SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): August 16, 2000

CMGI, Inc.

(Exact name of registrant as specified in its charter)

Delaware	000-23262	04-2921333
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

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

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

N/A

(Former name or former address, if changed since last report)

Item 5. Other Events.

The Registrant hereby files the following financial statements and pro forma financial information, which are attached as exhibits to this report:

Audited consolidated balance sheet of AdForce, Inc. as of December 31, 1999, and the related consolidated statements of operations, common stockholders' equity (deficit) and cash flows for the year ended December 31, 1999. See Exhibit 99.1.

Audited consolidated balance sheet of Flycast Communications Corporation as of December 31, 1999, and the related consolidated statements of operations, common stockholders' equity (deficit) and cash flows for the year ended December 31, 1999. See Exhibit 99.2.

Unaudited Pro Forma condensed combined financial information of Registrant for the nine months ended April 30, 2000 and the twelve months ended July 31, 1999. See Exhibit 99.3.

Item 7. Exhibits.

(c) Exhibits:

23.1 Consent of KPMG LLP

23.2 Consent of KPMG LLP

99.1 Audited consolidated balance sheet of AdForce, Inc. as of December 31, 1999, and the related consolidated statements of operations, common stockholders' equity (deficit) and cash flows for the year ended December 31, 1999.

99.2 Audited consolidated balance sheet of Flycast Communications Corporation as of December 31, 1999, and the related consolidated statements of operations, common stockholders' equity(deficit) and cash flows for the year ended December 31, 1999.

99.3 Unaudited Pro Forma condensed combined financial information of Registrant for the nine months ended April 30, 2000 and the twelve months ended July 31, 1999.

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 hereunto duly authorized.

Date: August 16, 2000

CMGI, Inc.

(Registrant)

By: /s/ Andrew J. Hajducky, III

Andrew J. Hajducky III
Executive Vice President, Chief Financial Officer and Treasurer

EXHIBIT INDEX

Exhibit No.	Description
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23.2	Consent of KPMG LLP
99.1	Audited consolidated balance sheet of AdForce, Inc. as of December 31, 1999, and the related consolidated statements of operations, common stockholders' equity (deficit) and cash flows for the year ended December 31, 1999.
99.2	Audited consolidated balance sheet of Flycast Communications Corporation as of December 31, 1999, and the related consolidated statements of operations, common stockholders' equity (deficit) and cash flows for the year ended December 31, 1999.
99.3	Unaudited pro forma condensed combined financial information of registrant for the nine months ended April 30, 2000 and the twelve months ended July 31, 1999.

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the inclusion of our report dated March 31, 2000, with respect to the consolidated balance sheet of AdForce, Inc. as of December 31, 1999 and the related consolidated statements of operations, common stockholders' equity (deficit) and cash flows for the year ended December 31, 1999.

/s/ KPMG LLP

San Francisco, California
August 16, 2000

Exhibit 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the inclusion of our report dated March 8, 2000, with respect to the consolidated balance sheet of Flycast Communications Corporation as of December 31, 1999 and the related consolidated statements of operations, common stockholders' equity (deficit) and cash flows for the year ended December 31, 1999.

/s/ KPMG LLP

San Francisco, California
August 16, 2000

EXHIBIT 99.1

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
AdForce, Inc.:

We have audited the accompanying consolidated balance sheet of AdForce, Inc., a wholly owned subsidiary of CMGI, (the "Company") as of December 31, 1999, and the related consolidated statements of operations, common stockholders' equity (deficit) and cash flows for the year ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AdForce, Inc at December 31, 1999, and the results of its operations and its cash flows for the year ended December 31, 1999 in conformity with generally accepted accounting principles.

/s/ KPMG LLP

San Francisco, California
March 31, 2000

ADFORCE, INC.

CONSOLIDATED BALANCE SHEET

(in thousands)

	DECEMBER 31, 1999
ASSETS	
Current assets:	
Cash & cash equivalents	$ 17,114
Short-term investments	44,797
Accounts receivable, net of allowance of $2,216	5,164
Prepaid expenses and other current assets	1,571
Total current assets	68,646
Property and equipment, net	10,146
Intangible assets, net	1,187
Other non-current assets	440
Total assets	$ 80,419
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Current portion of captial lease obligations	$ 3,158
Accounts payable	3,842
Accrued compensation and related benefits	1,729
Accrued expenses	1,211
Deferred revenue	114
Total current liabilities	10,054
Long-term capital lease obligations	5,122
Minority interest in AdForce Asia	1,295
Stockholders' equity	
Common stock, $0.001 par value:	
25,000,000 shares authorized, 5,016,603 shares issued and outstanding as of 100,000,000 shares authorized, 20,170,397 shares issued and outstanding	20
Additional paid-in capital	119,796
Deferred stock compensation	(4,386)
Note receivable from stockholder	(42)
Unrealized loss on available for sale securities	(125)
Accumulated deficit	(51,315)
Total stockholders' equity	63,948
Total liabilities and stockholders' equity	$ 80,419

See accompanying notes to consolidated financial statements.

ADFORCE, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
(in thousands, except per share amounts)

	YEAR ENDED DECEMBER 31, 1999
Net revenue	$ 18,971
Cost of revenue:	
Data center operations	12,511
Amortization of intangible assets and deferred stock compensation	1,497
Total cost of revenue	14,008
Gross profit	4,963
Operating expenses:	
Research and Development	10,333
Marketing and selling	10,807
General and administrative	4,762
Amortization of intangible assets and deferred stock compensation	7,334
Total operating expenses	33,236
Loss from operations	(28,273)
Minority interest	101
Interest income	2,525
Interest expense	(892)
Net loss	$(26,539)
Basic and diluted net loss per share	$ (1.90)
Weighted average shares of common stock outstanding used in computing basic and diluted net loss per share	13,937

See accompanying notes to consolidated financial statements.

ADFORCE, INC.
CONSOLIDATED STATEMENT OF COMMON STOCKHOLDERS' EQUITY (DEFICIT)
(in thousands)

	CONVERTIBLE PREFERRED		COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	DEFERRED COMPENSATION	NOTE RECEIVABLE
	SHARES	AMOUNT	SHARES	AMOUNT			
Balances at December 31, 1998	4,733,559	$ 5	5,016,603	$ 5	$ 41,679	$ (2,802)	$ (70)
Issuance of common stock through Initial Public Offering, net of issuance cost of 6,937	-	-	5,175,000	$ 5	70,684	-	-
Issuance of common stock from option and warrant exercise net	-	-	511,676	1	405	-	-
Deferred stock compensation related to certain options granted to employees	-	-	-	-	6,837	(6,837)	-
Amortization of deferred stock compensation	-	-	-	-	-	5,253	-
Compensation related to acceleration of vesting of employee option	-	-	-	-	195	-	-
Forgiveness of stockholder note receivable	-	-	-	-	-	-	28
Conversion of preferred shares of stock into comom shares of stock	(4,733,559)	(5)	9,467,118	9	(4)	-	-
Change in unrealized loss on available-for-sale securities	-	-	-	-	-	-	-
Net loss	-	-	-	-	-	-	-
Balances at December 31, 1999	-	$ -	20,170,397	$ 20	$119,796	$ (4,386)	$ (42)

	NET UNREALIZED LOSS ON SECURITIES	ACCUMULATED DEFICIT	TOTAL STOCKHOLDERS' EQUITY
Balances at December 31, 1998	$ -	$ (24,776)	$ 14,041
Issuance of common stock through Initial Public Offering, net of issuance cost of 6,937	-	-	70,689
Issuance of common stock from option and warrant exercise net	-	-	406
Deferred stock compensation related to certain options granted to employees	-	-	-
Amortization of deferred stock compensation	-	-	5,253
Compensation related to acceleration of vesting of employee option	-	-	195
Forgiveness of stockholder note receivable	-	-	28
Conversion of preferred shares of stock into comom shares of stock	-	-	-
Change in unrealized loss on available-for-sale securities	(125)	-	(125)
Net loss	-	(26,539)	(26,539)
Balances at December 31, 1999	$ (125)	$ (51,315)	$ 63,948

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)

	YEAR ENDED DECEMBER 31, 1999
Cash flows from operating activities:	
Net Loss	$ (26,539)
Reconciliation of net loss to net cash used in operating activities:	
Depreciation, amortization and write-off of intangible	6,572
Amortization of deferred stock compensation and other compensation charges	5,448
Loss on sale of assets	17
Other non-cash charges	34
Minority interest	(101)
Changes in operating assets and liabilities:	
Accounts receivable	(4,004)
Prepaid expenses and other current assets and other non-current assets	(646)
Accounts payable	2,762
Accrued compensation and related benefits	1,271
Deferred revenue	104
Accrued liabilities	412
Net cash used in operating activities	(14,670)
Cash flows from investing activities:	
Purchases of short term investments, net	(44,352)
Investment in note receivable	(500)
Capital expenditures	(3,561)
Net cash used in investing activities	(48,413)
Cash flows from financing activities:	
Principal payments on capital lease obligations	(2,333)
Proceeds from issuance of common stock, net	71,089
Minority investment in AdForce Asia	1,396
Net cash (used in) provided by financing activities	70,152
Net increase in cash and cash equivalents	7,069
Cash and cash equivalents at beginning of period	10,045
Cash and cash equivalents at end of period	$ 17,114
Supplemental schedule of noncash investing/financing activities	
Property and equipment acquired under capital leases	$ 6,001
Increase in deferred stock compensation	$ 6,838

See accompanying notes to consolidated financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

AdForce was incorporated as Imgis, Inc. in the state of California on January 16, 1996. Effective on April 30, 1999, Imgis' stockholders approved its reincorporation in the state of Delaware as AdForce, Inc. AdForce is a provider of centralized, outsourced ad management and delivery services on the Internet. AdForce's services offer sophisticated campaign design, inventory management, targeting, ad delivery, tracking, measuring and reporting capabilities.

