	As a % of Segment Net Revenue	$ Change	% Change
			($ in thousands)			
Enterprise Software and Services	$ 64,721	53 %	$ 214,121	61 %	$(149,400)	(70)%
eBusiness and Fulfillment	400,397	94 %	468,642	89 %	(68,245)	(15)%
Managed Application Services	61,237	142 %	189,563	204 %	(128,326)	(68)%
Portals	3,944	60 %	28,423	180 %	(24,479)	(86)%
Total	$ 530,299	88 %	$ 900,749	91 %	$(370,450)	(41)%

Cost of revenue consisted primarily of expenses related to the cost of products purchased for sale or distribution. Additionally, cost of revenue included expenses related to the content, connectivity and production associated with delivering the Company’s products and services. The Company’s cost of revenue as a percentage of net revenue decreased to approximately 88% for the nine months ended April 30, 2002 from 91% in the same period of the prior fiscal year, primarily due to the shift in focus from lower margin on-line advertising business models to higher margin software business models at Engage and AltaVista, the sale of Activate and the cessation of operations of iCAST, 1stUp, ExchangePath, NaviPath and MyWay during fiscal 2001 and 2002.

Cost of revenue as a percentage of net revenue within the Enterprise Software and Services segment decreased to approximately 53% for the nine months ended April 30, 2002 from approximately 61% in the same period of the prior year primarily due to lower cost of revenue at Engage as a result of its decision to cease operations of its lower margin on-line advertising business and to focus on its higher margin software business, and by the shift in business strategy at AltaVista from an on-line advertising and portal-based business model to a search software business model. Additionally, equipment costs at AltaVista decreased by approximately $13.1 million versus the same period of the prior year as a result of AltaVista’s agreement with HPFS to purchase certain equipment that it had previously leased.

Cost of revenue as a percentage of net revenue within the eBusiness and Fulfillment segment increased to approximately 94% from approximately 89% in the same period of the prior year primarily due to lower sales levels and decreased pricing of SalesLink’s services within the supply chain management and literature distribution businesses, respectively, complications with the implementation of a new order management system at uBid and the deconsolidation of Signatures. The increase in cost of revenue as a percentage of net revenue at SalesLink was due to decreased pricing, increased depreciation and increased cost of shipping supplies and outside labor associated with the transition to its new distribution center in Memphis, Tennessee. The increase in cost of revenue as a percentage of net revenue at uBid is primarily a result of higher inventory and inventory related costs due largely to technical difficulties encountered during the conversion to a new order management system and a new warehouse facility.

Cost of revenue as a percentage of net revenue within the Managed Application Services segment decreased to approximately 142% from approximately 204% in the same period of the prior year, primarily as a result of the cessation of operations at 1stUp and NaviPath, the sale of Activate and reduced costs at NaviSite. The reduced costs at NaviSite were a result of lower labor costs realized through increased efficiencies and headcount reductions and through reduced equipment expenses resulting from the restructuring of certain operating leases with HPFS and other lessors.

Cost of revenue as percentage of net revenue within the Portals segment decreased to approximately 60% from approximately 180% in the same period from the prior year primarily as a result of the cessation of operations at MyWay.

Research and Development Expenses:

	Nine Months Ended April 30, 2002	As a % of Segment Net Revenue	Nine Months Ended April 30, 2001	As a % of Segment Net Revenue	$ Change	% Change
			($ in thousands)			
Enterprise Software and Services	$ 39,357	32 %	$ 103,820	30 %	$(64,463)	(62)%
eBusiness and Fulfillment	—	—	703	—	(703)	(100)%
Managed Application Services	5,432	13 %	20,088	22 %	(14,656)	(73)%
Portals	1,694	26 %	8,772	56 %	(7,078)	(81)%
Other	—	—	—	—	—	N/A
Total	$ 46,483	8 %	$ 133,383	14 %	$(86,900)	(65)%

Research and development expenses consisted primarily of personnel and related costs to design, develop, enhance, test and deploy the Company's products and services either prior to the development efforts reaching technological feasibility or once the product had reached the maintenance phase of its life cycle. Research and development expenses decreased primarily due to the shift in business focus at Engage and AltaVista and the cessation of operations at AdForce, iCAST, 1stUp, ExchangePath, NaviPath and MyWay.

The decrease within the Enterprise Software and Services segment was primarily the result of a reduction in headcount-related costs at Engage, management's restructuring initiatives at AltaVista and the cessation of operations at AdForce. The decrease at AltaVista was primarily related to a reduction of headcount and facilities and equipment costs as a result of significantly decreased development efforts on the AltaVista portal site in connection with the change from an on-line advertising and portal-based business model to a search software business model.

The decrease within the eBusiness and Fulfillment segment was the result of the sale of a majority interest in Signatures during fiscal year 2001.

The decrease within the Managed Application Services segment was primarily the result of the cessation of operations at 1stUp and NaviPath, the sale of Activate and reduced costs at NaviSite related to a reduction in the use of outside consultants combined with a reduction in headcount-related expenses.

The decrease within the Portals segment was primarily due to the cessation of operations of iCAST and MyWay.

In-Process Research and Development Expenses:

For the nine months ended April 30, 2002 the Company did not incur any in-process research and development expenses. In-process research and development expenses totaled $1.5 million for the nine months ended April 30, 2001. The in-process research and development expenses incurred during the nine months ended April 30, 2001 related to charges taken in connection with the acquisition of MediaBridge Technologies, Inc. by Engage in September 2000 and CMGI@Ventures IV, LLC's investment in Avamar Technologies, Inc.

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Selling Expenses:

	Nine Months Ended April 30, 2002	As a % of Segment Net Revenue	Nine Months Ended April 30, 2001	As a % of Segment Net Revenue	$ Change	% Change
			($ in thousands)			
Enterprise Software and Services	$ 61,453	50%	$ 220,210	63%	$(158,757)	(72)%
eBusiness and Fulfillment	41,434	10%	43,591	8%	(2,157)	(5)%
Managed Application Services	8,996	21%	47,170	51%	(38,174)	(81)%
Portals	740	11%	11,274	72%	(10,534)	(93)%
Other	1,355	—	11,089	—	(9,734)	(88)%
Total	$113,978	19%	$ 333,334	34%	$(219,356)	(66)%

Selling expenses consisted primarily of advertising and other general marketing related expenses, compensation and employee-related expenses, sales commissions, facilities costs, credit card processing fees, tradeshow expenses and travel costs. Certain fulfillment costs, including warehousing costs related to activities such as receiving goods and the picking and packing of goods for shipment within the Company's eBusiness and Fulfillment segment, are classified as selling expenses. Selling expenses decreased during the nine months ended April 30, 2002 as compared to the same period in the prior year primarily due to headcount reductions, lower sales commissions as a result of lower net revenue, a reduction of marketing campaigns, the cessation of the operations of AdForce, ExchangePath, and 1stUp, the closing of Engage's on-line advertising business, the effect of the sale of a majority interest in Signatures and the sale of Activate.

The decrease within the Enterprise Software and Services segment was primarily the result of a decrease in headcount and associated sales commissions and the consolidation of office facilities at Engage resulting from the closing of its on-line advertising business and reductions in travel, consulting, advertising and trade show expenses for its remaining operations. The decrease in the segment is also due to a decrease in headcount and commissions costs and the reduction in scope of certain sales and marketing campaigns at AltaVista.

The decrease in the eBusiness and Fulfillment segment was primarily the result of the sale of the Company's majority interest in Signatures, partially offset by increased credit card fees and increased warehousing and fulfillment costs at uBid.

The decrease in the Managed Application Services segment was primarily the result of a decrease in headcount, sales commissions and a reduction of expenses for marketing programs, advertising and product literature at NaviSite, the cessation of the operations at NaviPath, ExchangePath and 1stUp and the sale of Activate in September 2001.

The decrease in the Portals segment was primarily the result of the cessation of the operations of MyWay and iCAST.

The decrease in the Other expenses was primarily the result of a reduction in corporate marketing department headcount and other costs associated with the Company's corporate marketing activities.

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General and Administrative Expenses:

	Nine Months Ended April 30, 2002	As a % of Segment Net Revenue	Nine Months Ended April 30, 2001	As a % of Segment Net Revenue	$ Change	% Change
			($ in thousands)			
Enterprise Software and Services	$ 39,264	32%	$ 82,810	24%	$ (43,546)	(53)%
eBusiness and Fulfillment	29,154	7%	30,050	6%	(896)	(3)%
Managed Application Services	20,345	47%	43,914	47%	(23,569)	(54)%
Portals	1,188	18%	9,524	60%	(8,336)	(88)%
Other	32,444	—	58,193	—	(25,749)	(44)%
Total	$ 122,395	20%	$ 224,491	23%	$(102,096)	(46)%

General and administrative expenses consist primarily of compensation and related costs, facilities costs, bad debt expense and fees for professional services. General and administrative expenses decreased during the nine months ended April 30, 2002 as compared to the same period in the prior year primarily due to headcount reductions, the consolidation of office space, reduced information systems costs, the cessation of the operations of AdForce, ExchangePath, 1stUp, NaviPath and MyWay, the closing of the on-line advertising operations of Engage, the effect of the deconsolidation of Signatures and the sale of Activate.

The decrease in the Enterprise Software and Services segment was primarily the result of the cessation of operations at AdForce and reduced costs at Engage, AltaVista and Tallán. The decrease at Engage primarily related to decreased headcount related expense and decreased bad debt expense, partially offset by a charge of approximately $2.6 million related to future lease costs for certain facilities no longer occupied by Engage. The charge is based upon total future lease costs under the facility lease, less estimated proceeds from possible subleasing arrangements that Engage may be able to enter in future periods. Additionally the decrease at AltaVista reflects a decrease in headcount related expenses due to restructuring initiatives in fiscal 2001 and 2002 and a decrease in professional fees, partially offset by a charge recorded by AltaVista related to the renegotiation of the terms of a real estate lease. Under the renegotiated terms, AltaVista paid approximately $7.4 million in cash, proceeds from a letter of credit, available-for-sale securities and AltaVista warrants to the landlord. Of the $7.4 million fee, $4.7 million has been classified as general and administrative expense as it represents office space that AltaVista will retain and continue to use at a lower cost per square foot than the original lease and therefore the charge represents the excess of the lease costs above the current fair market value. In exchange for the fee, AltaVista’s future commitments under the lease for both the square footage and the cost per square foot were reduced. AltaVista recorded the remaining $2.7 million of the termination fee as an adjustment to a previously recorded restructuring charge related to vacant space in the facility. The original restructuring charge resulted from AltaVista’s decision to move from an on-line advertising and portal based business model to a search software based business model. The decrease at Tallán was primarily related to a reduction in headcount related costs, bad debt expense and professional fees.

The decrease in the eBusiness and Fulfillment segment was primarily the result of the sale of the Company’s majority interest in Signatures, partially offset by increased professional fees at uBid and SalesLink.

The decrease in the Managed Application Services segment was primarily due to the cessation of operations at ExchangePath, 1stUp and NaviPath, the sale of Activate and reduced headcount-related expenses and reduced bad debt expense at NaviSite.

The decrease in the Portals segment was primarily the result of the cessation of the operations of MyWay and iCAST.

The decrease in the Other expenses, which includes certain corporate administrative functions such as legal, finance and business development was primarily the result of a decrease in headcount-related expenses as part of an overall effort to reduce spending across all Corporate administrative functions.

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Amortization of Intangible Assets and Stock-Based Compensation:

	Nine Months Ended April 30, 2002	As a % of Segment Net Revenue	Nine Months Ended April 30, 2001	As a % of Segment Net Revenue	$ Change	% Change
			($ in thousands)			
Enterprise Software and Services	$ 100,971	82%	$ 1,141,382	326%	$(1,040,411)	(91)%
eBusiness and Fulfillment	91,803	21 %	116,667	22 %	(24,864)	(21)%
Managed Application Services	271	1 %	25,885	28 %	(25,614)	(99)%
Portals	—	—	95,358	606%	(95,358)	(100)%
Other	164	—	164	—	—	N/A
Total	$ 193,209	32 %	$ 1,379,456	140 %	$(1,186,247)	(86)%

Amortization of intangible assets and stock-based compensation consisted primarily of goodwill amortization expense related to acquisitions made during fiscal year 2000. Included within amortization of intangible assets and stock-based compensation expenses was approximately $2.6 million and $63.9 million of stock-based compensation for the nine months ended April 30, 2002 and 2001, respectively. The overall decrease in amortization of intangible assets was primarily the result of intangible asset impairment charges recorded during fiscal 2001. These impairment charges reduced the carrying amounts of goodwill and other intangible assets to be amortized over their remaining useful lives.

The decrease in the Enterprise Software and Services segment primarily resulted from impairment charges recorded during fiscal year 2001 related to certain intangible assets of Engage, Yesmail, AltaVista, ProvisionSoft's subsidiary AdForce and Tallán.

The decrease in the eBusiness and Fulfillment segment primarily resulted from a decrease in the amortization of stock-based compensation as a result of the sale of the Company's majority interest in Signatures.

The decrease in the Managed Application Services segment primarily resulted from impairment charges recorded during fiscal year 2001 related to the cessation of operations at 1stUp and ExchangePath as well as the sale of Activate in September 2001.

The decrease in the Portals segment primarily resulted from impairment charges recorded during fiscal year 2001 related to certain intangible assets of iCAST and MyWay.

The Company anticipates that the amortization of intangible assets and stock-based compensation will remain relatively constant through July 31, 2002, at which time the Company expects to adopt Statement of Financial Accounting Standards (SFAS) Nos. 141 and 142. In accordance with these statements, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to periodic impairment tests. Other intangible assets will continue to be amortized over their useful lives.

Impairment:

	Nine Months Ended April 30, 2002	As a % of Segment Net Revenue	Nine Months Ended April 30, 2001	As a % of Segment Net Revenue	$ Change	% Change
			($ in thousands)			
Enterprise Software and Services	$ 14,606	12%	$ 2,602,314	743 %	$(2,587,708)	(99)%
eBusiness and Fulfillment	—	—	3,500	1%	(3,500)	(100)%
Managed Application Services	30,600	71 %	59,813	64 %	(29,213)	(49)%
Portals	—	—	12,436	79 %	(12,436)	(100)%
Other	2,147	—	—	—	2,147	N/A%
Total	$ 47,353	8 %	$ 2,678,063	271 %	$(2,630,710)	(98)%

The Company records impairment charges as a result of management's ongoing business review and impairment analysis performed under its existing policy regarding impairment. Where impairment indicators were identified, management determined the amount of the impairment charge by comparing the carrying value of long-lived assets to their fair value. Management determines fair value of goodwill and certain other intangible assets based on a combination of the discounted cash flow methodology, which is based upon converting expected cash flows to present value, and the market approach, which includes analysis of market price multiples of companies engaged in lines of business similar to the Company. The market price multiples are selected and applied to the Company based on the relative performance, future prospects and risk profile of the Company in comparison to the guideline companies. Management predominantly utilizes third-party valuation reports in its determination of fair value. Management predominantly determines fair value of other long-lived assets, such as property and equipment, based on third-party valuation reports. As a result, during management's quarterly review of the value and periods of amortization and depreciation of long-lived assets, it was determined that the carrying value of certain long-lived assets was not fully recoverable. During the nine months ended April 30, 2002, the Company recorded impairment charges totaling approximately $47.4 million.

The impairment charge recorded during the nine months ended April 30, 2002 within the Enterprise Software and Services segment primarily reflects an asset impairment charge related to AltaVista's agreement to purchase certain equipment that it had previously leased under operating and capital lease agreements in exchange for a cash payment of $20.0 million. Based on a preliminary independent appraisal, the fair market value of the equipment was determined to be $7.9 million. Accordingly, as the fair market value of the equipment was less than the sum of the cash payment and the carrying value of the equipment under capital lease agreements, net of the remaining obligations, AltaVista recorded an impairment charge in the nine month period ended April 30, 2002. Additionally, Tallán recorded an impairment charge resulting from the carrying value of certain other intangible assets, specifically the customer base and workforce in place as of the acquisition date, exceeding their estimated fair value at April 30, 2002.

The impairment charge recorded during the nine months ended April 30, 2002 within the Managed Application Services segment reflects an asset impairment charge related to two different agreements to purchase certain equipment by NaviSite that it previously leased under operating leases. Under the terms of the first agreement, NaviSite purchased and recorded equipment, effective August 1, 2001, with a fair market value of $9.6 million, in exchange for a note payable of approximately $35.0 million. Accordingly, as the fair value of the equipment, based on a preliminary independent appraisal, was less than the associated debt obligation, NaviSite recorded a net impairment charge in the nine months ended April 30, 2002 of approximately $25.4 million. Additionally, in accordance with the second agreement, NaviSite purchased all equipment previously leased under an operating lease for $4.3 million. The fair market value of the equipment at the time of purchase was $2.3 million. Accordingly, as the fair value of the equipment, based on a preliminary independent appraisal, was less than the cash payment, NaviSite recorded an impairment charge in the nine months ended April 30, 2002 of approximately $2.0 million.