AdForce has incurred operating losses to date and had an accumulated deficit of $51,315,000 at December 31, 1999. AdForce's activities have been primarily financed through private placements of equity securities, capital lease financing and in May 1999, the sale of 5,175,000 shares of common stock for $77,625,000, yielding net proceeds of $70,684,000 in its initial public offering. AdForce may need to raise additional capital through the issuance of debt or equity securities and capital lease financing. Such financing may not be available on terms satisfactory to AdForce, if at all. If adequate funds are not available, AdForce may be required to reduce its level of spending.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its majority-owned subsidiary. The interests of the outside investors in AdForce Asia are presented as minority interests in the accompanying consolidated financial statements. All significant inter-company accounts and transactions are eliminated in consolidation.

In August 1999, AdForce entered a joint venture agreement to create AdForce Asia. AdForce Asia was incorporated in November 1999. AdForce owns 61.36% of AdForce Asia with Sina.com and Compuserve owning the remaining 38.64%.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Concentration of Credit Risk

AdForce sells and grants credit for its services to its customers without requiring collateral or third-party guarantees. To date, all of AdForce's customers are participants in the Internet industry, including ad agencies, Web sites, and ad rep firms. Few companies in the Internet industry have a demonstrated history of profitability, and, accordingly, granting unsecured credit to such customers carries with it a significant risk of loss. AdForce monitors its exposure for credit losses and maintains appropriate allowances. If one or more of AdForce's customers are unable to pay for its services, AdForce's quarterly and annual results of operations could be materially or adversely affected. During 1999, 26%, 25% and 14% of net revenue related to three customers. Two customers accounted for approximately 49% and 23% of AdForce's net accounts receivable at December 31, 1999.

Netscape, one of AdForce's top three customers for 1999, was acquired by America Online during the first quarter of 1999, and transitioned Netscape's domestic and European Netcenter advertising serving (which represented the substantial majority of AdForce's business with Netscape) from AdForce to America Online's internal system following the expiration on November 22, 1999 of AdForce's contract with Netscape. Netscape accounted for 14% of AdForce's net revenues during 1999. In addition, 24/7 Media has stated that it is currently developing and implementing an internal ad delivery technology that is intended to serve as its sole ad delivery solution, which they had expected to deploy in the fourth quarter of 1999. 24/7 Media has also stated that, unless and until the development of and transition to its own ad delivery technology is complete, it will be primarily dependent on AdForce to deliver ads to its networks and Web sites. 24/7 Media accounted for 26% of AdForce's net revenues during 1999.

Cash and Cash Equivalents

AdForce considers all highly liquid investments with an original maturity from the date of purchase of three months or less to be cash equivalents. As of December 31, 1999, cash and cash equivalents consisted primarily of investments in money market accounts and commercial paper, and their cost approximated fair value. AdForce places its cash and cash equivalents in high-quality U.S. financial institutions and, to date, has not experienced any losses on any of its investments.

Marketable Securities

AdForce accounts for investments in marketable securities in accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("FAS 115"). AdForce classifies its short-term investments as available-for-sale. Accordingly, these investments, primarily commercial paper and corporate bonds, are carried at fair value. Changes in market values are reflected as unrealized gains or losses, calculated on the specific identification method, and reported as a net amount in a separate component of stockholders' equity.

Fair Value of Financial Instruments and Associated Risk

Statement of Financial Accounting Standards ("FAS") No. 107, "Disclosures About Fair Value of Financial Instruments," requires that fair values be disclosed for most of AdForce's financial instruments. The carrying amounts of cash and cash equivalents, accounts receivable, notes receivable, current liabilities, and capital lease obligations are considered to be representative of their respective fair values.

Financial instruments that potentially subject AdForce to credit risk consist of short-term investments and trade receivables. AdForce is subject to concentrations of credit risk and interest rate risk related to its short-term investments. AdForce's credit risk is managed by limiting the amount of investments placed with any one portfolio manager, investing in money market funds, short-term commercial paper, and A1 rated corporate bonds with a weighted average months to maturity of approximately 4.5 months as of December 31, 1999.

Intangible Assets, Net

Intangible assets consist primarily of purchased technology and other intangibles related to an acquisition accounted for using the purchase method and the value of the warrants issued to a data vendor in connection with a demographic data agreement. Amortization of the purchased technology and other intangibles related to the acquisition is provided on a straight-line basis over the respective useful lives of the assets, which range from two to three years. Purchased in-process research and development without an alternative future use was expensed when acquired. The data vendor warrant was being amortized over the three year life of the agreement starting July 14, 1999. However, in November 1999, the net realizable value of the demographic data agreement was deemed to be impaired and the entire amount of the intangible was expensed.

As of December 31, 1999, the Company has accumulated amortization related to intangible assets of $4,811,000.

The Company evaluates its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets or intangibles may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Depreciation and Amortization

AdForce records property and equipment at cost and calculates depreciation using the straight-line method over the estimated useful lives of the assets, generally three to five years. Equipment acquired under capital leases is amortized on a straight-line basis over the shorter of its lease term or estimated useful life, generally two to three-and-one-half years.

Advertising Costs

Advertising costs are charged to expense when incurred. Advertising expense was $1,779,000 for the year ended December 31, 1999.

Revenue Recognition

To date, substantially all of AdForce's revenues have been generated from the provision of Internet ad management and delivery services for its customers. AdForce recognizes revenues from these services based on the number of ads delivered. Revenue is recognized at the time the service is delivered, provided AdForce does not have any significant remaining obligations and collection of the resulting receivable is probable. Prepaid amounts for advertising management and delivery services are recorded as deferred revenue until the related services are delivered.

Stock-Based Compensation

The Company accounts for its employee stock option plan in accordance with the provisions of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, no accounting recognition is given to stock options granted to employees (including directors) at fair market value until they are exercised. Upon exercise, the net proceeds are credited to stockholders' equity (deficit). Compensation expense is recognized over the vesting term for stock options granted to employees (including directors) at less than fair market value.

The Company accounts for stock options issued to non-employees in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation" and Emerging Issues Task Force Issue No. 96-18 under the fair value based method.

Research and Development Costs

Costs incurred in the development of new software (and substantial enhancements to existing software) to be used in connection with AdForce's services are expensed to operations as incurred until technological feasibility of such software has been established, at which time any additional costs would be capitalized in accordance with FAS No. 86. Because AdForce believes that its present process for developing software is completed essentially concurrently with the establishment of technological feasibility, no research and development costs have been capitalized to date.

Net Loss per Share

Basic and diluted net loss per share are presented in conformity with FAS No. 128, "Earnings Per Share" ("FAS 128"), for the period presented. Pursuant to Securities and Exchange Commission Staff Accounting Bulletin No. 98, common stock and convertible preferred stock issued or granted for nominal consideration prior to the anticipated effective date of AdForce's initial public offering are included in the calculation of basic and diluted net loss per share as if they had been outstanding for all periods presented. To date, AdForce has not had any issuances or grants for nominal consideration. In accordance with

FAS 128, basic and diluted net loss per share has been computed using the weighted average number of shares of common stock outstanding during the period, less shares subject to repurchase.

Historical basic and diluted net loss per share are as follows (in thousands, except per share amounts):

	YEAR ENDED DECEMBER 31, 1999
Historical:	
Net loss	$(26,539)
Basic and diluted shares:	
Weighted average shares of common stock outstanding	14,770
Less weighted average shares subject to repurchase	(833)
Weighted average shares of common stock outstanding used in computing basic and diluted net per loss share.	13,937
Basic and diluted net loss per share	$ (1.90)

If AdForce had reported net income, diluted net income per share would have included the shares used in the computation of pro forma net loss per share as well as approximately 4,772,700 common equivalent shares related to outstanding options and warrants to purchase common stock not included above for the year ended December 31, 1999. The common equivalent shares from options and warrants would be determined on a weighted average basis using the treasury stock method.

Comprehensive Loss

In June 1997, the Financial Accounting Standards Board issued FAS No. 130, "Reporting Comprehensive Income" ("FAS 130"). FAS 130 establishes standards for the reporting and display of comprehensive income and its components in a full set of general purpose financial statements and is effective for fiscal years beginning after December 15, 1997. AdForce adopted FAS 130 during the year ended December 31, 1998. During the year ended December 31, 1999, unrealized loss on securities of $125,000 increased total comprehensive loss to $26.7 million.