The impact on the financial statements of the adoption of the non-amortization provisions of the statement is indeterminable at April 30, 2002 as the Company intends to continue to perform an impairment analysis of the remaining goodwill and other intangible assets through the end of fiscal year 2002 under its existing policy. Upon adoption on August 1, 2002, the Company will perform the required impairment tests of goodwill and indefinite lived intangible assets under SFAS No. 142 and has not yet determined what effect these tests will have on the operations and financial position of the Company.

During the second quarter of fiscal year 2002, NaviSite recorded an impairment charge of approximately $7.2 million related to: (1) the purchase of certain equipment in excess of fair market value that was previously held under operating leases; (2) the modification of payment terms of certain operating leases that resulted in above market capital leases; and (3) the identification of certain leased assets that will not provide future value and (4) the identification of obsolete equipment and software and for equipment no longer on hand.

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During the third quarter of fiscal year 2002, NaviSite recorded an adjustment to a previously recorded accrual of approximately $4.0 million related to lease terminations for sale and active customer equipment held under operating leases. The impairment charge related to the purchase of certain equipment in excess of its fair market value and was initially recorded in the first quarter of fiscal year 2002.

The impairment charge recorded during the nine months ended April 30, 2002 within the Other segment of approximately $2.1 million is due to a write-off of certain assets, primarily of software and consulting fees capitalized in the development of software for internal use, computer equipment and furniture and fixtures at the Company's headquarters.

Restructuring Charges (Benefits):

	Nine Months Ended April 30, 2002	As a % of Segment Net Revenue	Nine Months Ended April 30, 2001	As a % of Segment Net Revenue	$ Change	% Change
			($ in thousands)			
Enterprise Software and Services	$ 25,503	21%	$ 82,543	24 %	$ (57,040)	(69)%
eBusiness and Fulfillment	—	—	—	—	—	N/A
Managed Application Services	(20,160)	(47)%	15,143	16 %	(35,303)	(233)%
Portals	5,361	82	29,712	189%	(24,351)	(82)%
Other	3,247	—	—	—	3,247	N/A
Total	$ 13,951	2%	$ 127,398	13 %	$(113,447)	(89)%

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

The net restructuring charges incurred during the nine months ended April 30, 2002 in the Enterprise Software and Services segment primarily related to charges of approximately $12.4 million at Engage, $14.1 million at AltaVista, $4.0 million at Tallán, partially offset by a reversal of approximately $1.4 million of previously recorded restructuring charges at Tribal Voice. The restructuring charge recorded by Engage was primarily due to the closing of its on-line advertising operations and implementation of a restructuring plan designed to reduce its corporate overhead costs through reductions in the size of its finance and marketing staffs. The closing of the on-line advertising business resulted in severance costs incurred in connection with the termination of approximately 232 employees and contract termination costs in connection with the costs to exit facility and equipment leases. The restructuring charge recorded by AltaVista primarily related to severance costs associated with a reduction in the workforce of approximately 120 persons, costs associated with the closing of its Irving, California office location, the write-off of an information systems software package and the write-off of fixed assets as a result of AltaVista's decision to shut-down its European data center, partially offset by an adjustment of a previously recorded restructuring charge of approximately $2.7 million for vacant space in a facility resulting from AltaVista's decision to move from an on-line advertising and portal-based business model to a search software based business model. In the quarter ended October 31, 2001, AltaVista recorded a restructuring charge for one year of rent related to space that was previously occupied by the portal business. As a result of the renegotiation of a real estate lease, the space that had been included in the original restructuring charge was

forfeited, Alta Vista recorded a restructuring charge for the net amount not previously recorded as a restructuring charge. The restructuring charge recorded by Tallán primarily related to severance costs associated with a reduction in the workforce of approximately 72 persons, as well as costs associated with the closing of five office locations. The restructuring benefits recorded by Engage and Tribal Voice related to favorable settlements of contractual obligations for amounts less than originally estimated.

The net restructuring benefit recorded during the nine months ended April 30, 2002 in the Managed Application Services segment primarily related to charges of approximately $3.1 million recorded by NaviPath, offset by a reversal of approximately $21.1 million of previously recorded restructuring charges at NaviPath and a reversal of approximately $2.5 million at NaviSite. The restructuring charge recorded by NaviPath primarily related to severance costs and legal and other professional fees incurred in connection with the cessation of its operations. The restructuring benefit recorded by NaviPath related to the settlement by NaviPath of certain purchase commitments and service contracts for amounts less than originally estimated. The net restructuring benefit recorded by NaviSite primarily related to NaviSite settling certain customer and vendor contracts for amounts less than originally estimated.

The net restructuring charge incurred in the Portals segment primarily related to charges of approximately $6.8 million at MyWay related to the write-off of property and equipment and the termination of customer and vendor contracts, partially offset by a reversal of approximately $1.4 million of previously recorded restructuring charges at MyWay. The restructuring benefit recorded by MyWay related to the favorable settlement of contractual obligations for amounts less than originally estimated.

The net restructuring charges incurred in the Other segment of $3.2 million primarily related to charges of approximately $3.7 million of severance costs incurred in connection with the termination of approximately 70 employees at the Corporate headquarters and the write-off of property and equipment and costs incurred to exit facility leases in Europe, partially offset by a restructuring benefit of approximately $0.5 million recorded by CMG@Ventures related to the favorable negotiation of the termination of a real estate lease.

Other Income/Expenses:

There were no gains on issuance of stock by subsidiaries and affiliates in the nine months ended April 30, 2002. Gain on issuance of stock by subsidiaries and affiliates in the nine months ended April 30, 2001 primarily related to a pre-tax gain of approximately $125.9 million on the issuance of stock by Engage in its acquisitions of MediaBridge and Space Media Holdings Limited partially offset by a pre-tax loss of approximately $4.4 million on the issuance of stock by Engage to employees as a result stock option exercises.

Other gains (losses), net decreased $106.4 million, or 147%, to $(34.1) million for the nine months ended April 30, 2002 from $72.3 million for the same period in fiscal 2001. Other gains (losses), net for the nine months ended April 30, 2002 primarily consisted of a pre-tax loss of approximately $27.5 million on the sale of Primedia, Inc. stock, a pre-tax loss of approximately $20.7 million resulting from the sale of its subsidiary Activate and a pre-tax loss of approximately $33.4 million related to impairment charges for other-than-temporary declines in the carrying value of certain investments in affiliates, offset by a pre-tax gain of approximately $53.9 million on the arrangement that hedged the Company’s investment in Yahoo! common stock which was settled during the nine months ended April 30, 2002. Other gains (losses), net for the nine months ended April 30, 2001 primarily consisted of a pre-tax gain of approximately $357.4 million on the sale of Lycos, Inc common stock, a pre-tax gain of approximately $135.3 million on the sale of Kana Communications, Inc. common stock, a pre-tax gain of approximately $88.4 million on the hedging agreement with respect to the Company’s investment in Yahoo! common stock, a pre-tax gain of approximately $64.2 million on the sale of Terra Networks stock, a pre-tax gain of approximately $70.9 million on the sale of Critical Path, Inc. common stock and a pre-tax gain of approximately $19.8 million on the sale of a real estate holding by AltaVista, partially offset by a pre-tax loss of approximately $358.9 million on the sale of Pacific Century CyberWorks Limited

stock, a pre-tax loss of approximately $95.9 million on the sale of AltaVista's wholly-owned subsidiary, Raging Bull and by a pre-tax loss of approximately $149.1 million related to impairment charges taken on certain available-for-sale securities held by the Company.

Interest income decreased $32.0 million to $12.4 million for the nine months ended April 30, 2002 from $44.4 million for the same period in fiscal 2001, reflecting decreased interest income associated with lower average cash and cash equivalent balances. Interest expense decreased $36.7 million to $2.9 million for the nine months ended April 30, 2002 from $39.6 million for the same period in fiscal 2001, primarily due to a favorable fair market value adjustment of approximately $19.6 million related to the decrease in value of the obligation to the former holders of the Series C Preferred Stock, the payment in full in fiscal 2001 of the principal on the notes issued in connection with the acquisition of Tallán, the settlement of the underlying debt associated with the borrowing arrangement entered into in connection with a hedge of the Company's investment in Yahoo! common stock and the retirement of the notes payable to HP in November of 2001, offset slightly by interest expense resulting from the obligation to the former holders of the Series C Preferred Stock and the amortization of the beneficial conversion feature of NaviSite's note payable to HPFS.

Equity in losses of affiliates resulted from the Company's minority ownership in certain investments that are accounted for under the equity method. Under the equity method of accounting, the Company's proportionate share of each affiliate's operating losses and amortization of the Company's net excess investment over its equity in each affiliate's net assets is included in equity in losses of affiliates. Equity in losses of affiliates decreased $24.0 million to $15.4 million for nine months ended April 30, 2002, from $39.4 million for the same period in fiscal 2001, primarily reflecting a decreased number of investments accounted for under the equity method compared to the same period last year. The Company expects its affiliate companies to continue to invest in the development of their products and services, and to recognize operating losses, which will result in future charges recorded by the Company to reflect its proportionate share of such losses.

Minority interest decreased to $37.6 million for the nine months ended April 30, 2002 from $393.3 million for the same period of fiscal 2001, primarily as a result of reduced losses at AltaVista and Engage. Minority interest for the nine months ended April 30, 2002 primarily reflects the minority interest in the net losses of Engage, AltaVista and NaviSite.

Income Tax Benefit:

Income tax benefit recorded for the nine months ended April 30, 2002 was approximately $2.4 million. Exclusive of taxes provided for significant, unusual or extraordinary items that will be reported separately, the Company provides for income taxes on a year to date basis at an effective rate based upon its estimate of full year earnings. Income tax benefit for the nine months ended April 30, 2002 differs from the amount computed by applying the U.S. federal income tax rate of 35 percent to pre-tax loss primarily as a result of non-deductible goodwill amortization and impairment charges, valuation allowances recognized on deferred tax assets, and utilization of net operating loss from fiscal year 2001 due to change in tax law. During the nine months ended April 30, 2002, the Company recorded net tax benefit of approximately $2.4 million, primarily attributable to the tax expense related to the recognition of a valuation allowance to continuing operations due to the reduction in expected future taxable income related to unrealized gains in "Accumulated other comprehensive income (loss)", net of tax benefit related to a change in tax law, allowing for a portion of the fiscal year 2001 net operating loss to be carried back up to five years against taxable income reported in earlier years.

Extraordinary Item:

During the nine months ended April 30, 2002, the Company recorded an extraordinary gain of approximately $133.1 million related to the extinguishment of the Company's $220.0 million in face amounts of notes payable to HP. As part of an agreement between the Company and HP, HP agreed to deem the Company's $220.0 million in face amounts of notes payable, plus accrued interest thereon, paid in full in exchange for

$75.0 million in cash, approximately 4.5 million shares of CMGI common stock and CMGI's 49% ownership interest in its affiliate, B2E Solutions LLC, of which HP had previously owned the remaining 51%. The gain was calculated as the difference between the carrying value of the notes payable plus accrued interest thereon, less the carrying value of the consideration exchanged. The carrying value of the consideration approximated fair market value at the date of the transaction.

Liquidity and Capital Resources

Working capital at April 30, 2002 decreased to approximately $225.7 million compared to $581.3 million at July 31, 2001. The net decrease in working capital is primarily attributable to a $381.8 million decrease in cash and cash equivalents, a $84.0 million decrease in available-for-sale securities and a $48.6 million decrease in accounts receivable. The Company's principal sources of capital during the nine months ended April 30, 2002 were from the sales of approximately 7.1 million shares of Primedia, Inc. common stock for proceeds of approximately $15.9 million and from the net maturities of other available-for-sale securities investments for proceeds of approximately $4.9 million. The Company's principal uses of capital during the nine months ended April 30, 2002 were $218.9 million for funding operations, $100.3 million for the retirement of the Series C Preferred Stock, $75.0 million for the retirement of notes payable to HP and $37.9 million for purchases of property and equipment.

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

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

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

On October 29, 2001, the Company and its majority-owned subsidiaries, AltaVista and NaviSite entered into agreements with HP, a significant stockholder of CMGI, and HP's wholly owned subsidiary, HPFS. Under certain terms of these agreements NaviSite purchased and recorded equipment from HPFS effective August 1, 2001, previously leased by NaviSite under operating lease agreements expiring through 2003, in exchange for a note payable of approximately $35.0 million. The $35.0 million due to HPFS was executed in the form of a convertible note payable to HPFS in the total amount of $55.0 million on November 8, 2001, as described below. As of April 30, 2002, the $55.0 million due to HPFS has been classified as long term Due to Hewlett-Packard Company and Hewlett-Packard Financial Services Corporation in the accompanying condensed consolidated balance sheets, net of amounts allocated to beneficial conversion features.

Additionally, under the terms of these agreements, AltaVista agreed to purchase certain equipment, which it had previously leased from HPFS under operating and capital lease agreements, in exchange for a cash payment of $20.0 million. In November 2001, AltaVista completed and recorded the purchase of this equipment.

On November 8, 2001, as part of the agreement with HPFS, NaviSite received $20.0 million in cash from HPFS in exchange for a six-year, convertible note payable. This note, which also relates to the $35.0 million equipment purchase described above, bears interest at 12% and requires payment of interest only for the first three years from the date of issuance. A portion of the interest payable to HPFS in the first two years may be paid in NaviSite common stock. Principal and interest payments are due on a straight-line basis commencing in year four until maturity on the sixth anniversary from the issuance date. The convertible note payable is secured by substantially all assets of NaviSite and cannot be prepaid. The principal balance may be converted into NaviSite common stock at the option of the holder at any time prior to maturity at a conversion rate of $0.26 per share.

Should HPFS convert its note payable into the NaviSite's common stock, HPFS would own a controlling interest in NaviSite.

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

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

In January 2002, the Company purchased approximately $15.0 million of commercial paper. These investments had original maturity dates greater than 90 days at acquisition and are therefore classified as marketable securities as of April 30, 2002. In May 2002, $5.0 million of this commercial paper matured.

The Company expects to receive a cash refund of approximately $15.0 million by July 31, 2002 as a result of a change in tax law that allowed the Company to carry back a portion of its fiscal year 2001 net operating loss up to five years against taxable income reported in earlier years.

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

Subsequent Event

On May 21, 2002, CMGI announced that its Board of Directors had approved a proposal to acquire all of the outstanding publicly held shares of Engage, Inc. Under the proposal, each publicly held share of Engage would be exchanged for .2286 of a share of CMGI common stock pursuant to a merger among Engage, CMGI and a wholly-owned subsidiary of CMGI. The merger would be subject to, among other things, negotiation and execution of a definitive merger agreement. CMGI currently holds approximately 148 million shares of common stock of Engage (excluding shares issuable upon conversion of notes held by CMGI), which represents approximately 75.5% of Engage's outstanding shares.

Contractual Obligations

The Company leases facilities and certain other machinery and equipment under various non-cancelable operating leases and executory contracts expiring through June 2016. Future minimum payments as of April 30, 2002 are as follows:

	Operating Leases	CMGI Field	Other Contractual Obligations	Total
		(in thousands)		
For the three-month period May 1, 2002 through July 31, 2002	$ 23,432	$ 3,800	$ 953	$ 28,185
For the fiscal years ended July 31:				
2003	58,714	7,600	1,925	68,239
2004	31,769	7,600	1,100	40,469
2005	28,082	7,600	250	35,932
2006	24,920	7,600	—	32,520
Thereafter	65,679	76,000	—	141,679
	$ 232,596	$ 110,200	$ 4,228	$347,024

Total future minimum lease payments have been reduced by future minimum sublease rentals of approximately $9.4 million.

The Company leases facilities and certain machinery and equipment under non-cancelable capital lease arrangements, which are not included in the table above. The present value of net minimum capital lease obligations is $5.2 million at April 30, 2002.

In August 2000, the Company announced it had acquired the exclusive naming and sponsorship rights to the New England Patriots' new stadium, known as "CMGI Field", for a period of fifteen years. In return for the naming and sponsorship rights, the Company will pay $7.6 million per year for the first ten years, with consumer price index adjustments for years eleven through fifteen. The Company made its first semi-annual payment under this agreement in January 2002. Jonathan Kraft, a member of the Company's Board of Directors, is President and Chief Operating Officer of The Kraft Group, a private holding company whose holdings include the New England Patriots and CMGI Field. Mr. Kraft is also Vice Chairman of the New England Patriots.

Other contractual obligations primarily consist of an agreement between AltaVista and DoubleClick, Inc. (DoubleClick). Under this agreement, AltaVista is contractually obligated to use a portion of DoubleClick's ad-serving technology through December 31, 2004. AltaVista estimates its remaining contractual obligation to DoubleClick from the period May 1, 2002 through December 31, 2004 will not exceed $3.8 million.

Critical Accounting Policies

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

The Company has identified the accounting policies below as the policies most critical to its business operations and the understanding of our results of operations. The impact and any associated risks related to these policies on our business operations is discussed throughout Management's Discussion and Analysis of Financial Condition and Results of Operations where such policies affect our reported and expected financial results. For a detailed discussion on the application of these and other accounting policies, see Note 1 in the Notes to the Consolidated Financial Statements in our 2001 Annual Report on Form 10-K as filed with the Securities and Exchange Commission on October 29, 2001 (as amended by Form 10-K/A filed on December 13, 2001.) Our critical accounting policies are as follows:

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

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

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

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

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

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

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

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

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

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

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," which we intend to adopt on July 1, 2002. Upon adoption, goodwill and identifiable intangible assets with indefinite lives will no longer be amortized. In addition, SFAS No. 142 is effective with respect to business combinations in fiscal 2002, and as a result, we no longer amortize goodwill for any acquisitions completed since the beginning of the fiscal year. SFAS No. 142 will require that we evaluate our goodwill and identifiable intangible assets with indefinite useful lives for impairment. We are currently evaluating the provisions of SFAS 142. See Recent Accounting Pronouncements.

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

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

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

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

Recent Accounting Pronouncements

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

The Company is required to adopt these statements for accounting for goodwill and other intangible assets beginning in the first quarter of fiscal year 2003. Application of the non-amortization provisions of the statements is indeterminable at January 31, 2002 as the Company intends to continue to perform an impairment analysis of the remaining goodwill and other intangible assets through the end of fiscal year 2002.

As of the date of adoption, August 1, 2002, we expect to have unamortized goodwill in the amount of approximately $187.5 million, and unamortized identifiable intangible assets in the amount of approximately $25.3 million, both of which will be subjected to the transition provisions of SFAS No. 141 and No. 142. Amortization expense related to goodwill and identifiable intangible assets was $63.5 million and $193.2 million for the three months and nine months ended April 30, 2002, respectively. Upon adoption on August 1, 2002, the Company will perform the required impairment tests of goodwill and indefinite lived intangible assets and has not yet determined what effect these tests will be on the operations and financial position of the Company. Because of the extensive effort needed to comply with adopting SFAS No. 141, excluding the provisions that require that the purchase method of accounting be used for all business combinations, and SFAS No. 142, it is not practicable to reasonably estimate the impact of adopting these standards on our financial statements at the date of this report, other than the cessation of amortizing goodwill as noted above, including whether any transitional impairment losses will be required to be recognized as the cumulative effect of a change in accounting principle.

In June 2001, the FASB issued SFAS No. 143, "*Accounting for Asset Retirement Obligations*." This statement addresses the accounting treatment for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The provisions of the statement apply to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development, or normal operation of a long-lived asset. The statement is effective for financial statements issued for fiscal years

beginning after June 15, 2002. The Company has not completed its analysis of the impact of adopting SFAS No. 143, but does not expect this statement to have a material impact on its operations or financial position.

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

In November 2001, the Emerging Issues Task Force of the FASB issued as interpretive guidance Topic No. D-103,"Income Statement Characterization of Reimbursements Received for 'Out-of-Pocket' Expenses Incurred " ("Topic D-103"). Topic D-103 requires that reimbursements received for out-of-pocket expenses be classified as revenue on the statement of operations and was adopted by the Company at the beginning of the third quarter of fiscal 2002. This change in revenue classification impacts the Company's Enterprise Software and Services segment(s), resulting in an increase in both net revenue and cost of revenue of approximately $1.0 million, $1.1 million and $5.1 million for the first two quarters of fiscal 2002 and for the three and nine months ended April 30, 2001, respectively. There was no impact on operating loss for any prior periods. Comparative financial statements for prior periods were reclassified to comply with this interpretive guidance.

Factors That May Affect Future Results

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

CMGI may not be profitable in the future.

During the fiscal year ended July 31, 2001, CMGI had an operating loss of approximately $5.87 billion. During the three and nine months ended April 30, 2002, CMGI had an operating loss of approximately $133.7 million and $467.8 million, respectively. CMGI anticipates that it will continue to incur significant operating expenses in the future, including significant costs of revenue and selling, general and administrative and amortization, impairment and restructuring expenses. CMGI also has significant commitments and contingencies, including with respect to real estate, machinery and equipment leases, sponsorship of CMGI Field, and guarantees entered into by CMGI on behalf of itself and its operating companies. As a result, CMGI expects to continue to incur significant operating expenses and can give no assurance that it will achieve profitability or be capable of sustaining profitable operations. At April 30, 2002, CMGI had a consolidated cash and cash equivalents balance of approximately $328.9 million. Total cash and cash equivalents usage was approximately $83.2 million during the third quarter of fiscal 2002. If CMGI is unable to reach and sustain profitability, it risks depleting its working capital balances and its business will be materially adversely affected.

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

In recent years, CMGI has generally financed its operations with proceeds from selling shares of stock of companies in which CMGI had invested directly or through its @Ventures venture capital affiliates.

The aggregate holdings and market value of the shares of stock held by CMGI has declined significantly over the past two years, due to market conditions and continued sales. Market and other conditions largely beyond CMGI's control may affect its future ability to engage in such sales, the timing of any such sales, and the amount of proceeds therefrom. Even if CMGI is able to sell any such securities in the future, CMGI may not be able to sell at favorable prices or on favorable terms. In addition, this funding source may not be sufficient in the future, and CMGI may need to obtain funding from outside sources. However, CMGI may not be able to obtain funding from outside sources. In addition, even if CMGI finds outside funding sources, CMGI may be required to issue to such outside sources securities with greater rights than those currently possessed by holders of CMGI's common stock. CMGI may also be required to take other actions, which may lessen the value of its common stock or dilute its common stockholders, including borrowing money on terms that are not favorable to CMGI or issuing additional shares of common stock. If CMGI experiences difficulties raising money in the future, its business will be materially adversely affected.

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

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

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

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

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

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

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

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

- difficulty integrating acquired technologies, operations and personnel with the existing businesses;

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

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

CMGI must develop and maintain positive brand name awareness.

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

CMGI's quarterly results may fluctuate widely.

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

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

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

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

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

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

CMGI relies on NaviSite for Web site hosting.

CMGI and many of its operating companies rely on NaviSite for network connectivity and hosting of servers. If NaviSite fails to perform such services, CMGI's internal business operations may be interrupted, and the ability of CMGI's operating companies to provide services to customers may also be interrupted. Such interruptions may have an adverse impact on CMGI's business and revenues and its operating companies. In addition, in November 2001, NaviSite issued convertible notes to Compaq Financial Services Corporation in the aggregate principal amount of $55 million. Upon conversion of these notes, CMGI's ownership interests in NaviSite will drop below 50%.

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

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

CMGI's operating companies are subject to intense competition.

The markets for Internet products and services are highly competitive and lack significant barriers to entry, enabling new businesses to enter these markets relatively easily. Competition in the markets for Internet products and services may intensify in the future. Numerous well-established companies and smaller entrepreneurial companies are focusing significant resources on developing and marketing products and services that will

compete with the products and services of CMGI's operating companies. In addition, many of the current and potential competitors of CMGI's operating companies have greater financial, technical, operational and marketing resources than those of CMGI's operating companies. CMGI's operating companies may not be able to compete successfully against these competitors. Competitive pressures may also force prices for Internet goods and services down and such price reductions may reduce the revenues of CMGI's operating companies.

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

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

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

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

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

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

CMGI's operating companies face security risks.

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

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

CMGI's operating companies intend to continue to expand their operations outside of the United States. This international expansion will require significant management attention and financial resources. The ability of CMGI's operating companies to expand their offerings of CMGI's products and services internationally will be limited by the general acceptance of the Internet and intranets in other countries. In addition, CMGI and its operating companies have limited experience in such international activities. Accordingly, CMGI and its

operating companies expect to commit substantial time and development resources to customizing the products and services of its operating companies for selected international markets and to developing international sales and support channels.

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

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

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

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

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

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

CMGI, INC. AND SUBSIDIARIES

PART I: FINANCIAL INFORMATION

Item 3. ***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 April 30, 2002 primarily consisted of investments in companies in the Internet and technology industries which have experienced significant historical volatility in their stock prices. The Company typically does not attempt to reduce or eliminate its market exposure on these securities. A 20% adverse change in equity prices, based on a sensitivity analysis of the equity component of the Company's available-for-sale securities portfolio as of April 30, 2002, would result in an approximate $2.2 million decrease in the fair value of the Company's available-for-sale securities.

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

The Company from time to time uses derivative financial instruments primarily to reduce exposure to adverse fluctuations in interest rates on its borrowing arrangements. —See note K to the Interim Unaudited Condensed Consolidated Financial Statements. The Company does not enter into derivative financial instruments for trading purposes. As a matter of policy all derivative positions are used to reduce risk by hedging underlying economic or market exposure. The derivatives the Company uses are straightforward instruments with liquid markets. At April 30, 2002, the Company was primarily exposed to the London Interbank Offered Rate (LIBOR) interest rate on its outstanding borrowing arrangements.

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

CMGI, INC. AND SUBSIDIARIES

PART II: OTHER INFORMATION

Item 1. ***Legal Proceedings***

In December 1999, Neil Braun, a former officer of iCAST Corporation, a wholly owned subsidiary of the Company ("iCAST"), filed a complaint in United States District Court, Southern District of New York naming the Company, iCAST and David S. Wetherell as defendants. In the complaint, Mr. Braun alleged breach of contract regarding his termination from iCAST and claimed that he was entitled to acceleration of options to purchase CMGI common stock and iCAST common stock, upon his termination, under contract and promissory estoppel principles. Mr. Braun also claimed that, under quantum meruit principles, he was entitled to lost compensation. Mr. Braun sought damages of approximately $50 million and requested specific performance of the acceleration and exercise of options. In August 2001, the Court (i) granted summary judgment dismissing Mr. Wetherell as a defendant and (ii) granted summary judgment, disposing of Mr. Braun's contract claim. In February 2002, the Court granted summary judgment disposing of Mr. Braun's promissory estoppel claim. Trial on the quantum meruit claim was held in March 2002 and the jury returned a verdict in favor of Mr. Braun and against the Company in the amount of $113,482.24. As to iCAST, the jury found that Mr. Braun had not proven his claim. The Company filed a motion for directed verdict, which motion sought to set aside the jury verdict against the Company. Such motion was denied. In May 2002, Mr. Braun appealed the verdict.

In August 2001, Jeffrey Black, a former employee of AltaVista Company, filed a complaint in Superior Court of the State of California (Santa Clara County) in his individual capacity as well as in his capacity as a trustee of two family trusts against the Company and AltaVista alleging certain claims arising out of the termination of Mr. Black's employment with AltaVista. As set forth in the complaint, Mr. Black is seeking monetary damages in excess of $70 million. The Company and AltaVista each believes that these claims are without merit and plans to vigorously defend against these claims. In March 2002, the court ordered the case to arbitration in California. In June 2002, Mr. Black appealed such order.

On February 26, 2002, a purported class action lawsuit was filed in the Court of Chancery of the State of Delaware against the Company, Engage and the individual members of the Board of Directors of Engage (David S. Wetherell, George A. McMillan, Christopher M. Cuddy, Edward M. Bennett and Peter J. Rice). The complaint alleges, among other things, breaches of fiduciary duties by the Company and the individual defendants, and violations of Delaware law. The complaint requests, among other things, that the court (i) enjoin Engage from effecting a proposed reverse stock split, (ii) enjoin the issuance of shares of Engage common stock to the Company upon conversion of promissory notes previously issued by Engage to the Company, (iii) award rescissory relief if the reverse stock split and stock issuances are consummated, and (iv) award the plaintiff compensatory damages, attorneys' fees and expenses. On February 28, 2002, the Delaware Court of Chancery denied a request by the plaintiffs for the scheduling of a preliminary injunction hearing, and denied a request to allow expedited discovery in the lawsuit. In May 2002, the plaintiffs filed an amended complaint. In addition to the requests stated in the original complaint, the amended complaint requests that the court (i) enjoin a merger (as to which the Company had extended an offer, but has not reached a definitive agreement) by and among the Company, a wholly owned subsidiary of the Company and Engage (the "Merger"), and (ii) declare the Merger not to be entirely fair to the plaintiffs. The Company and Engage each believes that these claims are without merit and plans to vigorously defend against these claims.

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

(iv) award the plaintiffs the costs and disbursements (including attorneys' fees) relating to this action. The Company and Engage each believes that these claims are without merit and plans to vigorously defend against these claims.

On May 21, 2002, another purported class action lawsuit was filed with the Court of Chancery of the State of Delaware against the Company, Engage and Robert W. Bartlett, Jr., Edward A. Bennett, Christopher M. Cuddy, George A. McMillan, Peter M. Rice, David S. Wetherell and Andrew J. Zimmon (officers and directors of Engage). The complaint alleges, among other things, breaches of fiduciary duties. The complaint requests, among other things, that the Court (i) enjoin, preliminarily and permanently, the Merger, (ii) rescind the Merger (in the event it is consummated) or grant the plaintiffs rescissory damages, (iii) direct that the defendants account to plaintiffs for all profits and any special benefits obtained as a result of alleged unlawful conduct, and (iv) award the plaintiffs the costs and disbursements (including attorneys' and experts' fees) relating to this action. The Company and Engage each believes that these claims are without merit and plans to vigorously defend against these claims.

Item 6. ***Exhibits and Reports on Form 8-K***

(a) Exhibits

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

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter for which this report is filed.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CMGI, INC.

By: /s/ THOMAS OBERDORF

Thomas Oberdorf
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

Date: June 14, 2002

EXHIBIT INDEX

Item	Description
10.1	2002 Non-Officer Employee Stock Incentive Plan, as amended.
10.2	CEO Offer Letter from the Registrant to George A. McMillan, dated February 18, 2002.
10.3	Amended and Restated Executive Severance Agreement, dated as of March 1, 2002, by and between the Registrant and George A. McMillan.
10.4	Offer Letter from the Registrant to Thomas Oberdorf, dated March 1, 2002.
10.5	Executive Severance Agreement, dated as of March 4, 2002, by and between the Registrant and Thomas Oberdorf.
10.6	Indemnification Agreement, dated as of February 1, 2002, by and between the Registrant and James Barnett.
10.7	Indemnification Agreement, dated as of February 1, 2002, by and between AltaVista Company and James Barnett.
10.8	Offer Letter from uBid, Inc. to Christian Feuer, dated April 12, 2002.
10.9	Executive Severance Agreement, dated as of April 15, 2002, by and between uBid, Inc. and Christian Feuer.
10.10	Form of Executive Retention Agreement by and between NaviSite, Inc. and Patricia Gilligan, is incorporated herein by reference to Exhibit 10.5 to NaviSite's Quarterly Report on Form 10-Q for the period ended April 30, 2001 (File No. 000-27597).
10.11	Form of Indemnification Agreement by and between NaviSite, Inc. and Patricia Gilligan, is incorporated herein by reference to Exhibit 10.6 to NaviSite's Quarterly Report on Form 10-Q for the period ended April 30, 2001 (File No. 000-27597).

EXHIBIT 10.1

CMGI, INC.

2002 NON-OFFICER EMPLOYEE STOCK INCENTIVE PLAN

1. Purpose

The purpose of this 2002 Non-Officer Employee Stock Incentive Plan (the "Plan") of CMGI, Inc., a Delaware corporation (the "Company"), is to advance the interests of the Company's stockholders by enhancing the Company's ability to attract, retain and motivate persons who make (or are expected to make) important contributions to the Company by providing such persons with equity ownership opportunities and performance-based incentives and thereby better aligning the interests of such persons with those of the Company's stockholders. Except where the context otherwise requires, the term "Company" shall include any of the Company's present or future parent or subsidiary corporations as defined in Sections 424(e) or (f) of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder (the "Code"), and any other business venture (including, without limitation, joint venture or limited liability company) in which the Company has a significant interest, as determined by the Board of Directors of the Company (the "Board").

2. Eligibility

All of the Company's employees (and any individuals who have accepted an offer for employment), other than those who are also officers (within the meaning of Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder) or directors of the Company, are eligible to be granted options or restricted stock awards (each, an "Award") under the Plan. Each person who has been granted an Award under the Plan shall be deemed a "Participant."

3. Administration and Delegation

(a) Administration by Board of Directors. The Plan will be administered by the Board. The Board shall have authority to grant Awards and to adopt, amend and repeal such administrative rules, guidelines and practices relating to the Plan as it shall deem advisable. The Board may correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem expedient to carry the Plan into effect and it shall be the sole and final judge of such expediency. All decisions by the Board shall be made in the Board's sole discretion and shall be final and binding on all persons having or claiming any interest in the Plan or in any Award. No director or person acting pursuant to the authority delegated by the Board shall be liable for any action or determination relating to or under the Plan made in good faith.