Segment Information

In June 1997, the Financial Accounting Standards Board issued FAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("FAS 131"). FAS 131 changes the way companies report selected segment information in annual financial statements and requires companies to report selected segment information in interim financial reports to stockholders. FAS 131 also establishes standards for related disclosures about products and services, geographic areas, and major customers. AdForce adopted FAS 131 in the year ended December 31, 1998. AdForce operates solely in one segment, the provision of Internet advertising management and delivery services, and therefore there is no impact on AdForce's financial statements of adopting FAS 131. For the year ended December 31, 1999, revenues from customers outside the United States were $1,090,000. Forward Slash, 24/7 Media Europe and Netscape International represented 41%, 15% and 14%, respectively, of revenue from outside the United States.

New Accounting Pronouncements

In March 1998, the American Institute of Certified Public Accountants ("AICPA") issued SOP No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." SOP No. 98-1 requires entities to capitalize certain costs related to internal-use software once certain criteria have been met. AdForce implemented SOP No. 98-1 on January 1, 1999. The adoption of SOP No. 98-1 did not have a material impact on its financial position or results of operations.

In April 1998, the AICPA issued SOP No. 98-5, "Reporting on the Costs of Start-Up Activities." SOP No. 98-5 requires that all start-up costs related to new operations must be expensed as incurred. In addition, all start-up costs that were capitalized in the past must be written off when SOP No. 98-5 is adopted. AdForce implemented SOP No. 98-5 on January 1, 1999. The adoption of SOP No. 98-5 had no effect on its financial position or results of operations.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes methods for derivative financial instruments and hedging activities related to those instruments, as well as other hedging activities. AdForce will be required to implement SFAS No. 133 for the year ending December 31, 2001. Because AdForce does not currently hold any derivative instruments and does not engage in hedging activities, AdForce does not expect that the adoption of SFAS No. 133 will have a material impact on its financial position or results of operations.

In December 1999, the SEC staff issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" (SAB 101) which specifies that revenue is recognizable when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the seller's price to the buyer is fixed or determinable, and collectibility is reasonably assured. This statement must be adopted no later than the first fiscal quarter of the fiscal year beginning after December 15, 1999. The Company does not believe that adoption of this statement will have a material impact on the Company's financial position or results of operations.

2. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following (in thousands):

	DECEMBER 31, 1999
Computer hardware and software	$14,311
Office furniture and equipment	1,156
Leasehold improvements	1,049
	16,516
Less accumulated depreciation and amortization	6,370
	$10,146

As of December 31, 1999 property and equipment included amounts acquired under capital leases of $11,203,000 with related accumulated depreciation of $4,361,000.

3. RELATED PARTIES

For a portion of 1999 two of AdForce's founders, who are current stockholders but no longer employees at AdForce, held executive management positions with one of AdForce's customers. Net revenue recognized from sales to this customer was $4,717,000 during the year ended December 31, 1999.

During 1999, AdForce recorded approximately $320,000 of expense relating to a recruiting firm owned by the spouse of one of AdForce's Vice Presidents.

4. LICENSE AGREEMENT AND DEMOGRAPHIC DATA AGREEMENT

In July 1998, AdForce entered into a License Agreement and a Demographic Data Agreement with America Online, Inc. In addition, AdForce sold 728,332 shares of Series E convertible preferred stock to America Online for a purchase price of $10,000,000. In connection with the sale of Series E convertible preferred stock to America Online, AdForce also issued to America Online a warrant to purchase up to 509,831 shares of Series E convertible preferred stock at an exercise price of $13.73 per share. The warrant is exercisable at any time on or before July 14, 2003 (See Note 6). AdForce determined the fair value of the warrants to be $3,686,000 using the Black-Scholes method. Approximately $1,669,000 of the value of the warrant was attributable to the Series E preferred stock agreement and approximately $2,019,000 of the value of the warrant was attributable to the Demographic Data Agreement. AdForce determined the allocation of the warrant value between the Series E preferred stock agreement and the Demographic Data Agreement primarily based on the decrease to the conversion rate (benefit to the Company and its other equity holders) of the Series D preferred stock as a result of the sale and issuance of the Series E preferred stock and warrant.

Under the License Agreement, AdForce licensed its technology to America Online and its affiliates to be used internally by America Online and on sites associated with America Online. The licensed technology included future enhancements to AdForce's technology and is warranted to perform according to its specifications. The license was nonexclusive, perpetual, worldwide and nontransferable except for certain assignments and included source code. AdForce could terminate the license only in the event of a material, uncorrected breach of the License Agreement or Demographic Data Agreement by America Online. For the duration of the license, if requested, AdForce would provide technical support, development services and ad serving services on a cost or cost plus basis if America Online was not in default. AdForce would provide these services at cost if America Online provided AdForce access to demographic data under the Demographic Data Agreement and America Online was not in breach of the Demographic Data Agreement. Otherwise, AdForce can mark up the cost of our services by certain percentages. Under the License Agreement, America Online will use commercially reasonable efforts to encourage others associated with America Online to use AdForce's technology, and AdForce will use commercially reasonable efforts to encourage its customers to use America Online in the sale of interactive advertising.

Under the Demographic Data Agreement, America Online would authorize AdForce to use demographic information about America Online users in connection with the targeting and delivery of ads to these users. After AdForce had access to the demographic data, AdForce would pay America Online quarterly fees based on the greater of a certain percentage of the consideration charged for targeted advertising or a certain percentage of the incremental revenue charged for the targeting feature. Such fees would total at least $10,000,000 for the first three years after America Online provides access to the demographic data. The term of the Demographic Data Agreement would expire on the earlier of July 14, 2002 or three years after AdForce has access to the demographic data. America Online could elect to renew the Demographic Data Agreement on a year-to-year basis with 90 days' notice on the same terms and conditions, subject to establishing mutually agreeable minimum annual fees. America Online could elect to terminate the Demographic Data Agreement upon payment of a fee to AdForce in the event a third party offers more favorable terms for access to the demographic data and AdForce does not match such terms. AdForce has proposed a preliminary implementation schedule that was subject to America Online's approval. The amount related to the Demographic Data Agreement was being amortized over the three year term of the agreement beginning July 14, 1999, but was written down to zero in November 1999 when AOL indicated that they were withholding access to the Demographic Data by AdForce.

5. COMMITMENTS

At December 31, 1999, AdForce was leasing its operating and administrative facilities and certain equipment under non-cancelable operating lease agreements that expire in October 2005. Rent expense was approximately $2,987,000 for the years ended December 31, 1999.

During the years ended December 31, 1999, AdForce executed one lease-line agreement for a total of $4,000,000 in lease-line credit availability. At December 31, 1999, related lease obligations bore interest at effective rates ranging from 3.55% to 18.07% and were secured by the related property and equipment. Approximately $171,000 in unused lease-line credit remained available under these lease agreements at December 31, 1999.

As of December 31, 1999, minimum lease payments under all noncancelable lease agreements were as follows (in thousands):

	DECEMBER 31, 1999	
	CAPITAL LEASES	OPERATING LEASES
1999	$4,017	$ 4,044
2000	3,392	4,104
2001	2,150	2,975
2002	364	1,094
2003	-	331
Thereafter	-	142
Total minimum lease payments	9,923	$12,690
Less amount representing interest	1,643	
Present value of minimum lease payments	8,280	
Less current portion of capital lease obligations	3,158	
Long-term portion of capital lease obligations	$5,122	

In February 2000, AdForce executed a lease-line agreement for a total of $3,000,000 in lease-line credit availability. Obligations under the lease-line will be secured by the related equipment and will be payable over a 42 month period.

6. STOCKHOLDERS' EQUITY

General

AdForce has retroactively restated the par value of it common stock in these financial statements to reflect the reincorporation in Delaware on April 30, 1999.

On May 7, 1999, AdForce sold 5,175,000 shares of Common Stock in its initial public offering at a price of $15.00 per share. AdForce received net proceeds from the offering of $70.7 million.

Common Stock

At December 31, 1998, AdForce had reserved 1,085,198 shares of its common stock for issuance upon the exercise of outstanding warrants and 3,687,502 shares of common stock for issuance upon exercise of options outstanding and available under the 1997 and 1999 Stock Plans. On May 7, 1999 all of the Company's outstanding shares of Series A, B, C, D and E Convertible Preferred Stock were automatically converted into 9,467,118 shares of Common Stock.

At December 31, 1999, 337,500 shares of common stock held by an officer were subject to repurchase by AdForce at their original purchase price of $0.125 per share. Such repurchase rights lapse ratably over the 48-month vesting period of the underlying options to purchase common stock.

A total of 800,000 shares of common stock issued in conjunction with AdForce's acquisition of StarPoint to three of StarPoint's founders, two of whom remain as employees of AdForce, were subject to certain repurchase rights held by AdForce. At December 31, 1999, 55,556 of these shares of common stock had been repurchased and 44,444 of these shares of common stock remained subject to repurchase. The repurchase rights lapsed as to 22/48 of the shares on the date of acquisition, as to 9/48 of the shares after the employees had completed nine months of continuous employment at AdForce and as to 1/48 of these shares each month thereafter.

Note Receivable From Stockholder

During 1997, AdForce received a note receivable from a stockholder of AdForce upon his exercise of an option to purchase 900,000 shares of common stock. As of December 31, 1999, 337,500, of the shares issued were subject to repurchase by AdForce at the original exercise price. The repurchase rights lapse ratably over the 48 month vesting period of the underlying option. The note bears interest at 6.8% and is secured by the related stock. The note and related interest is being forgiven ratably over a period of four years of service/employment. AdForce is recording compensation expense related to the forgiveness of the note as the note is forgiven.

Warrants

In association with certain transactions, AdForce issued warrants to third parties for the purchase of AdForce's common stock and convertible preferred stock. The warrants that remained outstanding at December 31, 1999 were as follows:

PARTY	CLASS OF STOCK	NATURE OF RELATED TRANSACTION	DATE OF ISSUANCE	SHARES UNDER WARRANT	EXERCISE PRICE	EXPIRATION OF EXERCISABILITY	FAIR VALUE (IN THOUSANDS)
Private Investors	Series D convertible preferred stock	Series D convertible preferred stock agreement	July 1998	32,768	$13.73	July 14, 2003	$ 267
Private Investor/ Vendor	Series E convertible preferred stock	Series E convertible preferred stock agreement and Demographic Data Agreement	July 1998	509,831	$13.73	July 14, 2003	$3,686

Warrants to purchase 32,768 shares of Series D convertible preferred stock and 509,831 shares of Series E convertible preferred stock, respectively, included above, expire on the later of July 14, 2003 or the closing of any merger, tender offer, or other transaction in which all of the holders of AdForce's outstanding common stock and preferred stock (if any) receive only cash or cash and other securities payable only in cash.

The value of the warrants granted to third parties, excluding the value attributable to equity investments of approximately $1.9 million, is being charged to the related expense over the term of the respective agreements. AdForce recognized expense of $70,000 during the year ended December 31, 1999, related to the estimated fair market value of these warrants. The value of each of the warrants has been determined using the Black-Sholes method, with an expected dividend yield of zero, a risk-free interest rate of 5%, and a volatility factor of 20% was used. The lives used to value each of the warrants was based on the term of each warrant as set forth in the preceding table or described in the preceding paragraph.

Stock Option Plans

The Company's stock option plans (the "Plans") provide for the grant of up to 6,379,093 incentive or non-statutory options to employees, directors and consultants of the Company at the fair market value of the common stock on the date of grant as determined by the Board of Directors. Options granted under the Plans generally vest ratably over periods of up to four years and expire ten years from the date of grant. Of the two Plans, the 1997 Stock Option Plan also provides for early exercise of options prior to full vesting. Any unvested shares purchased are subject to repurchase rights by the Company upon occurrence of certain events or conditions, such as employment termination, at the original purchase price. There were 495,333 shares subject to repurchase at December 31 1999.

1999 Equity Incentive Plan

In February 1999, the Board of Directors adopted the 1999 Equity Incentive Plan and reserved 2,000,000 shares for issuance thereunder, subject to stockholder approval. The 1999 Equity Incentive Plan became effective on the effective date of the initial public offering and serves as the successor to the Plan. Options granted under the Plan before its termination will remain outstanding according to their terms, but no further options were granted under the Plan after the effective date of the initial public offering. The 1999 Equity Incentive Plan will terminate in February 2009, unless sooner terminated in accordance with its terms. The 1999 Equity Incentive Plan authorizes the award of incentive stock options and nonqualified stock options, restricted stock awards and stock bonuses.

1999 Directors Stock Option Plan

In February 1999, the Board of Directors adopted the 1999 Directors Stock Option Plan and reserved a total of 200,000 shares of common stock for issuance under the 1999 Directors Stock Option Plan, subject to stockholder approval. Members of the Board of Directors who are not employees of AdForce, or any parent, subsidiary or affiliate of AdForce, are eligible to participate in the 1999 Directors Stock Option Plan. Option grants under the 1999 Directors Stock Option Plan are automatic and nondiscretionary, and the exercise price of the options is the fair market value of the common stock on the date of grant. Each eligible director who first becomes a member of the Board of Directors on or after the effective date of the initial public offering will initially be granted an option to purchase 10,000 shares of common stock on the date he or she becomes a member of the Board of Directors. Each eligible director who first became a member of the Board of Directors prior to the effective date of the initial public offering would have received an initial grant immediately following the first annual meeting of stockholders of AdForce after the effective date of the initial public offering, provided that he or she is elected a member of the Board of Directors at the first annual meeting of stockholders. Immediately following each annual meeting of stockholders of AdForce, each eligible director will automatically be granted an additional option to purchase 5,000 shares of common stock if he or she has served continuously as a member of the Board of Directors for a period of at least one year since the date of his or her initial grant under this Plan. The options have ten-year terms. They will terminate seven months following the date the director ceases to be a director or a consultant to AdForce, or twelve months if the termination is due to death or disability. All options granted under the 1999 Directors Stock Option Plan will vest as to 12/48 of the shares on the first anniversary of the date of grant and as to 1/48 of the shares each month thereafter, provided the optionee continues as a member of the Board of Directors or as a consultant to AdForce. In the event of a merger or other transaction in which AdForce is not the surviving corporation, all options issued under the 1999 Directors Stock Option Plan will accelerate and become exercisable in full prior to the consummation of the transaction.

A summary of activity under all option plans and non-plan options follows:

	SHARES AVAILABLE FOR GRANT	OPTIONS OUTSTANDING	PRICE PER SHARE	WEIGHTED AVERAGE EXERCISE PRICE
Balances at December 31, 1998	702,768	1,922,860	$0.125-$1.500	$ 0.760
Shares authorized	2,910,000	-	-	-
Options granted	(3,137,185)	3,137,185	$1.500-$72.00	$14.506
Options repurchased	79,813	-	$0.125-$1.500	$ 0.320
Options exercised	-	(451,040)	$0.125-$29.00	$ 0.920
Options canceled	775,738	(921,503)	$0.125-$29.00	$ 4.617
Balances at December 31, 1999	1,331,134	3,687,502	$ 0.21-$72.00	$11.471

The following table summarizes information concerning outstanding options at December 31, 1999:

RANGE OF EXERCISE PRICES	NUMBERS OF SHARES	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (IN YEARS) OPTIONS OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE
$0.21 - $0.25	555,836	7.96	$ 0.2495
$0.70 - $1.50	1,001,171	8.86	$ 1.4137
$7.50 - $18.38	959,656	9.4	$10.6118
$19.00 - $44.75	1,131,189	9.72	$25.0440
$51.94 - $72.00	39,650	9.96	$56.3013

All outstanding options to purchase common stock of AdForce granted through the 1997 plan were exercisable at December 31, 1999. None of the outstanding options to purchase common stock of AdForce granted through the 1999 plan were exercisable at December 31, 1999. As of December 31, 1999, options to purchase 491,350 shares of common stock were vested.

From January 1, 1999 to December 31, 1999, the Company sold 451,040 shares of Common Stock to 80 employees and/or optionees pursuant to exercises of options granted under the Company's stock plans at a weighted average exercise price of $0.92 per share. Options granted under the 1997 plan are immediately exercisable and subject to repurchase by the Company at the exercise price until they vest. Generally, options vest as to 1/4 of the shares on the first anniversary of the date of grant, with the balance vesting as to 1/36 of the remaining shares each month until fully vested. The Company received an aggregate of $413,879 in cash for the stock issued. All sales of stock pursuant to these option exercises were made in reliance on Rule 701 under the Securities Act of 1933.

In connection with the grant of certain options to employees during the year ended December 31, 1999, AdForce recorded deferred stock compensation of approximately $6,837,000 for the difference between the exercise prices of those options at their respective dates of grant and the deemed fair values for accounting purposes of the shares of common stock subject to such options. Such amounts are included as a reduction of stockholders' equity and are being amortized on a graded vesting method. The compensation expense of $5,253,000 during 1999 relates to options awarded to employees in all operating expense categories, as well as employees in data center operations. These amounts have not been separately allocated between operating expense categories.

Pro forma information regarding net loss is required by FAS 123, computed as if AdForce had accounted for its employee stock options granted or otherwise modified under the fair value-based accounting method of that statement. The value for these options was estimated at the date of grant using the minimum value method with the following weighted average assumptions:

	1999
Expected dividend yield	0.00%
Weighted average risk-free interest rate	4.6% - 6.19%
Weighted average expected life	5 years
Average volatility rate	135%

The weighted average fair value of options granted during 1999 with an exercise price equal to the fair value of AdForce's common stock on the date of grant was $21.18. The weighted-average fair value of options granted during 1999 with an exercise price below the deemed fair value of AdForce's common stock on the date of grant was $7.15.

	1999
Pro forma net loss	($32,365)
Pro forma basic and diluted net loss per share	($2.32)

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. Future pro forma net income (loss) results may be materially different from actual future amounts reported.