(b) Appointment of Committees. To the extent permitted by applicable law, the Board may delegate any or all of its powers under the Plan to one or more committees or

subcommittees of the Board (a "Committee"). All references in the Plan to the "Board" shall mean the Board or a Committee of the Board or the executive officers referred to in Section 3(c) to the extent that the Board's powers or authority under the Plan have been delegated to such Committee or executive officers.

(c) Delegation to Executive Officers. To the extent permitted by applicable law, the Board may delegate to one or more executive officers of the Company the power to grant Awards to employees or officers of the Company or any of its present or future subsidiary corporations and to exercise such other powers under the Plan as the Board may determine, provided that the Board shall fix the terms of the Awards to be granted by such executive officers (including the exercise price of such Awards, which may include a formula by which the exercise price will be determined) and the maximum number of shares subject to Awards that the executive officers may grant; provided further, however, that no executive officer shall be authorized to grant Awards to any "executive officer" of the Company (as defined by Rule 3b-7 under the Exchange Act) or to any "officer" of the Company (as defined by Rule 16a-1 under the Exchange Act).

4. Stock Available for Awards

Subject to adjustment under Section 7, Awards may be made under the Plan for up to 4,150,000 shares of common stock, $.01 par value per share, of the Company (the "Common Stock"). If (i) any Award expires or is terminated, surrendered or canceled without having been fully exercised, (ii) any Award is forfeited in whole or in part, (iii) any Award results in any shares of Common Stock not being issued or (iv) the shares of Common Stock issued pursuant to any Award are repurchased by the Company (including without limitation shares of Common Stock issued upon exercise of an Option (as hereinafter defined) that are subsequently repurchased by the Company pursuant to a contractual repurchase right or otherwise), the unused shares of Common Stock covered by such Award or the shares of Common Stock so repurchased, as the case may be, shall again be available for the grant of Awards under the Plan. Shares issued under the Plan may consist in whole or in part of authorized but unissued shares or treasury shares.

5. Non-Statutory Stock Options

(a) General. The Board may grant non-statutory stock options to purchase Common Stock (each, an "Option") and determine the number of shares of Common Stock to be covered by each Option, the exercise price of each Option and the conditions and limitations applicable to the exercise of each Option, including conditions relating to applicable federal or state securities laws, as it considers necessary or advisable. No Option granted under the Plan shall be intended to be an "incentive stock option" as defined in Section 422 of the Code.

(b) Exercise Price. The Board shall establish the exercise price at the time each Option is granted and specify it in the applicable instrument evidencing the grant of the Option.

(c) Duration of Options. Each Option shall be exercisable at such times and subject to such terms and conditions as the Board may specify in the applicable instrument evidencing the grant of the Option.

(d) Exercise of Option. Options may be exercised by delivery to the Company of a written notice of exercise signed by the proper person or by any other form of notice (including electronic notice) approved by the Board together with payment in full as specified in Section 5(e) for the number of shares for which the Option is exercised and payment in full as specified in Section 8(e) of any tax withholding.

(e) Payment Upon Exercise. Common Stock purchased upon the exercise of an Option granted under the Plan shall be paid for as follows:

(1) in cash or by check, payable to the order of the Company;

(2) except as the Board may, in its sole discretion, otherwise provide in an instrument evidencing the grant of the Option, by (i) delivery of an irrevocable and unconditional undertaking by a creditworthy broker to deliver promptly to the Company sufficient funds to pay the exercise price and any required tax withholding or (ii) delivery by the Participant to the Company of a copy of irrevocable and unconditional instructions to a creditworthy broker to deliver promptly to the Company cash or a check sufficient to pay the exercise price and any required tax withholding;

(3) except as the Board may, in its sole discretion, otherwise provide in an instrument evidencing the grant of the Option, when the Common Stock is registered under the Exchange Act, by delivery of shares of Common Stock owned by the Participant valued at their fair market value as determined by (or in a manner approved by) the Board in good faith ("Fair Market Value"), provided (i) such method of payment is then permitted under applicable law and (ii) such Common Stock, if acquired directly from the Company, was owned by the Participant at least six months prior to such delivery;

(4) to the extent permitted by the Board, in its sole discretion, by (i) delivery of a full recourse promissory note of the Participant to the Company on terms determined by the Board, or (ii) payment of such other lawful consideration as the Board may determine; or

(5) by any combination of the above-permitted forms of payment.

(f) Substitute Options. In connection with a merger or consolidation of an entity with and into the Company or the acquisition by the Company of property or stock of an entity, the Board may grant Options in substitution for any options or other stock or stock-based awards granted by such entity or an affiliate thereof. Substitute Options may be granted on such terms as the Board deems appropriate in the circumstances, notwithstanding any limitations on Options contained in the other sections of this Section 5 or in Section 2 hereof.

6. Restricted Stock.

(a) Grants. The Board may grant Awards entitling Participants to acquire shares of Common Stock, subject to the right of the Company to repurchase all or part of such shares at their issue price or other stated or formula price (or to require forfeiture of such shares if issued at no cost) from the Participant in the event that conditions specified by the Board in the applicable Award are not satisfied prior to the end of the applicable restriction period or periods established by the Board for such Award (each, a "Restricted Stock Award").

(b) Terms and Conditions. The Board shall determine the terms and conditions of any such Restricted Stock Award, including the conditions for repurchase (or forfeiture) and the issue price, if any.

(c) Stock Certificates. Any stock certificates issued in respect of a Restricted Stock Award shall be registered in the name of the Participant and, unless otherwise determined by the Board, deposited by the Participant, together with a stock power endorsed in blank, with the Company (or its designee). At the expiration of the applicable restriction periods, the Company (or such designee) shall deliver the certificates no longer subject to such restrictions to the Participant or if the Participant has died, to the beneficiary designated, in a manner determined by the Board, by a Participant to receive amounts due or exercise rights of the Participant in the event of the Participant's death (the "Designated Beneficiary"). In the absence of an effective designation by a Participant, Designated Beneficiary shall mean the Participant's estate.

7. Adjustments for Changes in Common Stock and Certain Other Events

(a) Changes in Capitalization. In the event of any stock split, reverse stock split, stock dividend, recapitalization, combination of shares, reclassification of shares, spin-off or other similar change in capitalization or event, or any distribution to holders of Common Stock other than a normal cash dividend, (i) the number and class of securities available under this Plan, (ii) the number and class of securities and exercise price per share subject to each outstanding Option, and (iii) the repurchase price per share subject to each outstanding Restricted Stock Award shall be appropriately adjusted by the Company (or substituted Awards may be made, if applicable) to the extent the Board shall determine, in good faith, that such an adjustment (or substitution) is necessary and appropriate. If this Section 7(a) applies and Section 7(c) also applies to any event, Section 7(c) shall be applicable to such event, and this Section 7(a) shall not be applicable.

(b) Liquidation or Dissolution. In the event of a proposed liquidation or dissolution of the Company, the Board shall upon written notice to the Participants provide that all then unexercised Options will (i) become exercisable in full as of a specified time at least ten business days prior to the effective date of such liquidation or dissolution and (ii) terminate effective upon such liquidation or dissolution, except to the extent exercised before such effective date. The Board may specify the effect of a liquidation or dissolution on any Restricted Stock Award granted under the Plan at the time of the grant of such Award.

(c) Reorganization Events

(1) Definition. A "Reorganization Event" shall mean: (a) any merger or consolidation of the Company with or into another entity as a result of which all of the Common Stock is converted into or exchanged for the right to receive cash, securities or other property or (b) any exchange of all of the Common Stock for cash, securities or other property pursuant to a share exchange transaction; provided, however, that, unless the Board determines otherwise, a "Reorganization Event" shall not include any transaction that involves the Company, on the one hand, and any Company Subsidiary (as defined below), on the other hand. "Company Subsidiary" shall mean any corporation or other entity that is controlled, directly or indirectly, by the Company.

(2) Consequences of a Reorganization Event on Options. Upon the occurrence of a Reorganization Event, or the execution by the Company of any agreement with respect to a Reorganization Event, the Board shall provide that all outstanding Options shall be assumed, or equivalent options shall be substituted, by the acquiring or succeeding corporation (or an affiliate thereof). For purposes hereof, an Option shall be considered to be assumed if, following consummation of the Reorganization Event, the Option confers the right to purchase, for each share of Common Stock subject to the Option immediately prior to the consummation of the Reorganization Event, the consideration (whether cash, securities or other property) received as a result of the Reorganization Event by holders of Common Stock for each share of Common Stock held immediately prior to the consummation of the Reorganization Event (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Common Stock); provided, however, that if the consideration received as a result of the Reorganization Event is not solely common stock of the acquiring or succeeding corporation (or an affiliate thereof), the Company may, with the consent of the acquiring or succeeding corporation, provide for the consideration to be received upon the exercise of Options to consist solely of common stock of the acquiring or succeeding corporation (or an affiliate thereof) equivalent in fair market value to the per share consideration received by holders of outstanding shares of Common Stock as a result of the Reorganization Event.

Notwithstanding the foregoing, if the acquiring or succeeding corporation (or an affiliate thereof) does not agree to assume, or substitute for, such Options, then the Board shall, upon written notice to the Participants, provide that all then unexercised Options will become exercisable in full as of a specified time prior to the Reorganization Event and will terminate immediately prior to the consummation of such Reorganization Event, except to the extent exercised by the Participants before the consummation of such Reorganization Event; provided, however, that in the event of a Reorganization Event under the terms of which holders of Common Stock will receive upon consummation thereof a cash payment for each share of Common Stock surrendered pursuant to such Reorganization Event (the "Acquisition Price"), then the Board may instead provide that all outstanding Options shall terminate upon consummation of such Reorganization Event and that each Participant shall receive, in exchange therefor, a cash payment equal to the amount (if any) by which (A) the Acquisition Price multiplied by the number of shares of Common Stock subject to such outstanding Options (whether or not then exercisable), exceeds (B) the aggregate exercise price of such Options. To the extent all or any portion of an Option becomes exercisable solely as a result of the first

sentence of this paragraph, upon exercise of such Option the Participant shall receive shares subject to a right of repurchase by the Company or its successor at the Option exercise price. Such repurchase right (1) shall lapse at the same rate as the Option would have become exercisable under its terms and (2) shall not apply to any shares subject to the Option that were exercisable under its terms without regard to the first sentence of this paragraph.

If any Option provides that it may be exercised for shares of Common Stock which remain subject to a repurchase right in favor of the Company, upon the occurrence of a Reorganization Event, any shares of restricted stock received upon exercise of such Option prior to such Reorganization Event shall be treated in accordance with Section 7(c)(3) as if they were a Restricted Stock Award.

(3) Consequences of a Reorganization Event on Restricted Stock Awards. Upon the occurrence of a Reorganization Event, the repurchase and other rights of the Company under each outstanding Restricted Stock Award shall inure to the benefit of the Company's successor and shall apply to the cash, securities or other property which the Common Stock was converted into or exchanged for pursuant to such Reorganization Event in the same manner and to the same extent as they applied to the Common Stock subject to such Restricted Stock Award.

8. General Provisions Applicable to Awards

(a) Transferability of Awards. Except as the Board may otherwise determine or provide in an Award, Awards shall not be sold, assigned, transferred, pledged or otherwise encumbered by the person to whom they are granted, either voluntarily or by operation of law, except by will or the laws of descent and distribution, and, during the life of the Participant, shall be exercisable only by the Participant. References to a Participant, to the extent relevant in the context, shall include references to authorized transferees.

(b) Documentation. Each Award shall be evidenced by an instrument in such form (written, electronic or otherwise) as the Board shall determine. Each Award may contain terms and conditions in addition to those set forth in the Plan.

(c) Board Discretion. Except as otherwise provided by the Plan, each Award may be made alone or in addition or in relation to any other Award. The terms of each Award need not be identical, and the Board need not treat Participants uniformly.

(d) Termination of Status. The Board shall determine the effect on an Award of the disability, death, retirement, authorized leave of absence or other change in the employment or other status of a Participant and the extent to which, and the period during which, the Participant, the Participant's legal representative, conservator, guardian or Designated Beneficiary may exercise rights under the Award.

(e) Withholding. Each Participant shall pay to the Company, or make provision satisfactory to the Board for payment of, any taxes required by law to be withheld in connection with Awards to such Participant no later than the date of the event creating the tax liability. Except as the Board may otherwise provide in an Award, when the Common Stock is registered under the Exchange Act, Participants may, to the extent then permitted under applicable law,

satisfy such tax obligations in whole or in part by delivery of shares of Common Stock, including shares retained from the Award creating the tax obligation, valued at their Fair Market Value; provided, however, that the total tax withholding where stock is being used to satisfy such tax obligations cannot exceed the Company's minimum statutory withholding obligations (based on minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to such supplemental taxable income). The Company may, to the extent permitted by law, deduct any such tax obligations from any payment of any kind otherwise due to a Participant.

(f) Amendment of Award. The Board may amend, modify or terminate any outstanding Award, including but not limited to, substituting therefor another Award of the same or a different type and changing the date of exercise or realization, provided that the Participant's consent to such action shall be required unless the Board determines that the action, taking into account any related action, would not materially and adversely affect the Participant.

(g) Conditions on Delivery of Stock. The Company will not be obligated to deliver any shares of Common Stock pursuant to the Plan or to remove restrictions from shares previously delivered under the Plan until (i) all conditions of the Award have been met or removed to the satisfaction of the Company, (ii) in the opinion of the Company's counsel, all other legal matters in connection with the issuance and delivery of such shares have been satisfied, including any applicable securities laws and any applicable stock exchange or stock market rules and regulations, and (iii) the Participant has executed and delivered to the Company such representations or agreements as the Company may consider appropriate to satisfy the requirements of any applicable laws, rules or regulations.

(h) Acceleration. The Board may at any time provide that any Award shall become immediately exercisable in full or in part, free of some or all restrictions or conditions, or otherwise realizable in full or in part, as the case may be.

9. Miscellaneous

(a) No Right To Employment or Other Status. No person shall have any claim or right to be granted an Award, and the grant of an Award shall not be construed as giving a Participant the right to continued employment or any other relationship with the Company. The Company expressly reserves the right at any time to dismiss or otherwise terminate its relationship with a Participant free from any liability or claim under the Plan, except as expressly provided in the applicable Award.

(b) No Rights As Stockholder. Subject to the provisions of the applicable Award, no Participant or Designated Beneficiary shall have any rights as a stockholder with respect to any shares of Common Stock to be distributed with respect to an Award until becoming the record holder of such shares. Notwithstanding the foregoing, in the event the Company effects a split of the Common Stock by means of a stock dividend and the exercise price of and the number of shares subject to such Option are adjusted as of the date of the distribution of the dividend (rather than as of the record date for such dividend), then a Participant who exercises an Option between the record date and the distribution date for such stock dividend shall be entitled to receive, on

the distribution date, the stock dividend with respect to the shares of Common Stock acquired upon such Option exercise, notwithstanding the fact that such shares were not outstanding as of the close of business on the record date for such stock dividend.

(c) Effective Date and Term of Plan. The Plan is effective as of March 13, 2002 (the "Effective Date"). No Awards shall be granted under the Plan after the completion of ten years from the Effective Date, but Awards previously granted may extend beyond that date.

(d) Amendment of Plan. The Board may amend, suspend or terminate the Plan or any portion thereof at any time.

(e) Governing Law. The provisions of the Plan and all Awards made hereunder shall be governed by and interpreted in accordance with the laws of the State of Delaware, without regard to any applicable conflicts of law.

* * * * *

CMGI, INC.

AMENDMENT NO. 1 TO
2002 NON-OFFICER EMPLOYEE STOCK INCENTIVE PLAN

The 2002 Non-Officer Employee Stock Incentive Plan (the "Plan") of CMGI, Inc., a Delaware corporation (the "Corporation"), is hereby amended as follows:

Section 4 of the Plan is hereby amended and restated in its entirety to read as follows:

"4. Stock Available for Awards

Subject to adjustment under Section 7, Awards may be made under the Plan for up to 19,150,000 shares of common stock, $.01 par value per share, of the Company (the "Common Stock"). If (i) any Award expires or is terminated, surrendered or canceled without having been fully exercised, (ii) any Award is forfeited in whole or in part, (iii) any Award results in any shares of Common Stock not being issued or (iv) the shares of Common Stock issued pursuant to any Award are repurchased by the Company (including without limitation shares of Common Stock issued upon exercise of an Option (as hereinafter defined) that are subsequently repurchased by the Company pursuant to a contractual repurchase right or otherwise), the unused shares of Common Stock covered by such Award or the shares of Common Stock so repurchased, as the case may be, shall again be available for the grant of Awards under the Plan. Shares issued under the Plan may consist in whole or in part of authorized but unissued shares or treasury shares."

* * * * *

Adopted by the Board of Directors
on May 20, 2002.