1999 Employee Stock Purchase Plan

In February 1999, the Board of Directors adopted the 1999 Employee Stock Purchase Plan and reserved a total of 300,000 shares of common stock for issuance thereunder, subject to stockholder approval. On each January 1, the aggregate number of shares reserved for issuance under the 1999 Employee Stock Purchase Plan will be increased automatically by the number of shares purchased under the 1999 Employee Stock Purchase Plan in the preceding calendar year. The aggregate number of shares issued over the term of the 1999 Employee Stock Purchase Plan may not exceed 3,000,000 shares. The 1999 Employee Stock Purchase Plan became effective on the effective date of the initial public offering. Employees generally will be eligible to participate in the 1999 Employee Stock Purchase Plan if they are customarily employed by AdForce or its parent or any subsidiaries that AdForce designates for more than 20 hours per week and more than five months in a calendar year. Under the 1999 Employee Stock Purchase Plan, eligible employees are permitted to acquire shares of AdForce's common stock through payroll deductions. Eligible employees may select a rate of payroll deduction between 2% and 10% of their compensation and are subject to certain maximum purchase limitations described in the 1999 Employee Stock Purchase Plan. Each offering period under the 1999 Employee Stock Purchase Plan will be for two years and consist of six-month purchase periods. The first offering period began on May 7, 1999. Offering periods and purchase periods thereafter will begin on February 1 and August 1. The purchase price for AdForce's common stock purchased under the 1999 Employee Stock Purchase Plan is 85% of the lesser of the fair market value of AdForce's common stock on the first day of the applicable offering period or the last day of each purchase period. The 1999 Employee Stock Purchase Plan will terminate in February 2009, unless earlier terminated pursuant to the terms of the 1999 Employee Stock Purchase Plan. The Board of Directors will have the authority to amend, terminate, or extend the term of the 1999 Employee Stock Purchase Plan.

In conjunction with the reincorporation in Delaware, the Company changed the number of authorized shares of preferred stock to 5,451,663 and the number of authorized shares of common stock to 100,000,000. The par value of the Company's preferred and common stock has been retroactively reflected in the accompanying financial statements.

7. OTHER NON-CURRENT ASSETS

During the third quarter of 1999, we provided financing of $500,000 in the form of an unsecured convertible promissory note to Neta4, Ltd., a Delaware corporation devoted to combining direct advertising with electronic mail technology. The $500,000 unsecured convertible promissory note receivable is due on August 17, 2000, and bears interest at a rate of 8% per annum. The interest was payable in monthly installments beginning November 17, 1999. Neta4 is a development stage entity, with a history of operating losses. At December 31, 1999, the convertible promissory note has been fully reserved.

8. INCOME TAXES

The Company's effective tax rate differs from the statutory federal income tax rate of 34% as shown in the following schedule:

	DECEMBER 31, 1999
Income tax benefit at statutory rate	34.00%
Permanent differences	(8.60%)
State tax	(0.10%)
Operating losses with no current tax benefit	(25.30%)
	(0.00%)

The tax effects of temporary differences that give rise to significant portions of deferred tax assets/(liabilities) are presented below:

	DECEMBER 31, 1999
Deferred tax assets:	
Net operating losses	$ 15,131,396
Accruals and reserves	2,075,212
Tax credit carryforwards	1,444,264
Tangibles and intangibles	544,502
Total deferred tax assets	19,195,374
Valuation allowance	(18,228,166)
Net deferred tax assets	967,208
Deferred tax liabilities:	
State taxes	(967,208)
Net deferred tax assets and liabilities	$ -

The Company established 100% valuation allowance at December 31, 1999 due to the uncertainty of realizing future tax benefits from its net operating loss carryforwards and other deferred tax assets.

At December 31, 1999, the Company had net operating loss ("NOL") carryforwards of approximately $38,000,000 and $26,000,000 for federal and state income tax purposes, respectively. These carryforwards begin to expire in 2011 for federal purposes and 2004 for state income tax purposes. The Company also had federal and state research and development tax credit carryforwards of approximately $747,000 and $656,000, respectively. The federal research and development credits begin to expire in 2011. The California research and development credits may be carried forward indefinitely until utilized. The

Company also has California manufacturers' investment credit carryforwards of approximately $41,000, which begin to expire in 2006.

Included in the deferred tax assets above, is approximately $800,000 related to stock option compensation for which the benefit, when realized, will be an adjustment to equity.

The Company has a valuation allowance as of December 31, 1999, which fully offsets its gross deferred tax assets due to the Company's historical losses and the fact that there is no guarantee the Company will generate sufficient taxable income in the future to be able to realize any or all of the deferred tax assets. The net change in the total valuation allowance for the year ended December 31, 1999 was an increase of $10,521,166.

Internal Revenue Code Section 382 and similar California rules place a limitation on the amount of taxable income which can be offset by NOL carryforwards after a change in control (generally greater than 50% change in ownership). Due to these provisions, utilization of the NOL and tax credit carryforwards may be limited.

9. LEGAL MATTERS

In April 1999, Dirk Wray, an AdForce director, filed and action against Chad Steelberg, a founder of AdForce, in the Orange County, California Superior Court alleging that Mr. Steelberg failed to perform certain obligations pursuant to a 1996 agreement between Messrs. Wray and Steelberg.

In June 1999, Mr. Steelberg filed a cross-complaint against Mr. Wray, certain investors in AdForce, AdForce and AdForce's President, Chief Executive Officer and Chairman, Charles W. Berger, claiming AdForce is obligated to defend and indemnify Mr. Steelberg against Mr. Wray's allegations and seeking additional damages. On October 22, 1999, the Company and Mr. Berger jointly filed a demurrer to the Cross-Complaint. The demurrer was subsequently denied.

In December 1999, Mr. Wray commenced settlement discussions with the Company and with Mr. Steelberg. In February 2000, the parties reached oral agreement on a settlement under which Mr. Wray would transfer certain shares of Company stock held by Mr. Wray to Mr. Steelberg or per Mr. Steelberg's direction, Mr. Wray and the Company would agree to a full mutual release of claims with no other payments by either party to the other, and Mr. Steelberg would pay to the Company $550,000 as compensation for legal fees and other damages incurred by the Company. The Company expects the settlement to be documented by March 31, 2000. However, should the settlement not be completed, the Company continues to believe the causes of action in the Cross-Complaint claimed against the Company and Mr. Berger are without merit, intends to indemnify Mr. Berger pursuant to the Company's certificate of incorporation, bylaws and a written indemnification agreement, and to defend itself and Mr. Berger vigorously.

On November 2, 1999, AdForce filed a complaint in the Superior Court of California, County of Orange, Central Justice Center, against Language Force seeking to collect in excess of $267,000 in sums due for ad management and delivery services pursuant to an AdForce Services Agreement dated June 14, 1999 between the Company and Language Force. Language Force answered on December 10, 1999, denying all claims. The Company has commenced discovery, and plans to vigorously pursue its claims. A trial date has been set for October 30, 2000.

Effective November 22, 1999, the Company terminated the employment of Anthony P. Glaves, then the Company's Vice President of Worldwide Sales and Business Development. The Company offered Mr. Glaves a severance package, which he rejected by making a counteroffer, requesting the amount that would have otherwise been due him under the Company's Retention and Severance Plan dated September 19, 1999 had he been terminated without cause following the merger of AdForce with CMGI. The Company has since made it clear to Mr. Glaves that it has no further obligations to him, and that his sole severance is the two weeks of pay provided at the time of his termination. Mr. Glaves has retained counsel, but has not commenced litigation. The Company believes that any claims by Mr. Glaves for additional compensation are without merit, and intends to vigorously defend itself if Mr. Glaves elects to proceed with litigation in this matter.

By letter dated January 7, 2000, the Company advised America Online that, among other things, AOL has unreasonably withheld its consent to the deemed assignment of the Demographic Data Agreement between the Company and America Online (the "DDA") as a result of the merger of AdForce with a wholly-owned subsidiary of CMGI, Inc. AdForce further advised America Online of its belief that America Online is in default under the DDA. The Company has not yet received a response from America Online, and cannot presently assess the potential losses or expenses that would occur should this matter be litigated.

Except as provided above, AdForce is not currently subject to any potentially material legal proceeding. AdForce may from time to time become a party to various legal proceedings arising in the ordinary course of its business.

10. AGREEMENT AND PLAN OF MERGER

On September 20, 1999, AdForce entered into a definitive Agreement and Plan of Merger with CMGI, Inc., which develops and operates Internet and direct marketing companies, and a wholly owned subsidiary of CMGI. Pursuant to the Agreement and Plan of Merger and subject to the terms and conditions set forth therein, the CMGI subsidiary will be merged with and into AdForce, and AdForce will survive the merger and become a wholly owned subsidiary of CMGI. At the effective time of the merger, each outstanding share of AdForce common stock will be exchanged and converted into 0.262 shares of CMGI common stock, and options and warrants to purchase shares of AdForce common stock will be assumed and become options and warrants, as applicable, to purchase shares of CMGI's common stock. The exercise price and number of shares of our common stock subject to each such assumed option and warrant will be appropriately adjusted to reflect the exchange ratio. The merger is intended to qualify as a tax-free reorganization and will be accounted for as a purchase.