EXHIBIT 10.2

February 18, 2002

George A. McMillan
25 Thornbury Lane
Sudbury, MA 01776

Dear George:

It is a distinct pleasure to offer you the position of Chief Executive Officer of CMGI, Inc. ("CMGI"), effective March 1, 2002 and subject to approval by the Board of Directors of CMGI. In connection with your promotion to Chief Executive Officer, you will also be elected to the CMGI Board of Directors. The terms of this offer letter shall supersede the terms of your offer letter dated June 11, 2001 (other than with respect to the option grant and its terms and conditions as outlined and described in such letter dated June 11, 2001).

Your starting annualized salary will be $500,000, which represents $19,230.77 every two weeks.

You will also be eligible to receive a target annualized bonus for fiscal year 2002 of $450,000 based on successful satisfaction of fiscal year 2002 business objectives that will be set and agreed to by CMGI and you. Your fiscal year 2002 bonus will be guaranteed at a minimum of $300,000. In addition, you shall be eligible to receive potential additional bonus amounts up to $450,000 based on business achievements above and beyond the targets set by CMGI and you. Any bonus payments will be paid to you after the end of fiscal year 2002 in accordance with the written business objectives plan. Your bonus plan for fiscal year 2003 will be set by the Compensation Committee of the Board of Directors of CMGI.

In addition, on today's date, you will be granted an option to purchase 2,750,000 shares of CMGI common stock under the CMGI 2000 Stock Incentive Plan (the "Plan"). This option will have an exercise price equal to $1.42, the closing price on the Nasdaq National Market (during normal trading hours) on Friday, February 15, 2002 (the last trading day prior to the date hereof), and it will be divided into three tranches. The first tranche of the option shall cover 1,250,000 shares and shall vest as follows: 25% on the earlier to occur of (i) the first anniversary of the date hereof and (ii) the First Confirmation Date (as defined below), and monthly thereafter commencing on the 13th monthly anniversary of the date hereof for the next three (3) years (whereby 1/48th of the original number of the shares underlying the first tranche of the option shall vest on each monthly anniversary date of the date hereof starting on the 13th monthly anniversary date of the date of grant, until fully vested on the fourth anniversary of the date hereof). The option shall have a seven (7) year term.

The second tranche of the option shall cover 1,000,000 shares and shall vest as follows: 25% on the first anniversary of the First Confirmation Date and monthly thereafter for the next three (3) years (whereby 1/48th of the original number of the shares underlying the second tranche of the

option shall vest on each monthly anniversary date of the First Confirmation Date starting on the 13th monthly anniversary date of the First Confirmation Date, until fully vested on the fourth anniversary of the First Confirmation Date). Notwithstanding the foregoing, in the event that the First Confirmation Date does not occur prior to February 18, 2007, the second tranche of the option shall nonetheless become fully vested on such date. For purposes of this offer letter, "First Confirmation Date" shall be defined as the first date following the date hereof that CMGI publicly announces Net Operating Income (as defined below) on a consolidated basis for a fiscal quarter commencing after the date hereof greater than zero dollars.

The third tranche of the option shall cover 500,000 shares and shall vest as follows: 25% on the first anniversary of the Second Confirmation Date (as defined below) and monthly thereafter for the next three (3) years (whereby 1/48th of the original number of the shares underlying the option shall vest on each monthly anniversary date of the Second Confirmation Date starting on the 13/th/ monthly anniversary date of the Second Confirmation Date, until fully vested on the fourth anniversary of the Second Confirmation Date). Notwithstanding the foregoing, in the event that the Second Confirmation Date does not occur prior to February 18, 2007, the third tranche of the option shall nonetheless become fully vested on such date. For purposes of this offer letter, "Second Confirmation Date" shall be defined as the first date following the First Confirmation Date that CMGI publicly announces Net Operating Income on a consolidated basis for a fiscal quarter greater than that reached on the First Confirmation Date.

For purposes of this offer letter, "Net Operating Income" shall be defined as operating income excluding expenses related to in-process research and development, depreciation, restructuring, long-lived asset impairment and amortization of intangible assets and stock-based compensation.

All options shall be subject to all terms, limitations, restrictions and termination provisions set forth in the Plan and in the separate option agreements (which shall be based upon CMGI's standard form option agreement) that shall be executed to evidence the grant of any options. Enclosed you will find a copy of a Non-Competition Agreement, the execution of which is required as a condition of CMGI granting you an option to purchase CMGI common stock.

In lieu of a car allowance, you will be permitted primary use of the Chief Executive Officer security-protected BMW that is presently leased by CMGI until such time as CMGI disposes of such automobile. Until such time as CMGI disposes of such automobile, CMGI will continue to make the monthly payments including, without limitation, customary insurance and annual tax payments that relate to such automobile lease.

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

Additionally, you will continue to accrue vacation time at a rate of 10.00 hours per month (3 weeks per year) beginning on your first month of employment, but in no event shall you accrue vacation time beyond 80 hours.

The Amended and Restated Executive Severance Agreement attached hereto as Exhibit A contains additional terms that shall be applicable to your employment, and Exhibit A shall be incorporated herein by reference. For purposes of the Amended and Restated Executive Severance Agreement, your target bonus for fiscal year 2002 shall be deemed to be $450,000.

In connection with your election to the Board of Directors of CMGI, you and CMGI shall enter into the Indemnification Agreement attached hereto as Exhibit B. In addition, CMGI hereby confirms that in connection with your employment by CMGI, CMGI shall provide you with indemnification to the fullest extent authorized by CMGI's Certificate of Incorporation and By-Laws.

CMGI agrees that it shall pay the reasonable costs and expenses of one counsel to you in connection with the preparation of this offer letter and the other documents contemplated hereby, up to a maximum payment by CMGI of $2,000.

Please confirm your acceptance of this position by signing one copy of this letter and returning it to me. Additionally, please sign and return the enclosed Non-Competition Agreement.

Your employment with CMGI will be "at-will". This means that your employment with CMGI may be terminated by either you or CMGI at any time and for any reason, with or without notice. This offer expires as of the close of business on Tuesday, February 19, 2002. This offer and the Amended and Restated Executive Severance Agreement constitute the entire agreement between the parties and supersede all prior offers, both oral and written (other than those portions of the June 11, 2001 offer letter as described above). This letter does not constitute a guarantee of employment or a contract.

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

Sincerely,

/s/ David S. Wetherell

David S. Wetherell
Chairman of the Board, CMGI, Inc.

/s/ George A. McMillan   February 18, 2002
- ----------------------   -----------------
George A. McMillan   DATE

EXHIBIT 10.3

AMENDED AND RESTATED EXECUTIVE SEVERANCE AGREEMENT

THIS AMENDED AND RESTATED EXECUTIVE SEVERANCE AGREEMENT ("Agreement") by and between CMGI, Inc., a Delaware corporation (the "Company"), and George A. McMillan (the "Executive"), is made as of March 1, 2002.

WHEREAS, effective as the date hereof, the Executive has been promoted to the position of Chief Executive Officer of the Company;

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

WHEREAS, the Company and the Executive are parties to an Executive Severance Agreement dated as of June 11, 2001; and

WHEREAS, the parties desire to amend and restate the Executive Severance Agreement;

NOW, THEREFORE, as an inducement for and in consideration of the Executive remaining in its employ, the Company agrees that the Executive shall receive the severance benefits set forth in this Agreement in the event the Executive's employment with the Company is terminated under the circumstances described below; and for good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree that the Executive Severance Agreement be and hereby is amended and restated in its entirety as follows:

1. Term of Agreement. The term of this Agreement shall be June 11, 2001 through the last day of Executive's employment with the Company.

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

3. Severance Payment. (a) In the event the employment of the Executive is terminated by the Company for a reason other than for Cause (as defined below), or by the Executive for Good Reason (as defined below), the Company shall pay to the Executive a severance payment equal to 12 months of his then-current monthly base salary plus target bonus, as in effect on the Executive's last day of employment, and will reimburse the Executive for cost of COBRA for medical, dental and vision for 12 months following the Executive's last day of employment. The severance payment shall be payable in full within 10 business days after the termination of Executive's employment, unless the parties agree otherwise. Additionally, in the event that prior to July 9, 2003 there occurs a termination giving rise to a severance payment by the Company to Executive pursuant to this Section 3(a), 50% of the then-unvested options to purchase shares of common stock of the Company pursuant to options granted to Executive on July 9, 2001 ("Initial Options") shall immediately become exercisable in full and shall be deemed fully vested.

Additionally, and not in limitation of the previous sentence, (A) in the event that prior to February 18, 2004 there occurs a termination giving rise to a severance payment by the Company to Executive pursuant to this Section 3(a), 25% of the then-unvested options to purchase shares of common stock of the Company pursuant to options granted to Executive on February 18, 2002 ("CEO Options") shall immediately become exercisable in full and shall be deemed fully vested, and (B) in the event that on or after February 18, 2004 there occurs a termination giving rise to a severance payment by the Company to Executive pursuant to this Section 3(a), 50% of the then-unvested CEO Options shall immediately become exercisable in full and shall be deemed fully vested. In the event of any termination of employment giving rise to a severance payment pursuant to this Section 3(a), the Executive shall have the right to exercise any vested Initial Options and CEO Options following such termination of employment, unless the options terminate sooner by the terms of the underlying option agreement, as follows:

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

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

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

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

(b) In the event the employment of the Executive is terminated by the Company for a reason other than for Cause within twelve (12) months following a Change of Control (as defined below) of the Company or by the Executive for Good Reason within twelve (12) months following a Change of Control of the Company, the Company shall pay to the Executive a severance payment equal to 24 months of his then-current monthly base salary plus target bonus, as in effect on the Executive's last day of employment, and will reimburse the Executive for cost of COBRA for medical, dental and vision for 18 months following the Executive's last day of employment. The severance payment shall be payable in full within 10 business days after the termination of Executive's employment, unless the parties agree otherwise. Additionally, in the event of a termination giving rise to a severance payment by the Company to Executive pursuant to this Section 3(b), each outstanding option to purchase shares of common stock of the Company then held by the Executive shall immediately become exercisable in full and shall be deemed fully vested. In the event of any termination of employment giving rise to a severance payment pursuant to this Section 3(b), with respect to Initial Options and CEO Options, the

Executive shall have the right to exercise any vested Initial Options and CEO Options within a 12-month time period following such termination of employment, unless the options terminate sooner by the terms of the underlying option agreement. All other options shall be exercisable in accordance with their terms. In the event the severance payment and other such benefits (including but not limited to options being accelerated pursuant to this Section 3(b)) are paid to the Executive by the Company pursuant to this Section 3(b), then Section 3(a) shall not apply and shall have no further force or effect.

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

(d) In the event that any amounts payable to the Executive pursuant to this Section 3 are characterized as "excess parachute payments" pursuant to Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), then the Executive may elect to reduce the amounts payable to the Executive hereunder or to have a portion of the stock options not vest in order to avoid any "excess parachute payment" under Section 280G(b)(1) of the Code; provided that any such election shall not adversely affect the Company. Unless the parties hereto otherwise agree in writing, any determination required under this Section 3(d) shall be made in writing by independent public accountants reasonably agreed to by the parties hereto (the "Accountants"), whose determination shall be conclusive and binding upon the parties for all purposes. For purposes of making the calculations required by this Section 3(d), the Accountants may rely on reasonable, good faith interpretations concerning the application of Section 280G and Section 4999 of the Code. The parties agree to furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make the required determinations. The Executive shall bear all fees and expenses the Accountants may reasonably charge in connection with the services contemplated by this Section 3(d).

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

(a) "Cause" shall mean a good faith finding by the Board of Directors of the Company, after giving Executive an opportunity to be heard, of: (i) dishonest, gross negligent or willful misconduct by Executive in connection with his employment duties, (ii) continued failure by Executive to perform his duties or responsibilities required pursuant to his employment, after written notice and an opportunity to cure, (iii) mis-appropriation by Executive of the assets or business opportunities of the Company, or its affiliates, (iv) embezzlement or other financial or

other fraud committed by Executive, (v) the Executive knowingly allowing any third party to commit any of the acts described in any of the preceding clauses (iii) or (iv), or (vi) the Executive's indictment for, conviction of, or entry of a plea of no contest with respect to, any felony or any crime involving moral turpitude.

(b) "Good Reason" shall mean: (i) the unilateral relocation by the Company of the Executive's principal work place for the Company to a site more than 60 miles from Andover, Massachusetts, (ii) a reduction in the Executive's (A) then-current base salary without the Executive's consent, or (B) target bonus or a material reduction in benefits without the Executive's consent, or unless other executive officers are similarly treated, (iii) material diminution of Executive's duties, authority or position as Chief Executive Officer of the Company, without the Executive's consent, (iv) any amendment following the date hereof to the officer indemnification provisions contained in Article Ninth of the Company's certificate of incorporation that materially reduces the indemnification benefits to the Executive, or (v) death or permanent and total disability (as defined in Section 22(e)(3) of the Code) of the Executive.

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

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

6. Miscellaneous.

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

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

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

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

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

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

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

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

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

* * * * *

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

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

CMGI, Inc.

By: /s/ Jeffrey Yanagi

Title: EVP Human Resources

/s/ George A. McMillan

George A. McMillan

EXHIBIT 10.4

March 1, 2002

Thomas Oberdorf
49 Miller Circle
Armonk, NY 10504

Dear Tom:

It is a distinct pleasure to offer you the position of Chief Financial Officer and Treasurer of CMGI, Inc. ("CMGI" or the "Company"). In this capacity you will report to George McMillan, Chief Executive Officer, CMGI.

Your starting salary will be $12,500 bi-weekly, which is equivalent to an annualized base salary of $325,000. You will also be eligible to receive a pro-rated bonus for fiscal year 2002 based on a target annualized bonus of $162,500. This bonus will be based on successful satisfaction of fiscal year 2002 business objectives pursuant to the terms and conditions of CMGI's FY 2002 Bonus Plan for CMGI Corporate. Your target annualized bonus for fiscal year 2002 will be 50% of your base salary.

You are eligible for relocation benefits up to a maximum of $150,000. These benefits are outlined in CMGI's Relocation Policy, which is attached for your reference. All relocation will be coordinated through MSI, the relocation vendor for the Company. Please contact Joyce Fantasia to initiate the relocation process. Should you take advantage of these benefits, and terminate either voluntarily or for cause (as defined below), during the first year following your effective date of hire, 100% of all funds provided to you for relocation will be immediately repayable to the Company. If you terminate either voluntarily or for cause during the second year following your effective date of hire, 50% of the total funds provided to you will be immediately repayable to the Company.

For purposes of this offer letter, "cause" shall mean a good faith finding by the Company of: (i) gross negligence or willful misconduct by you in connection with your employment duties, (ii) failure by you to perform your duties or responsibilities required pursuant to your employment, after written notice and an opportunity to cure, (iii) misappropriation by you of the assets or business opportunities of the Company or its affiliates, (iv) embezzlement or other financial fraud committed by you, (v) you knowingly allowing any third party to commit any of the acts described in any of the preceding clauses (iii) or (iv), or (vi) your indictment for, conviction of, or entry of a plea of no contest with respect to, any felony.

In addition, on your start date, you will be granted an option to purchase 750,000 shares of CMGI common stock under the CMGI 2000 Stock Incentive Plan (the "Plan"). This option will be priced at the closing price on the date of grant and it will be divided into three tranches. The first tranche of the option shall cover 350,000 shares and shall vest as follows: 25% on the earlier to occur of (i) the first anniversary of the date of grant and (ii) the First Confirmation Date (as defined below), and monthly thereafter commencing on the 13th monthly anniversary of the date of grant for the next three (3) years (whereby 1/48th of the original number of the shares underlying the first tranche of the option shall vest

on each monthly anniversary date of the date of grant starting on the 13th monthly anniversary date of the date of grant, until fully vested on the fourth anniversary of the date of grant). The option shall have a seven (7) year term.

The second tranche of the option shall cover 250,000 shares and shall vest as follows: 25% on the first anniversary of the First Confirmation Date and monthly thereafter for the next three (3) years (whereby 1/48th of the original number of the shares underlying the second tranche of the option shall vest on each monthly anniversary date of the First Confirmation Date starting on the 13th monthly anniversary date of the First Confirmation Date, until fully vested on the fourth anniversary of the First Confirmation Date). Notwithstanding the foregoing, in the event that the First Confirmation Date does not occur prior to the fifth anniversary of the date of grant, the second tranche of the option shall nonetheless become fully vested on such date. For purposes of this offer letter, "First Confirmation Date" shall be defined as the first date following the date of grant that CMGI publicly announces Net Operating Income (as defined below) on a consolidated basis for a fiscal quarter commencing after the date of grant greater than zero dollars.

The third tranche of the option shall cover 150,000 shares and shall vest as follows: 25% on the first anniversary of the Second Confirmation Date (as defined below) and monthly thereafter for the next three (3) years (whereby 1/48th of the original number of the shares underlying the option shall vest on each monthly anniversary date of the Second Confirmation Date starting on the 13th monthly anniversary date of the Second Confirmation Date, until fully vested on the fourth anniversary of the Second Confirmation Date). Notwithstanding the foregoing, in the event that the Second Confirmation Date does not occur prior to the fifth anniversary of the date of grant, the third tranche of the option shall nonetheless become fully vested on such date. For purposes of this offer letter, "Second Confirmation Date" shall be defined as the first date following the First Confirmation Date that CMGI publicly announces Net Operating Income on a consolidated basis for a fiscal quarter greater than that reached on the First Confirmation Date. .

For purposes of this offer letter, "Net Operating Income" shall be defined as operating income excluding expenses related to in-process research and development, depreciation, restructuring, long-lived asset impairment and amortization of intangible assets and stock-based compensation.

All options described above shall be subject to all terms, limitations, restrictions and termination provisions set forth in the Plan and in the separate option agreements (which shall be based upon the Company's standard form option agreement) that shall be executed to evidence the grant of such options. Enclosed you will find a copy of a Non-Competition Agreement, the execution of which is required as a condition of the Company granting you an option to purchase CMGI common stock and your employment with the Company. Additionally, as a condition of employment with CMGI, you are required to execute the enclosed Non-Disclosure and Developments Agreement.

As an employee of CMGI, you may participate in any and all bonus and benefit programs that the Company establishes and makes generally available to its employees from time to time, provided you are eligible under (and subject to all provisions of) the plan documents governing those programs. Details of the benefits offered will be reviewed with you in orientation on your first day of employment.

In accordance with current federal law, you will be asked to provide documentation proving your eligibility to work in the United States. Please review the enclosed Employment Eligibility Verification Form (Form I9) and the list of acceptable documents that are required. You must bring this on your first day of employment. If you fail to bring proper documentation with you on your first day of work, you will be asked to go home to collect your paperwork. Unfortunately, there can be no exceptions. If you do not bring proper documentation, you will be considered ineligible for employment and CMGI will not add you to its payroll until the required I9 documentation is received.

Please confirm your acceptance of this position and your start date by signing one copy of this letter and returning it to me. Additionally, please complete, sign and return the enclosed Employee Information sheet along with the Sexual Harassment policy, Massachusetts Tax Form, W4, Direct Deposit Form and both agreements that are enclosed. All documents along with one copy of your signed offer letter must be returned by the end of business on Thursday, if you wish to start the following Monday.

If you choose to fax the documents, please fax a copy of your signed offer letter and all the enclosed documents to 978/684-3816 and bring the originals with you on your first day. If you wish to overnight the original documents, please mail one copy of your signed offer letter and the entire enclosed package to CMGI Attention: Joyce Fantasia 100 Brickstone Square Andover, MA 01810.

Your employment with CMGI will be "at-will". This means that your employment with CMGI may be terminated by either you or CMGI at any time and for any reason, with or without notice. This offer expires as of the close of business on Friday, March 8, 2002. This offer supersedes all prior offers, both verbal and written. This letter does not constitute a guarantee of employment or a contract.

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

Sincerely,

/s/ Jeffrey Yanagi

Jeff Yanagi
Executive Vice President
Human Resources

/s/ Thomas Oberdorf
- -------------------
THOMAS OBERDORF

March 4, 2002
- -------------
START DATE

EXHIBIT 10.5

EXECUTIVE SEVERANCE AGREEMENT

THIS EXECUTIVE SEVERANCE AGREEMENT ("Agreement") by and between CMGI, Inc., a Delaware corporation (the "Company") headquartered at 100 Brickstone Square, Andover, Massachusetts and Thomas Oberdorf (the "Executive"), is made as of March 4, 2002.

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

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

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

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

2. Severance Pay.

(a) Severance Pay Following a Change in Control. In the event a Change in Control (as defined below) occurs and, within one (1) year thereafter, the employment of the Executive is terminated by the Company for a reason other than for Cause (as defined below) or by the Executive for Good Reason (as defined below), then the Company shall pay to the Executive (as severance pay) a lump sum payment equal to (i) his then current base salary multiplied by two (2), plus (ii) his then current target bonus multiplied by two (2), within 30 days after the Termination Date (as defined below). The Executive agrees that after the Termination Date, but prior to payment of the severance pay and bonus called for by this paragraph, he shall execute a release, based on the Company's standard form severance agreement, of any and all claims he may have against the Company and its officers, employees, directors, parents and affiliates. Executive understands and agrees that the payment of the severance pay and bonus called for by this paragraph are contingent on his execution of the previously described release of claims.

(b) Severance Pay Absent a Change in Control. In the event the employment of the Executive is terminated by the Company for a reason other than for Cause (as defined below), then the Company shall continue to pay to the Executive (as severance pay), (i) his regular base salary as in effect on the Executive's last day of employment (exclusive of bonus or any other compensation), for one (1) year following the Termination Date (as defined below), plus (ii) at the end of such year, the amount of Executive's target bonus as in effect on the Executive's last day of employment. Unless the parties agree otherwise, the severance pay provided for in clause

(i) above shall be paid in installments, in accordance with the Company's regular payroll practices, and the severance pay set forth in (ii) above shall be paid within 30 days of the end of the fiscal year to which such amount relates. The Executive agrees that after the Termination Date, but prior to payment of the severance pay and bonus called for by this paragraph, he shall execute a release, based on the Company's standard form severance agreement, of any and all claims he may have against the Company and its officers, employees, directors, parents and affiliates. Executive understands and agrees that the payment of the severance pay and bonus called for by this paragraph are contingent on his execution of the previously described release of claims.

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

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

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

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

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

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

4. Miscellaneous.

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

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

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

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

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

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

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

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

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

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

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

CMGI, Inc.

By: /s/ Jeffrey Yanagi

Title: EVP Human Resources

/s/ Thomas Oberdorf

Thomas Oberdorf

EXHIBIT 10.6

INDEMNIFICATION AGREEMENT

This Agreement is made as of the 1st day of February 2002, by and between CMGI, Inc., a Delaware corporation (collectively with its direct and indirect majority owned subsidiaries, the "Corporation"), and James Barnett ("Indemnitee"), a director or officer of the Corporation.

WHEREAS, it is essential to the Corporation to retain and attract as directors and officers the most capable persons available, and

WHEREAS, the substantial increase in corporate litigation subjects directors and officers to expensive litigation risks, and

WHEREAS, the Corporation has adopted an Article in its Restated Certificate of Incorporation (the "Charter") and a By-Law providing for the indemnification of Officers and Directors of the Corporation as authorized by Section 45 of the Delaware General Corporation Law, and

WHEREAS, Indemnitee has indicated that he does not regard the protection available under the Corporation's Charter and insurance as adequate in the present circumstances, and may not be willing to serve or continue to serve as a director or officer without adequate protection, and

WHEREAS, the Corporation desires Indemnitee to serve, or continue to serve, as a director or officer of the Corporation.

NOW THEREFORE, the Corporation and Indemnitee do hereby agree as follows:

1. Agreement to Serve. Indemnitee agrees to serve or continue to serve as a director or officer of the Corporation for so long as Indemnitee is duly elected or appointed or until such time as Indemnitee tenders Indemnitee's resignation or Indemnitee's status as a director or officer is terminated.

2. Definitions. As used in this Agreement:

(a) The term "Proceeding" shall include any threatened, pending or completed action, suit, arbitration, alternative dispute resolution proceeding, administrative hearing or other proceeding, whether brought by or in the right of the Corporation or otherwise and whether of a civil, criminal, administrative or investigative nature, and any appeal therefrom.

(b) The term "Corporate Status" shall mean the status of a person who is or was a director or officer of the Corporation, or is or was serving, or has agreed to serve, at the request of the Corporation, as a director, officer, partner, trustee, member, employee or agent of a subsidiary of the Corporation or another corporation, partnership, joint venture, trust, limited liability company or other enterprise.

(c) The term "Expenses" shall include, without limitation, reasonable attorneys' fees, retainers, court costs, transcript costs, fees and expenses of experts, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees and other disbursements or expenses of the types customarily incurred in connection with investigations, judicial or administrative proceedings or appeals, but shall not include the amount of judgments, fines or penalties against Indemnitee or amounts paid in settlement in connection with such matters.

(d) References to "other enterprise" shall include employee benefit plans; references to "fines" shall include any excise tax assessed with respect to any employee benefit plan; references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Agreement.

(e) The term "Change of Control" shall mean the consummation of any of the following events: (i) a sale, lease or disposition of all or substantially all of the assets of the Corporation or a subsidiary of which Indemnitee is an officer, or (ii) a merger or consolidation (in a single transaction or a series of related transactions) of the Corporation or a subsidiary of which Indemnitee is an officer with or into any other corporation or corporations or other entity, or any corporate reorganization, where the stockholders of the Corporation or a subsidiary of which Indemnitee is an officer immediately prior to such event do not retain (in substantially the same percentages) beneficial ownership, directly or indirectly, of more than fifty percent (50%) of the voting power of and interest in the successor entity or the entity that controls the successor entity.

3. Indemnification in Third-Party Proceedings. The Corporation shall indemnify Indemnitee in accordance with the provisions of this Paragraph 3 if Indemnitee was or is a party to or threatened to be made a party to or otherwise involved in any Proceeding (other than a Proceeding by or in the right of the Corporation to procure a judgment in its favor) by reason of the Indemnitee's Corporate Status or by reason of any action alleged to have been taken or omitted in connection therewith, against all Expenses, judgments, fines, penalties, liabilities or losses and, to the extent permitted by law, amounts paid or to be paid in settlement actually and reasonably incurred by Indemnitee or on his behalf in connection with such Proceeding, if Indemnitee acted in good faith and in a manner which Indemnitee reasonably believed to be in, or not opposed to, the best interests of the Corporation and, with respect to of any criminal Proceeding, had no reasonable cause to believe that his conduct was unlawful. The termination of any Proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that Indemnitee did not act in good faith and in a manner which the Indemnitee reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal Proceeding, had reasonable cause to believe that his conduct was unlawful.

4. Indemnification in Proceedings by or in the Right of the Corporation. The Corporation shall indemnify Indemnitee in accordance with the provisions of this Paragraph 4 if Indemnitee was or is a party to or threatened to be made a party to or otherwise involved in any Proceeding by or in the right of the Corporation to procure a judgment in its favor by reason of the Indemnitee's Corporate Status or by reason of any action alleged to have been taken or omitted in connection therewith, against all Expenses, judgments, fines, penalties, liabilities or losses and, to the extent permitted by law, amounts paid or to be paid in settlement actually and reasonably incurred by Indemnitee or on his behalf in connection with such Proceeding, if Indemnitee acted in good faith and in a manner which Indemnitee reasonably believed to be in, or not opposed to, the best interests of the Corporation, except that no indemnification shall be made under this Paragraph 4 in respect of any claim, issue, or matter as to which Indemnitee shall have been adjudged to be liable to the Corporation, unless and only to the extent that the Court of Chancery of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of such liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnity for such Expenses as the Court of Chancery or such other court shall deem proper. The termination of any Proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that Indemnitee did not act in good faith and in a manner which the Indemnitee reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal Proceeding, had reasonable cause to believe that his conduct was unlawful.

5. Exceptions to Right of Indemnification. Notwithstanding anything to the contrary in this Agreement, except as set forth in Paragraph 10, the Corporation shall not indemnify the Indemnitee in connection with a Proceeding (or part thereof) initiated by the Indemnitee unless the initiation thereof was approved by the Board of Directors of the Corporation. Notwithstanding anything to the contrary in this Agreement, the Corporation shall not indemnify the Indemnitee to the extent the Indemnitee is reimbursed from the proceeds of insurance, and in the event the Corporation makes any indemnification payments to the Indemnitee and the Indemnitee is subsequently reimbursed from the proceeds of insurance, the Indemnitee shall promptly refund such indemnification payments to the Corporation to the extent of such insurance reimbursement.

6. Indemnification of Expenses of Successful Party. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful, on the merits or otherwise, in defense of any Proceeding or in defense of any claim, issue or matter therein, Indemnitee shall be indemnified against all Expenses incurred by him or on his behalf in connection therewith. Without limiting the foregoing, if any Proceeding or any claim, issue or matter therein is disposed of, on the merits or otherwise (including a disposition without prejudice), without (i) the disposition being adverse to the Indemnitee, (ii) an adjudication that the Indemnitee was liable to the Corporation, (iii) a plea of guilty or nolo contendere by the Indemnitee, (iv) an adjudication that the Indemnitee did not act in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and (v) with respect to any criminal proceeding, an adjudication that the Indemnitee had reasonable cause to believe his conduct was unlawful, the Indemnitee shall be considered for the purposes hereof to have been wholly successful with respect thereto.

7. Notification and Defense of Claim. As a condition precedent to his right to be indemnified, the Indemnitee must notify the Corporation in writing as soon as practicable of any Proceeding for which indemnity will or could be sought by him and provide the Corporation with a copy of any summons, citation, subpoena, complaint, indictment, information or other document relating to such Proceeding with which he is served. With respect to any Proceeding of which the Corporation is so notified, the Corporation will be entitled to participate therein at its own expense and/or to assume the defense thereof at its own expense, with legal counsel reasonably acceptable to the Indemnitee. After notice from the Corporation to the Indemnitee of its election so to assume such defense, the Corporation shall not be liable to the Indemnitee for any legal or other expenses subsequently incurred by the Indemnitee in connection with such claim, other than as provided below in this Paragraph 7. The Indemnitee shall have the right to employ his own counsel in connection with such claim, but the fees and expenses of such counsel incurred after notice from the Corporation of its assumption of the defense thereof shall be at the expense of the Indemnitee unless (i) the employment of counsel by the Indemnitee has been authorized by the Corporation, (ii) counsel to the Indemnitee shall have reasonably concluded that there may be a conflict of interest or position on any significant issue between the Corporation and the Indemnitee in the conduct of the defense of such action or (iii) the Corporation shall not in fact have employed counsel to assume the defense of such action, in each of which cases the fees and expenses of counsel for the Indemnitee shall be at the expense of the Corporation, except as otherwise expressly provided by this Agreement. The Corporation shall not be entitled, without the consent of the Indemnitee, to assume the defense of any claim brought by or in the right of the Corporation or as to which counsel for the Indemnitee shall have reasonably made the conclusion provided for in clause (ii) above. The Corporation shall not be required to indemnify the Indemnitee under this Agreement for any amounts paid in settlement of any Proceeding effected without its written consent. The Corporation shall not settle any Proceeding in any manner which would impose any penalty or limitation on Indemnitee without Indemnitee's written consent. Neither the Corporation nor the Indemnitee will unreasonably withhold their consent to any proposed settlement.

8. Advancement of Expenses. Subject to the provisions of Paragraph 9 below, in the event that the Corporation does not assume the defense pursuant to Paragraph 7 of this Agreement of any Proceeding to which the Indemnitee was or is a party or is threatened to be made a party by reason of his Corporate Status or by reason of any action alleged to have been taken or omitted in connection therewith and of which the Corporation receives notice under this Agreement, any Expenses incurred by the Indemnitee or on his behalf in defending such Proceeding shall be paid by the Corporation in advance of the final disposition of such Proceeding; provided, however, that the payment of such Expenses incurred by the Indemnitee or on his behalf in advance of the final disposition of such Proceeding shall be made only upon receipt of an undertaking by or on behalf of the Indemnitee to repay all amounts so advanced in the event that it shall ultimately be determined that the Indemnitee is not entitled to be indemnified by the Corporation as authorized in this Agreement. Such undertaking shall be accepted without reference to the financial ability of the Indemnitee to make repayment.

9. Procedure for Indemnification. In order to obtain indemnification or advancement of Expenses pursuant to Paragraphs 3, 4, 6 or 8 of this Agreement, Indemnitee shall submit to the Corporation a written request, including in such request such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine

whether and to what extent Indemnitee is entitled to indemnification or advancement of Expenses. Any such indemnification or advancement of Expenses shall be made promptly, and in any event within 30 days after receipt by the Corporation of the written request of the Indemnitee, unless with respect to requests under Paragraphs 3, 4 or 8 the Corporation determines within such 30-day period that such Indemnitee did not meet the applicable standard of conduct for indemnification set forth in Paragraph 3 or 4, as the case may be. The Board of Directors of the Corporation shall either (a) approve the indemnification and advancement of Expenses (i) by a majority vote of the Directors of the Corporation consisting of persons who are not at that time parties to the Proceeding ("Disinterested Directors"), whether or not a quorum; or (ii) by a committee of Disinterested Directors designated by a majority vote of Disinterested Directors, whether or not a quorum; or (b) designate independent legal counsel (appointed by the Corporation and approved by Indemnitee) who shall, within said 30-day period, provide a written opinion to the Board as to whether Indemnitee has met the relevant standards of conduct for indemnification and advancement of Expenses. The obligations of the Corporation hereunder with respect to the payment of any Expenses, judgment, fine or penalty shall be subject to the condition that the independent legal counsel shall not have determined (in a written opinion) that Indemnitee is not permitted to be indemnified under the applicable standards of conduct for indemnification.