In connection with the execution of the Agreement and Plan of Merger, AdForce entered into a Stock Option Agreement with CMGI, pursuant to which AdForce granted to CMGI an option to purchase up to 19.9% of the outstanding shares of our common stock. The option is exercisable upon the occurrence of certain events relating to the termination of the Agreement and Plan of Merger, all as specified in the Stock Option Agreement. The merger was finalized in January 2000.

EXHIBIT 99.2

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Flycast Communications Corporation:

We have audited the accompanying consolidated balance sheet of Flycast Communications Corporation, a wholly owned subsidiary of CMGI, (the "Company") as of December 31, 1999, and the related consolidated statements of operations, common stockholders' equity (deficit) and cash flows for the year ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Flycast Communications Corporation at December 31, 1999, and the results of its operations and its cash flows for the year ended December 31, 1999 in conformity with generally accepted accounting principles.

/s/ KPMG LLP

San Francisco, California
March 8, 2000

FLYCAST COMMUNICATIONS CORPORATION

CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 1999
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

ASSETS	
Current assets:	
Cash and cash equivalents	$ 9,973
Investments	46,217
Accounts receivable, net of allowance for doubtful accounts of $1,304	21,386
Prepaid expenses and other assets	1,800
Total current assets	79,376
Property and equipment, net	11,357
Other assets	316
Total assets	$91,049
LIABILITIES AND COMMON STOCKHOLDERS' EQUITY	
Current liabilities:	
Short-term capital lease obligations	$ 883
Current potions of long-term debt	1,914
Accounts payable	12,458
Accrued liabilities	2,176
Accrued compensation and related expenses	2,864
Total current liabilities	20,295
Long-term capital lease obligations	1,042
Long-term debt	1,770
Common stockholders' equity:	
Common stock, $0.0001 par value, 20,000,000 shares authorized, 15,257,298 shares issued and outstanding in 1999	109,037
Deferred stock compensation	(1,269)
Notes receivable from stockholders	(344)
Accumulated deficit	(39,482)
Total common stockholders' equity	67,942
Total liabilities and common stockholders' equity	$91,049

See accompanying notes to consolidated financial statements.

FLYCAST COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1999
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

Revenue	$ 46,154
Cost of revenue	32,100
Gross profit	14,054
Operating expenses:	
Sales and marketing	20,971
Research and development	8,132
General and administrative	9,674
Stock-based compensation	1,596
Total operating expenses	40,373
Operating loss	(26,319)
Interest income	1,855
Interest expense	(871)
Net loss	$(25,335)
Accretion of mandatorily redeemable preferred stock	(666)
Loss attributable to common stockholders	$(26,001)
Basic and diluted loss per share	$ (2.81)
Shares used in basic and diluted loss per share	9,255

See accompanying notes to consolidated financial statements.

FLYCAST COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENT OF COMMON STOCKHOLDERS' EQUITY (DEFICIT)
(IN THOUSANDS)

	COMMON STOCK		DEFERRED STOCK COMPENSATION	NOTES RECEIVABLE	ACCUMULATED DEFICIT	TOTAL
	SHARES	AMOUNT				
Balance, December 31, 1998.........	3,132	$ 3,851	$(1,771)	$(606)	$(13,481)	$(12,007)
Issuance of common stock for cash............................	3,200	73,023	--	--	--	73,023
Exercise of common stock options..........................	669	1,946	--	(31)	--	1,915
Repurchase of common stock.........	(140)	(175)	--	175		
Payment on notes receivable........	--	--	--	197	--	197
Issuance of common stock for services.........................	--	247	--	--	--	247
Compensatory stock arrangements....	--	1,094	(1,094)	--	--	--
Amortization of deferred stock compensation.....................	--	--	1,596	--	--	1,596
Conversion of preferred stock......	8,396	29,051	--	--	--	29,051
Distributions to stockholders......	--	--	--	(79)	--	(79)
Accretion of mandatorily Redeemable preferred stock.......	--	--	--	--	(666)	(666)
Net loss...........................	--	--	--	--	(25,335)	(25,335)
Balance, December 31, 1999.........	15,257	$109,037	$(1,269)	$(344)	$(39,482)	$ 67,942

See accompanying notes to consolidated financial statements.

FLYCAST COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1999
(IN THOUSANDS)

Cash flows from operating activities:	
Net loss	$(25,335)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	2,668
Provision for bad debts	1,340
Stock and warrants issued for services	247
Noncash interest expense	100
Stock-based compensation expense	1,596
Changes in operating assets and liabilities:	
Accounts receivable	(18,924)
Prepaid expenses and other assets	(1,741)
Accounts payable	9,897
Accrued liabilities	4,205
Net cash used in operating activities	(25,947)
Cash flows used in investing activities:	
Purchases of property and equipment	(10,854)
Purchases of short term investments	(46,034)
Net cash used in investing activities	(56,888)
Cash flows from financing activities:	
Payments on long term debt	(1,143)
Payments on capital leases	(838)
Proceeds from payment of notes receivable from stockholders	197
Proceeds from issuance of common stock	74,938
Distributions to stockholders	(79)
Proceeds from issuance of preferred stock	14,536
Net cash provided by financing activities	87,611
Net increase in cash and cash equivalents	4,776
Cash and cash equivalents, beginning of period	5,197
Cash and cash equivalents, end of period	$ 9,973
Supplemental disclosures of cash flow information:	
Cash paid for interest	$ 749
Noncash financing and investing activities:	
Purchase of equipment under capital lease	$ 1,232
Issuance of common stock for notes receivable	$ 31
Repurchase of common stock for extinguishment of debt	$ 175
Conversion of preferred stock to common stock	$ 29,051

See accompanying notes to consolidated financial statements.

FLYCAST COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION -- Flycast Communications Corporation ("Flycast" or the "Company") commenced operations on April 14, 1996 (inception). Flycast is a leading provider of Web-based advertising solutions designed to maximize the return on investment for direct response advertisers and e-commerce companies. Flycast is headquartered in San Francisco.

On September 30, 1999, the Company announced that it entered into a definitive agreement to be acquired by CMGI, Inc. ("CMGI") in a stock-for-stock merger. Under the terms of the agreement, CMGI will issue 0.9476 CMGI shares for every Flycast share held on the closing date of the transaction. Closing of the merger is subject to customary conditions, including formal approval by the Company's shareholders. In connection with the merger, the Company also entered into a stock option agreement dated as of September 29, 1999, whereby the Company granted CMGI an option to purchase up to 19.9% of the outstanding shares of the Company common stock, which option may be exercised in the event that the merger agreement is terminated under certain circumstances.

BASIS OF PRESENTATION -- On August 30, 1999, Flycast completed a merger with InterStep, Inc., a Massachusetts corporation which commenced operations in 1995. InterStep provides publishers with e-mail content management, list management and distribution services on an outsourced basis. In the transaction, Flycast issued 480,337 shares of common stock to InterStep's stockholders, of which 47,558 shares are held by an escrow agent to serve as security for the indemnity provided by stockholders of InterStep. The Company also assumed all outstanding InterStep common stock options, which were converted to options to purchase approximately 10,012 shares of the Company's common stock. No adjustments were required to conform accounting policies of the entities. There were no significant intercompany transactions requiring elimination.

The above transaction has been accounted for as a pooling of interests and, accordingly, the consolidated financial statements of the Company include the accounts of Interstep.

USE OF ESTIMATES -- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company performs ongoing credit evaluations of its customers' respective financial conditions, and, generally, requires no collateral from its customers. The Company maintains an allowance for uncollectible accounts receivable based on the expected collectibility of accounts receivable.

CASH EQUIVALENTS consist of money market funds and certificates of deposit with original maturities of three months or less at the time of acquisition.

INVESTMENTS consist of certificates of deposit with an original maturity date of greater than three months at the time of acquisition. Such investments are considered available for sale and have carrying values which approximate fair value.

PROPERTY AND EQUIPMENT -- Property and equipment are stated at cost. Equipment held under capital leases is stated at the present value of minimum lease payments. Depreciation on property and equipment is calculated on the straight- line method over the estimated useful lives of the assets. Equipment held under capital leases is amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the asset.

REVENUE RECOGNITION -- Revenues derived from the delivery of advertising impressions through third-party Web sites and delivery of e-mail content are recognized in the period the advertising impressions or e-mail contents are delivered provided collection of the resulting receivable is probable. Revenues from list management and distribution services are recognized when services have been performed. Amounts payable to third party Web sites for advertisements displayed on such sites are recorded as cost of revenue in the period the advertising impressions or e-mails are delivered.

The Company becomes obligated to make payments to third-party Web sites, which have contracted with Flycast to be part of the networks, in the period the advertising impressions are delivered, irrespective of the receipt of payments from customers. The Company therefore reports revenue using the gross method.

ADVERTISING EXPENSES are charged to operations as incurred.

RESEARCH AND DEVELOPMENT EXPENSES are charged to operations as incurred.

INCOME TAXES -- Deferred tax liabilities are recognized for future taxable amounts, and deferred tax assets are recognized for future deductions, net of a valuation allowance to reduce net deferred tax assets to amounts that are more likely than not to be realized.

CONCENTRATION OF CREDIT RISK -- Financial instruments that potentially subject the Company to concentration of credit risk consist of trade receivables. The Company's credit risk is mitigated by the Company's credit evaluation process and the reasonably short collection terms. The Company does not require collateral or other security to support accounts receivable and maintains reserves for potential credit losses.

FINANCIAL INSTRUMENTS -- The Company's financial instruments include cash and cash equivalents, short-term investments, notes receivable from stockholders and long-term debt. At December 31, 1999, the fair values of these instruments approximated their financial statement carrying amounts.

STOCK-BASED COMPENSATION -- The Company accounts for its employee stock option plan in accordance with the provisions of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, no accounting recognition is given to stock options granted to employees (including directors) at fair market value until they are exercised. Upon exercise, the net proceeds are credited to stockholders' equity (deficit). Compensation expense is recognized over the vesting term for stock options granted to employees (including directors) at less than fair market value.

The Company accounts for stock options issued to non-employees in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation" and Emerging Issues Task Force Issue No. 96-18 under the fair value based method.

IMPAIRMENT OF LONG-LIVED ASSETS AND LONG-LIVED ASSETS TO BE DISPOSED OF -- The Company evaluates its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets or intangibles may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

LOSS PER COMMON SHARE -- Basic loss per common share excludes dilution and is computed by dividing loss attributable to common stockholders by the weighted average number of common shares outstanding for the period (excluding 1,339,194 shares subject to repurchase). Diluted loss per common share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Potential common shares are excluded from the computation in loss periods as their effect would be antidilutive.

RECENTLY ISSUED ACCOUNTING STANDARDS -- In June 1997, the Financial Accounting Standards Board (FASB) issued SFAS No. 130, "Reporting Comprehensive Income," which requires an enterprise to report, by major components and as a single total, the change in its net assets during the period from nonowner sources; and SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," which establishes annual and interim reporting standards for an enterprise's business segments and related disclosures about its products, services, geographic areas and major customers. The Company currently operates one reportable segment under SFAS No. 131. Adoption of these statements in 1998 did not impact the Company's financial position, results of operations or cash flows.

In March 1998, the American Institute of Certified Public Accountants ("AICPA") issued SOP no. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." SOP No. 98-1 requires entities to capitalize certain costs related to internal-use software once certain criteria have been met. The Company implemented SOP No. 98-1 on January 1, 1999. The adoption of SOP No. 98-1 did not have a material impact on its financial position or results of operations.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which defines derivatives, requires that all derivatives be carried at fair value, and provides for hedge accounting when certain conditions are met. SFAS No. 133 is effective for the Company in fiscal 2001. Although the Company has not fully assessed the implications of SFAS No. 133, the Company does not believe that adoption of this statement will have a material impact on the Company's financial position or results of operations.

In December 1999, the SEC staff issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" (SAB 101) which specifies that revenue is recognizable when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the seller's price to the buyer is fixed or determinable, and collectibility is reasonably assured. This statement must be adopted no later than the first fiscal quarter of the fiscal year beginning after December 15, 1999. The Company does not believe that adoption of this statement will have a material impact on the Company's financial position or results of operations.

2. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 1999 consisted of the following (in thousands):

Computer equipment and purchased software	$11,271
Computer equipment under capital lease	2,734
Furniture, fixtures and office equipment	822
Total	14,827
Less accumulated depreciation	(3,470)
Net	$11,357

The accumulated depreciation associated with computer equipment under capital lease was $1,141,000 at December 31, 1999.

3. DEBT

In 1998, the Company borrowed $600,000 from a lending institution at an 8% interest rate. Principal and interest payments are due in monthly installments through July 2001. As of December 31, 1999, the outstanding obligation was $277,000.

In 1998, the Company obtained a $175,000 letter of credit as a security deposit on office space leased. In 1999, the letter was increased to $300,000 to secure additional space at the same location. The increase was under the same terms as the original letter. The letter of credit is collateralized by all assets of the Company.

In 1998, the Company entered into a financing agreement with a preferred stockholder and lender for $2,500,000, due in April 2002 with interest at 11% per annum, and for an additional $2,000,000, due in August 2001 with interest at 14%. The Company granted this lender Series C preferred stock warrants to purchase 55,409 shares at $4.51 per share, and 72,324 shares of preferred stock at $4.42 per share. The estimated fair value allocated to the warrants of $304,000 is being accreted over the life of the financing agreements. As of December 31, 1999, the recorded obligation totaled $3,407,000 and $3,000,000 is available for future borrowing.

Debt outstanding excluding capital lease obligations (Note 8) as of December 31, 1999 will be due in annual principal payments of $1,914,000, $1,578,000 and $192,000 in 2000, 2001 and 2002, respectively.

4. INCOME TAXES

The Company's deferred income tax assets and liabilities at December 31, 1999 are as follows (in thousands):

Deferred tax assets:	
Net operating loss carryforwards	$16,957
Research and development tax credit	136
Total gross deferred tax assets before valuation allowance	17,093
Valuation allowance	(14,018)
Deferred tax liabilities:	
State Taxes	$ 478
Accrual to cash adjustments	2,489
Tangibiles and intangibles	108
Total gross deferred liabilities	3,075
Net deferred tax assets	$ --

At December 31, 1999, the Company had a 100% valuation allowance due to the uncertainty of realizing future tax benefits from its net operating loss carryforwards and other deferred tax assets.

At December 31, 1999, the Company had net operating loss ("NOL") carryforwards of approximately $44,161,000 and $21,973,000 for federal and state income tax purposes, respectively. These carryforwards begin to expire in 2011 for federal purposes and 2004 for state income tax purposes. The Company also has federal and state research and development tax credit carryforwards of $77,000 and $58,000, respectively, which will begin to expire in 2011. The California research and development credits may be carried forward indefinitely until utilized.

Internal Revenue Code Sections 382 and 383 and similar California rules place a limitation on the amount of taxable income which can be offset by NOL carryforwards after a change in control (generally greater than 50% change in ownership). Due to these provisions, utilization of the NOL and tax credit carryforwards may be limited. (Note 5.)

The Company did not provide for pro forma income taxes for InterStep, Inc. as both the Company and InterStep had losses for the period presented.

5. STOCKHOLDERS' EQUITY (DEFICIT)

In January 1999, the Company sold 1,496,347 shares of Series C preferred stock at $9.04 per share for proceeds of $13,527,000.

On May 4, 1999, the Company completed an initial public offering of 3,000,000 shares of common stock. In addition, on June 4, 1999, the Company sold an additional 200,000 shares under the underwriters' overallotment option. Total net proceeds were $73 million. During 1999, prior to and in anticipation of the initial public offering, warrants for 167,747 shares of Series C preferred Stock were exercised for total proceeds of $1,009,000. Upon the closing of the initial public offering, Flycast's mandatorily redeemable preferred stock converted into 8.4 million shares of common stock.

On August 30, 1999, Flycast acquired InterStep, Inc. by issuing 480,337 shares of common stock for all of the outstanding shares of InterStep, Inc. in transaction that was accounted for as a pooling-of-interests. As a result, InterStep became a wholly owned subsidiary of Flycast. For purposes of financial statement presentation, historical financial information for InterStep has been consolidated into the statements presented herein.

On September 30, 1999, the Company announced the signing of a definitive agreement to be acquired by CMGI, Inc. in a stock-for-stock merger. Under the terms of the agreement, CMGI will issue 0.9476 CMGI shares for every Flycast share held on the closing date of the transaction. The transaction closed in January 2000. The Company incurred approximately $25 million in expenses as a result of the acquisition of which approximately $2.0 million was expensed in 1999 and the balance will be recorded in 2000 when the merger becomes final.

NOTES RECEIVABLE FROM STOCKHOLDERS

In July 1997, the Company issued an aggregate of 2,275,011 shares of common stock to officers and members of the Board of Directors. In connection with such issuance, the Company's board members paid for the stock by issuing notes payable (secured by the shares of the Company's common stock purchased) to the Company. The secured note payable bears interest at 6.65% per annum with the entire principal balance of the note, together with all accrued and unpaid interest, due and payable on the earlier of (a) nine months after the closing of an initial public offering of the Company's common stock or (b) July 2002 or (c) termination of employment. The shares vest over a four year period. Any unvested shares purchased are subject to repurchase rights by the Company upon occurrence of certain events or conditions, such as employment termination, at the original purchase price. Of such shares, there were 1,181,023 shares subject to repurchase at December 31, 1999.

In September 1998, two officers of the Company exercised options to purchase 357,000 shares with an exercise price of $1.25 by issuing notes payable (secured by the shares of the Company's common stock purchased). The secured note payable bear interest at 5.54% per annum with the entire principal balances of the notes, together with all accrued and unpaid interest, due and payable on the earlier of (a) nine months after the closing of an underwritten public offering, (b) September 2003 or (c) termination of employment.