The obligation of the Corporation regarding the advancement of Expenses pursuant to this Agreement shall be subject to the condition that, if, when and to the extent that the independent legal counsel determines that Indemnitee is not permitted to be so indemnified, the Corporation shall be entitled to be reimbursed by Indemnitee (who hereby agrees to reimburse the Corporation) for all such amounts theretofore paid. If Indemnitee has commenced legal proceedings (either before or after the determination by independent legal counsel) in a court of competent jurisdiction to secure a determination that Indemnitee may be indemnified under this Agreement or otherwise, any determination made by the independent legal counsel that Indemnitee is not permitted to be indemnified shall not be binding, and Indemnitee shall not be required to reimburse the Corporation for any advancement of Expenses and shall continue to be entitled to the advancement of Expenses until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed). If there has been no determination by the independent legal counsel or if the independent legal counsel determines that Indemnitee is not permitted to be indemnified in whole or in part, Indemnitee shall have the right to commence litigation in any court in the states of California or Delaware having subject matter jurisdiction thereof and in which venue is proper seeking an initial determination by the court or challenging any such determination by the independent legal counsel or any aspect thereof, and the Corporation hereby consents to service of process and to appear in any such proceeding.

10. Remedies. The right to indemnification or advancement of Expenses as provided by this Agreement shall be enforceable by the Indemnitee in any court of competent jurisdiction if the Corporation denies such request, in whole or in part, or if no disposition thereof is made within the 30-day period referred to above in Paragraph 9. Unless otherwise required by law, the burden of proving that indemnification is not appropriate shall be on the Corporation. Neither the failure of the Corporation to have made a determination prior to the commencement of such action that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Corporation pursuant to

Paragraph 9 that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct. Indemnitee's expenses (of the type described in the definition of "Expenses" in Paragraph 2(c)) reasonably incurred in connection with successfully establishing his right to indemnification, in whole or in part, in any such Proceeding shall also be indemnified by the Corporation.

11. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Corporation for some or a portion of the Expenses, judgments, fines, penalties or amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with any Proceeding but not, however, for the total amount thereof, the Corporation shall nevertheless indemnify Indemnitee for the portion of such Expenses, judgments, fines, penalties or amounts paid in settlement to which Indemnitee is entitled.

12. Subrogation. In the event of any payment under this Agreement, the Corporation shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are reasonably necessary to enable the Corporation to bring suit to enforce such rights.

13. Term of Agreement. The Corporation's agreements and obligations under this Agreement shall continue during the period Indemnitee is a director or officer of the Corporation, and shall continue thereafter so long as Indemnitee shall be subject to any possible claim or proceeding by reason of Indemnitee's service in such capacity. The Indemnitee's rights under this Agreement shall inure to the benefit of Indemnitee's heirs, executors and administrators.

14. Officer and Director Liability Insurance. In the event the Corporation's Directors and Officers Insurance terminates or the scope or amount of coverage of the Corporation's Directors and Officers Insurance be reduced from the scope and coverage in effect during the first year of the Agreement, the Corporation agrees to give Indemnitee prompt notice thereof and to hold harmless and indemnify the Indemnitee to the fullest extent permitted pursuant to this Agreement and/or by applicable law to the full extent of the coverage that is in effect during the first year of this Agreement. Notwithstanding the foregoing, the Corporation is not obligated to maintain any Directors and Officers Insurance.

15. Section 16(b) Liability. The Corporation shall not be liable under this Agreement to make any payment in connection with any claim made against Indemnitee for an accounting of profits made from the purchase or sale by Indemnitee of securities of the Corporation within the meaning of Section 16(b) of the Securities and Exchange Act of 1934 and amendments thereto or similar provisions of any state statutory law or common law.

16. Indemnification Hereunder Not Exclusive. The indemnification and advancement of Expenses provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may be entitled under the Charter, the By-Laws, any agreement, any vote of stockholders or disinterested directors, the General Corporation Law of Delaware, any other law

(common or statutory), or otherwise, both as to action in his official capacity and as to action in another capacity while holding office for the Corporation. Nothing contained in this Agreement shall be deemed to prohibit the Corporation from purchasing and maintaining insurance, at its expense, to protect itself or the Indemnitee against any expense, liability or loss incurred by it or him in any such capacity, or arising out of his status as such, whether or not the Indemnitee would be indemnified against such expense, liability or loss under this Agreement; provided that the Corporation shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy (whether arising from an insurance policy provided to the Corporation, a subsidiary, a parent, or any other insurance policy), contract, agreement or otherwise.

17. Attorneys' Fees. In the event that Indemnitee institutes any legal action to enforce Indemnitee's legal rights hereunder, or to recover damages for breach of this Agreement, Indemnitee, if Indemnitee prevails in whole or in part, shall be entitled to recover from the Corporation reasonable attorneys' fees and disbursements incurred by Indemnitee with respect to the claims or matters on which Indemnitee has prevailed.

18. Merger, Consolidation, or Change of Control. In the event that the Corporation or a subsidiary of which Indemnitee is an officer shall be a constituent corporation in a consolidation or merger, whether the Corporation or a subsidiary of which Indemnitee is an officer is the resulting or surviving corporation or is absorbed, or if there is a Change of Control, Indemnitee shall stand in the same position under this Agreement as Indemnitee would have with respect to the Corporation or a subsidiary of which Indemnitee is an officer if its separate existence had continued or if there had been no Change of Control.

19. No Special Rights. Nothing herein shall confer upon Indemnitee any right to continue to serve as an officer or director of the Corporation for any period of time or at any particular rate of compensation.

20. Savings Clause. If this Agreement or any portion thereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify Indemnitee as to Expenses, judgments, fines, penalties and amounts paid in settlement with respect to any Proceeding to the full extent permitted by any applicable portion of this Agreement that shall not have been invalidated and to the fullest extent permitted by applicable law.

21. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute the original.

22. Successors and Assigns. This Agreement shall be binding upon the Corporation and its successors and assigns and shall inure to the benefit of the estate, heirs, executors, administrators and personal representatives of Indemnitee.

23. Headings. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

24. Modification and Waiver. This Agreement may be amended from time to time to reflect changes in Delaware law or for other reasons. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof nor shall any such waiver constitute a continuing waiver.

25. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been given (i) when delivered by hand or (ii) if mailed by certified or registered mail with postage prepaid, on the third day after the date on which it is so mailed:

(a) if to the Indemnitee, to:

James Barnett
232 Polhemus Avenue
Atherton, CA 94027
if to the Corporation, to:

CMGI, Inc.
100 Brickstone Square
Andover, MA 01810
Attention: General Counsel or Chief Executive Officer

or to such other address as may have been furnished to Indemnitee by the Corporation or to the Corporation by Indemnitee, as the case may be.

26. Applicable Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware.

27. Enforcement. The Corporation expressly confirms and agrees that it has entered into this Agreement in order to induce Indemnitee to continue to serve as a director of the Corporation, and acknowledges that Indemnitee is relying upon this Agreement in continuing in such capacity.

28. Entire Agreement. This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supercedes all prior agreements, whether oral or written, by any officer, employee or representative of any party hereto in respect of the subject matter contained herein; and any prior agreement of the parties hereto in respect of the subject matter contained herein is hereby terminated and cancelled. For avoidance of doubt, the parties confirm that the foregoing does not apply to or limit the Indemnitee's rights under Delaware law or the Corporation's Charter or bylaws.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

CMGI, INC.		INDEMNITEE:	
By:	/s/ David Andonian	By:	/s/ James Barnett
Name:	David Andonian	Name:	James Barnett
Title:	President and Chief Executive Officer	Title:	Chief Executive Officer of AltaVista Company

EXHIBIT 10.7

INDEMNIFICATION AGREEMENT

This Agreement is made as of the 1st day of February 2002, by and between AltaVista Company, a Delaware corporation (collectively with its direct and indirect majority owned subsidiaries, the "Corporation"), and James Barnett ("Indemnitee"), a director or officer of the Corporation.

WHEREAS, it is essential to the Corporation to retain and attract as directors and officers the most capable persons available, and

WHEREAS, the substantial increase in corporate litigation subjects directors and officers to expensive litigation risks, and

WHEREAS, the Corporation's Amended and Restated Certificate of Incorporation, as amended (the "Charter") provides that indemnification of agents of the Corporation by the Corporation is authorized through agreements with such agents in certain circumstances and with certain limitations, and

WHEREAS, Indemnitee has indicated that he does not regard the protection available under the Corporation's Charter and insurance as adequate in the present circumstances, and may not be willing to serve or continue to serve as a director or officer without adequate protection, and

WHEREAS, the Corporation desires Indemnitee to serve, or continue to serve, as a director or officer of the Corporation.

NOW THEREFORE, the Corporation and Indemnitee do hereby agree as follows:

1. Agreement to Serve. Indemnitee agrees to serve or continue to serve as a director or officer of the Corporation for so long as Indemnitee is duly elected or appointed or until such time as Indemnitee tenders Indemnitee's resignation or Indemnitee's status as a director or officer is terminated.

2. Definitions. As used in this Agreement:

(a) The term "Proceeding" shall include any threatened, pending or completed action, suit, arbitration, alternative dispute resolution proceeding, administrative hearing or other proceeding, whether brought by or in the right of the Corporation or otherwise and whether of a civil, criminal, administrative or investigative nature, and any appeal therefrom.

(b) The term "Corporate Status" shall mean the status of a person who is or was a director or officer of the Corporation, or is or was serving, or has agreed to serve, at the request of the Corporation, as a director, officer, partner, trustee, member, employee or agent of

another corporation, partnership, joint venture, trust, limited liability company or other enterprise.

(c) The term "Expenses" shall include, without limitation, reasonable attorneys' fees, retainers, court costs, transcript costs, fees and expenses of experts, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees and other disbursements or expenses of the types customarily incurred in connection with investigations, judicial or administrative proceedings or appeals, but shall not include the amount of judgments, fines or penalties against Indemnitee or amounts paid in settlement in connection with such matters.

(d) References to "other enterprise" shall include employee benefit plans; references to "fines" shall include any excise tax assessed with respect to any employee benefit plan; references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Agreement.

(e) The term "Change of Control" shall mean the consummation of any of the following events: (i) a sale, lease or disposition of all or substantially all of the assets of the Corporation, or (ii) a merger or consolidation (in a single transaction or a series of related transactions) of the Corporation with or into any other corporation or corporations or other entity, or any corporate reorganization, where the stockholders of the Corporation immediately prior to such event do not retain (in substantially the same percentages) beneficial ownership, directly or indirectly, of more than fifty percent (50%) of the voting power of and interest in the successor entity or the entity that controls the successor entity.

3. Indemnification in Third-Party Proceedings. The Corporation shall indemnify Indemnitee in accordance with the provisions of this Paragraph 3 if Indemnitee was or is a party to or threatened to be made a party to or otherwise involved in any Proceeding (other than a Proceeding by or in the right of the Corporation to procure a judgment in its favor) by reason of the Indemnitee's Corporate Status or by reason of any action alleged to have been taken or omitted in connection therewith, against all Expenses, judgments, fines, penalties, liabilities or losses and, to the extent permitted by law, amounts paid or to be paid in settlement actually and reasonably incurred by Indemnitee or on his behalf in connection with such Proceeding, if Indemnitee acted in good faith and in a manner which Indemnitee reasonably believed to be in, or not opposed to, the best interests of the Corporation and, with respect to of any criminal Proceeding, had no reasonable cause to believe that his conduct was unlawful. The termination of any Proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that Indemnitee did not act in good faith and in a manner which the Indemnitee reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal Proceeding, had reasonable cause to believe that his conduct was unlawful.

4. Indemnification in Proceedings by or in the Right of the Corporation. The Corporation shall indemnify Indemnitee in accordance with the provisions of this Paragraph 4 if Indemnitee was or is a party to or threatened to be made a party to or otherwise involved in any Proceeding by or in the right of the Corporation to procure a judgment in its favor by reason of the Indemnitee's Corporate Status or by reason of any action alleged to have been taken or omitted in connection therewith, against all Expenses, judgments, fines, penalties, liabilities or losses and, to the extent permitted by law, amounts paid or to be paid in settlement actually and reasonably incurred by Indemnitee or on his behalf in connection with such Proceeding, if Indemnitee acted in good faith and in a manner which Indemnitee reasonably believed to be in, or not opposed to, the best interests of the Corporation, except that no indemnification shall be made under this Paragraph 4 in respect of any claim, issue, or matter as to which Indemnitee shall have been adjudged to be liable to the Corporation, unless and only to the extent that the Court of Chancery of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of such liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnity for such Expenses as the Court of Chancery or such other court shall deem proper. The termination of any Proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that Indemnitee did not act in good faith and in a manner which the Indemnitee reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal Proceeding, had reasonable cause to believe that his conduct was unlawful.

5. Exceptions to Right of Indemnification. Notwithstanding anything to the contrary in this Agreement, except as set forth in Paragraph 10, the Corporation shall not indemnify the Indemnitee in connection with a Proceeding (or part thereof) initiated by the Indemnitee unless the initiation thereof was approved by the Board of Directors of the Corporation. Notwithstanding anything to the contrary in this Agreement, the Corporation shall not indemnify the Indemnitee to the extent the Indemnitee is reimbursed from the proceeds of insurance, and in the event the Corporation makes any indemnification payments to the Indemnitee and the Indemnitee is subsequently reimbursed from the proceeds of insurance, the Indemnitee shall promptly refund such indemnification payments to the Corporation to the extent of such insurance reimbursement.

6. Indemnification of Expenses of Successful Party. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful, on the merits or otherwise, in defense of any Proceeding or in defense of any claim, issue or matter therein, Indemnitee shall be indemnified against all Expenses incurred by him or on his behalf in connection therewith. Without limiting the foregoing, if any Proceeding or any claim, issue or matter therein is disposed of, on the merits or otherwise (including a disposition without prejudice), without (i) the disposition being adverse to the Indemnitee, (ii) an adjudication that the Indemnitee was liable to the Corporation, (iii) a plea of guilty or nolo contendere by the Indemnitee, (iv) an adjudication that the Indemnitee did not act in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and (v) with respect to any criminal proceeding, an adjudication that the Indemnitee had reasonable cause to believe his conduct was unlawful, the Indemnitee shall be considered for the purposes hereof to have been wholly successful with respect thereto.

7. Notification and Defense of Claim. As a condition precedent to his right to be indemnified, the Indemnitee must notify the Corporation in writing as soon as practicable of any Proceeding for which indemnity will or could be sought by him and provide the Corporation with a copy of any summons, citation, subpoena, complaint, indictment, information or other document relating to such Proceeding with which he is served. With respect to any Proceeding of which the Corporation is so notified, the Corporation will be entitled to participate therein at its own expense and/or to assume the defense thereof at its own expense, with legal counsel reasonably acceptable to the Indemnitee. After notice from the Corporation to the Indemnitee of its election so to assume such defense, the Corporation shall not be liable to the Indemnitee for any legal or other expenses subsequently incurred by the Indemnitee in connection with such claim, other than as provided below in this Paragraph 7. The Indemnitee shall have the right to employ his own counsel in connection with such claim, but the fees and expenses of such counsel incurred after notice from the Corporation of its assumption of the defense thereof shall be at the expense of the Indemnitee unless (i) the employment of counsel by the Indemnitee has been authorized by the Corporation, (ii) counsel to the Indemnitee shall have reasonably concluded that there may be a conflict of interest or position on any significant issue between the Corporation and the Indemnitee in the conduct of the defense of such action or (iii) the Corporation shall not in fact have employed counsel to assume the defense of such action, in each of which cases the fees and expenses of counsel for the Indemnitee shall be at the expense of the Corporation, except as otherwise expressly provided by this Agreement. The Corporation shall not be entitled, without the consent of the Indemnitee, to assume the defense of any claim brought by or in the right of the Corporation or as to which counsel for the Indemnitee shall have reasonably made the conclusion provided for in clause (ii) above. The Corporation shall not be required to indemnify the Indemnitee under this Agreement for any amounts paid in settlement of any Proceeding effected without its written consent. The Corporation shall not settle any Proceeding in any manner which would impose any penalty or limitation on Indemnitee without Indemnitee's written consent. Neither the Corporation nor the Indemnitee will unreasonably withhold their consent to any proposed settlement.

8. Advancement of Expenses. Subject to the provisions of Paragraph 9 below, in the event that the Corporation does not assume the defense pursuant to Paragraph 7 of this Agreement of any Proceeding to which the Indemnitee was or is a party or is threatened to be made a party by reason of his Corporate Status or by reason of any action alleged to have been taken or omitted in connection therewith and of which the Corporation receives notice under this Agreement, any Expenses incurred by the Indemnitee or on his behalf in defending such Proceeding shall be paid by the Corporation in advance of the final disposition of such Proceeding; provided, however, that the payment of such Expenses incurred by the Indemnitee or on his behalf in advance of the final disposition of such Proceeding shall be made only upon receipt of an undertaking by or on behalf of the Indemnitee to repay all amounts so advanced in the event that it shall ultimately be determined that the Indemnitee is not entitled to be indemnified by the Corporation as authorized in this Agreement. Such undertaking shall be accepted without reference to the financial ability of the Indemnitee to make repayment.

9. Procedure for Indemnification. In order to obtain indemnification or advancement of Expenses pursuant to Paragraphs 3, 4, 6 or 8 of this Agreement, Indemnitee shall submit to the Corporation a written request, including in such request such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine

whether and to what extent Indemnitee is entitled to indemnification or advancement of Expenses. Any such indemnification or advancement of Expenses shall be made promptly, and in any event within 30 days after receipt by the Corporation of the written request of the Indemnitee, unless with respect to requests under Paragraphs 3, 4 or 8 the Corporation determines within such 30-day period that such Indemnitee did not meet the applicable standard of conduct for indemnification set forth in Paragraph 3 or 4, as the case may be. The Board of Directors of the Corporation shall either (a) approve the indemnification and advancement of Expenses (i) by a majority vote of the Directors of the Corporation consisting of persons who are not at that time parties to the Proceeding ("Disinterested Directors"), whether or not a quorum; or (ii) by a committee of Disinterested Directors designated by a majority vote of Disinterested Directors, whether or not a quorum; or (b) designate independent legal counsel (appointed by the Corporation and approved by Indemnitee) who shall, within said 30-day period, provide a written opinion to the Board as to whether Indemnitee has met the relevant standards of conduct for indemnification and advancement of Expenses. The obligations of the Corporation hereunder with respect to the payment of any Expenses, judgment, fine or penalty shall be subject to the condition that the independent legal counsel shall not have determined (in a written opinion) that Indemnitee is not permitted to be indemnified under the applicable standards of conduct for indemnification.

The obligation of the Corporation regarding the advancement of Expenses pursuant to this Agreement shall be subject to the condition that, if, when and to the extent that the independent legal counsel determines that Indemnitee is not permitted to be so indemnified, the Corporation shall be entitled to be reimbursed by Indemnitee (who hereby agrees to reimburse the Corporation) for all such amounts theretofore paid. If Indemnitee has commenced legal proceedings (either before or after the determination by independent legal counsel) in a court of competent jurisdiction to secure a determination that Indemnitee may be indemnified under this Agreement or otherwise, any determination made by the independent legal counsel that Indemnitee is not permitted to be indemnified shall not be binding, and Indemnitee shall not be required to reimburse the Corporation for any advancement of Expenses and shall continue to be entitled to the advancement of Expenses until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed). If there has been no determination by the independent legal counsel or if the independent legal counsel determines that Indemnitee is not permitted to be indemnified in whole or in part, Indemnitee shall have the right to commence litigation in any court in the states of California or Delaware having subject matter jurisdiction thereof and in which venue is proper seeking an initial determination by the court or challenging any such determination by the independent legal counsel or any aspect thereof, and the Corporation hereby consents to service of process and to appear in any such proceeding.

10. Remedies. The right to indemnification or advancement of Expenses as provided by this Agreement shall be enforceable by the Indemnitee in any court of competent jurisdiction if the Corporation denies such request, in whole or in part, or if no disposition thereof is made within the 30-day period referred to above in Paragraph 9. Unless otherwise required by law, the burden of proving that indemnification is not appropriate shall be on the Corporation. Neither the failure of the Corporation to have made a determination prior to the commencement of such action that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Corporation pursuant to

Paragraph 9 that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct. Indemnitee's expenses (of the type described in the definition of "Expenses" in Paragraph 2(c)) reasonably incurred in connection with successfully establishing his right to indemnification, in whole or in part, in any such Proceeding shall also be indemnified by the Corporation.

11. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Corporation for some or a portion of the Expenses, judgments, fines, penalties or amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with any Proceeding but not, however, for the total amount thereof, the Corporation shall nevertheless indemnify Indemnitee for the portion of such Expenses, judgments, fines, penalties or amounts paid in settlement to which Indemnitee is entitled.

12. Subrogation. In the event of any payment under this Agreement, the Corporation shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are reasonably necessary to enable the Corporation to bring suit to enforce such rights.

13. Term of Agreement. The Corporation's agreements and obligations under this Agreement shall continue during the period Indemnitee is a director or officer of the Corporation, and shall continue thereafter so long as Indemnitee shall be subject to any possible claim or proceeding by reason of Indemnitee's service in such capacity. The Indemnitee's rights under this Agreement shall inure to the benefit of Indemnitee's heirs, executors and administrators.

14. Officer and Director Liability Insurance. In the event the Corporation's Directors and Officers Insurance (whether obtained directly by the Corporation or through the parent of the Corporation) terminates or the scope or amount of coverage of the Corporation's Directors and Officers Insurance be reduced from the scope and coverage in effect during the first year of the Agreement, the Corporation agrees to give Indemnitee prompt notice thereof and to hold harmless and indemnify the Indemnitee to the fullest extent permitted pursuant to this Agreement and/or by applicable law to the full extent of the coverage that is in effect during the first year of this Agreement. Notwithstanding the foregoing, the Corporation is not obligated to maintain any Directors and Officers Insurance.

15. Indemnification Hereunder Not Exclusive. The indemnification and advancement of Expenses provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may be entitled under the Charter, the By-Laws, any agreement, any vote of stockholders or disinterested directors, the General Corporation Law of Delaware, any other law (common or statutory), or otherwise, both as to action in his official capacity and as to action in another capacity while holding office for the Corporation. Nothing contained in this Agreement shall be deemed to prohibit the Corporation from purchasing and maintaining insurance, at its expense, to protect itself or the Indemnitee against any expense, liability or loss incurred by it or him in any such capacity, or arising out of his status as such, whether or not the Indemnitee

would be indemnified against such expense, liability or loss under this Agreement; provided that the Corporation shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy (whether arising from an insurance policy provided to the Corporation, a subsidiary, a parent, or any other insurance policy), contract, agreement or otherwise.

16. Attorneys' Fees. In the event that Indemnitee institutes any legal action to enforce Indemnitee's legal rights hereunder, or to recover damages for breach of this Agreement, Indemnitee, if Indemnitee prevails in whole or in part, shall be entitled to recover from the Corporation reasonable attorneys' fees and disbursements incurred by Indemnitee with respect to the claims or matters on which Indemnitee has prevailed.

17. Merger, Consolidation, or Change of Control. In the event that the Corporation shall be a constituent corporation in a consolidation or merger, whether the Corporation is the resulting or surviving corporation or is absorbed, or if there is a Change of Control, Indemnitee shall stand in the same position under this Agreement as Indemnitee would have with respect to the Corporation if its separate existence had continued or if there had been no Change of Control.

18. No Special Rights. Nothing herein shall confer upon Indemnitee any right to continue to serve as an officer or director of the Corporation for any period of time or at any particular rate of compensation.

19. Savings Clause. If this Agreement or any portion thereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify Indemnitee as to Expenses, judgments, fines, penalties and amounts paid in settlement with respect to any Proceeding to the full extent permitted by any applicable portion of this Agreement that shall not have been invalidated and to the fullest extent permitted by applicable law.

20. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute the original.

21. Successors and Assigns. This Agreement shall be binding upon the Corporation and its successors and assigns and shall inure to the benefit of the estate, heirs, executors, administrators and personal representatives of Indemnitee.

22. Headings. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

23. Modification and Waiver. This Agreement may be amended from time to time to reflect changes in Delaware law or for other reasons. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof nor shall any such waiver constitute a continuing waiver.

24. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been given (i) when delivered by hand or (ii) if mailed by certified or registered mail with postage prepaid, on the third day after the date on which it is so mailed:

(a) if to the Indemnitee, to:

232 Polhemus Avenue
Atherton, CA 94027

(b) if to the Corporation, to:

Chief Executive Officer and General Counsel
AltaVista Company
1070 Arastradero Road
Palo Alto, CA 94304

or to such other address as may have been furnished to Indemnitee by the Corporation or to the Corporation by Indemnitee, as the case may be.

25. Applicable Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware.

26. Enforcement. The Corporation expressly confirms and agrees that it has entered into this Agreement in order to induce Indemnitee to continue to serve as a director of the Corporation, and acknowledges that Indemnitee is relying upon this Agreement in continuing in such capacity.

27. Entire Agreement. This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supercedes all prior agreements, whether oral or written, by any officer, employee or representative of any party hereto in respect of the subject matter contained herein; and any prior agreement of the parties hereto in respect of the subject matter contained herein is hereby terminated and cancelled. For avoidance of doubt, the parties confirm that the foregoing does not apply to or limit the Indemnitee's rights under Delaware law or the Corporation's Charter or bylaws.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

ALTAVISTA COMPANY	INDEMNITEE: James Barnett
By: /s/ Susan Marsch	By: /s/ James Barnett
Name: Susan Marsch	Name: James Barnett
Title: General Counsel, Vice President Business & Legal Affairs and Secretary	Title: Chief Executive Officer

EXHIBIT 10.8

April 12, 2002

Christian Feuer
627 N. Lincoln Street
Hinsdale, IL 60521

Dear Christian:

It is a distinct pleasure to offer you the position of President and Chief Executive Officer of uBid, Inc. ("uBid"). In this capacity you will report to the Board of Directors of uBid.

Your starting salary will be $13,461.53 bi-weekly, which is equivalent to an annualized base salary of $350,000.00. You will also be eligible to receive a pro-rated bonus for fiscal year 2002, ending 7/31/02, based on a target annualized bonus of $200,000.00, of which $50,000.00 is guaranteed. Your FY03 bonus potential will be $200,000.00, of which uBid will guarantee $100,000.00, provided that you are employed by uBid on the date that bonuses are paid under the FY03 Bonus Plan, to be approved by the uBid Board of Directors. This bonus will be based on successful satisfaction of fiscal year 2003 business and personal objectives pursuant to the terms and conditions of the FY2003 Bonus Plan.

In addition, on your date of hire, you will be granted an option (the "Option") to purchase 300,000 shares of CMGI common stock under the CMGI 2000 Stock Incentive Plan (the "Plan"). The Option will vest as follows: 25% on the one year anniversary of the date of grant, and then 1/48/th/ of the total award will vest monthly until fully vested on the fourth anniversary of the date of grant. The exercise price of the Option shall equal the closing price of the CMGI common stock on the Nasdaq National Market (during normal trading hours) on the date of grant. The Option shall be subject to all terms, limitations, restrictions and termination provisions set forth in the Plan and in the separate option agreement (which shall be based upon CMGI's standard form of option agreement) that shall be executed to evidence the grant of the Option. Additionally, as a condition of employment with uBid, you are required to execute each of the enclosed Non-Competition Agreement and Non-Disclosure and Developments Agreement.

Please be advised that as President and Chief Executive Officer of uBid, you shall be deemed to be an "executive officer" of CMGI within the meaning of Rule 3b-7 under the Securities Exchange Act of 1934, as amended, and an "officer" of CMGI within the meaning of Rule 16a-1(f) under such Act. More details regarding the reporting requirements and other obligations imposed on you by federal securities laws will be forthcoming from a member of CMGI's Legal Department.

As an employee of uBid, you may participate in any and all bonus and benefit programs that uBid establishes and makes available to its employees from time to time, provided you are eligible under (and subject to all provisions of) the plan documents governing those programs. Details of the benefits offered will be reviewed with you in orientation on your first day of employment.

In accordance with current federal law, you will be asked to provide documentation proving your eligibility to work in the United States. Please review the enclosed Employment Eligibility Verification Form (Form I9) and the list of acceptable documents that are required. You must bring this on your first day of employment. If you fail to bring proper documentation with you on your first day of work, you will be asked to go home to collect your paperwork. Unfortunately, there can be no exceptions. If you do not bring proper documentation, you will be considered ineligible for employment and uBid will not add you to its payroll until the required I9 documentation is received.

Please confirm your acceptance of this offer and your start date by signing one copy of this letter and returning it to me. Additionally, please complete, sign and return the enclosed Employee Information sheet along with the Sexual Harassment policy, Illinois Tax Form, W4, Direct Deposit Form and both agreements that are enclosed. All documents along with one copy of your signed offer letter must be returned by the end of business on Thursday, if you wish to start the following Monday.

If you choose to fax the documents, please fax a copy of your signed offer letter and all the enclosed documents to 978/684-3624 and bring the originals with you on your first day. If you wish to overnight the original documents, please mail one copy of your signed offer letter and the entire enclosed package to CMGI Attention: Joyce Fantasia 100 Brickstone Square Andover, MA 01810.

Your employment with uBid will be "at-will". This means that your employment with uBid may be terminated by either you or uBid at any time and for any reason, with or without notice. This offer expires as of the close of business on Friday, April 19, 2002. This offer supersedes all prior offers, both verbal and written. This letter does not constitute a guarantee of employment or a contract.

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

Sincerely,

/s/ George McMillan

George McMillan
Treasurer
uBid, Inc.

/s/ Christian Feuer	4/15/02
CHRISTIAN FEUER	DATE

TBD
- ---
START DATE

EXHIBIT 10.9

EXECUTIVE SEVERANCE AGREEMENT

THIS EXECUTIVE SEVERANCE AGREEMENT ("Agreement") by and between uBid, Inc., a Delaware corporation (the "Company"), headquartered at 8550 W. Bryn Mawr Road, Suite 200, Chicago, Illinois and Christian Feuer (the "Executive"), is made as of April 15, 2002.

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

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

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

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

2. Severance Pay.

(a) Severance Pay Following a Change in Control. In the event a Change in Control (as defined below) occurs and, within one (1) year thereafter, the employment of the Executive is terminated by the Company for a reason other than for Cause (as defined below) or by the Executive for Good Reason (as defined below), then the Company shall pay to the Executive (as severance pay) a lump sum payment equal to six (6) months base salary. The Executive agrees that after the Termination Date (as defined below), but prior to payment of the severance pay pursuant to this paragraph, he shall execute a copy of the Company's form of general release of any and all claims he may have against the Company and its officers, employees, directors, parents and affiliates. Executive understands and agrees that the payment of the severance pay pursuant to this paragraph is contingent on his execution of the previously described release of claims.

(b) Severance Pay Absent a Change in Control. In the event the employment of the Executive is terminated by the Company for a reason other than for Cause (as defined below), then the Company shall continue to pay to the Executive (as severance pay) his regular base salary as in effect on the Executive's last day of employment (exclusive of bonus or any other compensation), for six (6) months following the Termination Date. Unless the parties agree otherwise, the severance pay provided for in this Section 2(b) shall be paid in installments, in accordance with the Company's regular payroll practices. The Executive agrees that after the Termination Date, but prior to payment of the severance pay pursuant to this paragraph, he shall

execute a copy of the Company's form of general release of any and all claims he may have against the Company and its officers, employees, directors, parents and affiliates. Executive understands and agrees that the payment of the severance pay pursuant to this paragraph is contingent on his execution of the previously described release of claims.

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

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

(a) "Cause" shall mean a good faith finding by the Company of: (i) gross negligence or willful misconduct by Executive in connection with his employment duties, (ii) failure by Executive to perform his duties or responsibilities required pursuant to his employment, after written notice and an opportunity to cure, (iii) misappropriation by Executive of the assets or business opportunities of the Company, or its affiliates, (iv) embezzlement or other financial fraud committed by Executive, (v) the Executive knowingly allowing any third party to commit any of the acts described in any of the preceding clauses (iii) or (iv), or (vi) the Executive's indictment for, conviction of, or entry of a plea of no contest with respect to, any felony.

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

(c) "Change in Control" shall mean the consummation of any of the following events: (i) a sale, lease or disposition of all or substantially all of the assets of the Company, or (ii) a sale, merger, consolidation, reorganization, recapitalization, sale of assets, stock purchase, contribution or other similar transaction (in a single transaction or a series of related transactions) of the Company with or into any other corporation or corporations or other entity, or any other corporate reorganization, where the stockholders of the Company immediately prior to such event do not retain (in substantially the same percentages) beneficial ownership, directly or indirectly, of more than fifty percent (50%) of the voting power of and interest in the successor entity or the entity that controls the successor entity, provided, however, that a Change in Control shall not include a sale, lease, transfer or other disposition of all or substantially all of the capital stock, assets, properties or business of the Company (by way of merger, consolidation, reorganization, recapitalization, sale of assets, stock purchase, contribution or other similar transaction) that involves the Company, on the one hand, and CMGI, Inc. or any CMGI Subsidiary (as defined below), on the other hand.

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

(e) "CMGI Subsidiary" shall mean any corporation or other entity that is controlled, directly or indirectly, by CMGI, Inc.

4. Miscellaneous.

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

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

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

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

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

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

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

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

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

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

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

uBid, Inc.

By: /s/ George A. McMillan

Title: Treasurer

/s/ Christian Feuer

Christian Feuer