Additionally, in March, April and December 1999, employees and officers of the Company exercised options to purchase 23,200 shares with exercise prices ranging from $1.25 to $8.00 by issuing notes payable (secured by the shares of the Company's common stock purchased). The secured notes payable bear interest ranging from 5.54% to 6.74% per annum with the entire principal balances of the notes, together with all accrued and unpaid interest, due and payable on the earlier of (a) nine months after the closing of an underwritten public offering, (b) September 2003 or (c) termination of employment.

As a result of the Company's Initial Public offering on May 4, 1999, all of the above notes, together with all accrued and unpaid interest, will become due and payable on February 4, 2000.

STOCK OPTION PLANS

The Company's stock option plans (the "Plans") provide for the grant of up to 5,850,000 incentive or non-statutory options to employees, directors and consultants of the Company at the fair market value of the common stock on the date of grant as determined by the Board of Directors. Options granted under the Plans generally vest ratably over periods of up to four years and expire ten years from the date of grant. Of the two Plans, the 1997 Stock Option Plan also provides for early exercise of options prior to full vesting. Any unvested shares purchased are subject to repurchase rights by the Company upon occurrence of certain events or conditions, such as employment termination, at the original purchase price. There were 1.2 million shares subject to repurchase at December 31 1999.

On January 4, 1999, the Board of Directors adopted the 1999 Stock Option Plan (the "1999 Stock Plan"). The 1999 Stock Plan will serve as the successor equity incentive program to the Company's existing 1997 Stock Option Plan. A total of 2,000,000 shares of common stock were initially reserved for issuance under the 1999 Stock Plan. On March 30, 1999, the Board of Directors adopted an amendment to the 1999 Stock Plan that increased the shares of common stock reserved for issuance to 3,500,000.

On January 28, 1999, the Board of Directors adopted the 1999 Directors' Stock Option Plan (the "Directors' Plan"). Under the Directors' Plan, each person who becomes a non-employee director after the effective date of the Directors' Plan may be granted non-statutory stock options. A total of 200,000 shares of common stock have initially been reserved for issuance under the Directors' Plan.

Additionally, on January 28, 1999, the Board of Directors adopted, the 1999 Employee Stock Purchase Plan (the "Purchase Plan"). Under the Purchase Plan, eligible employees are allowed to have salary withholdings of up to 10% of their base compensation to purchase shares of common stock at a price equal to 85% of the lower of the market value of the stock at the beginning or end of defined purchase periods. The initial purchase period commences upon the effective date for the initial public offering of the Company's common stock. The Company has initially reserved 350,000 shares of common stock for issuance under this plan.

OPTIONS AND WARRANTS GRANTED TO NON-EMPLOYEES

In 1999, the Company granted options and warrants for common stock to non-employees for services performed and to be performed through 2002. In connection with these awards, the Company recognized $247,000 in stock-based compensation expense related to such options which vested during 1999. At December 31, 1999, there were no unvested options granted to non-employees.

STOCK-BASED COMPENSATION

During 1998 and 1999, the Company issued common stock options at less than the fair value of its common stock and the Company recorded $1,094,000 as the value of such options in 1999. Stock-based compensation of $1,596,000 was amortized to expense in 1999 and at December 31, 1999, the Company had $1,269,000 in unamortized deferred stock compensation related to such options. The fair value of the common stock options granted in 1999, was $19.47 per share.

STOCK OPTION ACTIVITY

A summary of the Company's stock option activity follows:

	OUTSTANDING OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Balance, December 31, 1998	1,938,705	$ 1.85
Granted	3,319,832	19.47
Exercised	(547,191)	3.26
Canceled or expired	(324,418)	8.54
Balance, December 31, 1999	4,386,928	$13.89
Available for grant at December 31, 1999	814,910	

The following table summarizes information about currently outstanding stock options at December 31, 1999:

	OPTIONS OUTSTANDING			OPTIONS VESTED	
RANGE OF EXERCISE PRICE	NUMBER OF SHARES	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
$ 0.10	87,120	7.27	$ 0.10	59,459	$ 0.10
0.13 - 1.25	1,000,384	8.48	1.15	380,146	1.15
1.40 - 8.50	533,533	8.95	6.04	395,906	5.27
8.75	694,330	9.08	8.75	156,640	8.75
9.00 - 12.00	783,779	9.24	11.93	175,083	11.91
16.00 - 24.00	576,642	9.60	20.81	5,977	16.80
24.75 - 43.00	456,200	9.60	32.53	15,545	25.11
44.32 - 73.50	239,800	9.83	54.40	--	--
78.75	8,000	9.93	78.75	--	--
82.75	7,140	9.93	82.75	--	--
	4,386,928	9.09	$13.89	1,188,756	$ 5.45

ADDITIONAL STOCK PLAN INFORMATION

As discussed in Note 1, the Company accounts for its stock-based awards to employees using the intrinsic value method in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees," and its related interpretations.

SFAS No. 123, "Accounting for Stock-Based Compensation," requires the disclosure of pro forma net income (loss) and earnings (loss) per share had the Company adopted the fair value method since the Company's inception. Under SFAS No. 123, the fair value of stock-based awards to employees is calculated through the use of option pricing models, even though such models were developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differ from the Company's stock option awards.

The Company's calculations for employee grants were made using the fair value approach with the following weighted average assumptions:

Dividend yield	None
Risk free interest rate	5.2%
Expected term, in years	2.5
Volatility	94%

The weighted average value per option as of the date of grant for options granted during 1999 was $11.49.

If the computed values of the Company's stock-based awards to employees had been amortized to expense over the vesting period of the awards as specified under SFAS No. 123, loss attributable to common stockholders and basic and diluted loss per share on a pro forma basis (as compared to such items as reported) would have been (in thousands):

Loss attributable to common stockholders:	
As reported	$(26,001)
Pro forma	$(39,577)
Basic and diluted net loss per share:	
As reported	$ (2.81)
Pro forma	$ (4.28)

6. NET LOSS PER SHARE

The following is a reconciliation of the denominators used in computing basic and diluted net loss per share.

	YEARS ENDED DECEMBER 31, 1999
Shares (denominator):	
Weighted average common shares outstanding	10,594
Weighted average common shares outstanding subject to repurchase	(1,339)
Shares used in computation, basic and diluted	9,255

Diluted net loss per common share does not include the effects of options to purchase 3,026,540 shares of common stock, as the effect of their inclusion is anti-dilutive for the period presented.

7. COMBINING FINANCIAL INFORMATION

The acquisition of InterStep, Inc. has been accounted for as a pooling-of-interests and accordingly, the Company's historical consolidated financial statements have been restated to include the accounts and results of operations of InterStep, Inc. The results of operations previously reported by the separate businesses and the combined amounts presented in the accompanying consolidated financial statements are presented below.

	EIGHT MONTHS ENDED AUGUST 31, 1999 (UNAUDITED)
REVENUE	
Interstep	$ 602
Flycast	18,252
Total	18,854
NET INCOME (LOSS)	
Interstep	(180)
Flycast	(18,513)
Total	(18,693)

The Company has restated its previously reported results. The results for the eight-month period ended August 31, 1999 of InterStep have been included in the results for the year ended December 31, 1999. The equity accounts of the separate entities were combined. There were no significant transactions between the Company and InterStep prior to the combination.

8. COMMITMENTS AND CONTINGENCIES

LEASES

Future minimum net lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) and future minimum capital lease payments as of December 31, 1999 are as follows (in thousands):

	CAPITAL LEASES	OPERATING LEASES
Year ending December 31:		
2000	$883	$1,348
2001	784	1,350
2002	249	908
2003	9	910
Thereafter		830
Total	$1,925	$5,346
Present value of net minimum capital lease payments	1,925	
Less current installments of obligations under capital leases	(883)	
Obligations under capital leases, excluding current installments	$1,042	

Total rent expense under operating leases for the year ended 1999 was $1.1 million.

LEGAL MATTERS

On January 28, 1999, the Board of Directors approved, the re-incorporation of the Company in the State of Delaware and the associated exchange of one share of common stock or preferred stock of the Company for every share of common stock or preferred stock, as the case may be, of the Company's California predecessor. Such re-incorporation and stock exchange became effective prior to the effective date of the initial public offering contemplated by the Company.

The Company is involved in various other claims and legal actions. Management does not expect that the outcome of these other claims and actions will have a material effect on the Company's financial position or results of operations.

9. SUBSEQUENT EVENT

On January 18, 2000, Flycast Communications' Parent Company (CMGI) announced that a definitive agreement was entered into to sell Flycast Communications to Engage Technologies in a stock-for-stock transaction. Closing of the merger is subject to customary conditions, including formal approval by the Parent Company's shareholders.

EXHIBIT 99.3

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma financial information give effect to CMGI's acquisitions of the AltaVista Business on August 18, 1999, AdForce on January 12, 2000, Flycast on January 13, 2000, yesmail.com on March 10, 2000, Tallan on March 31, 2000 and uBid on April 28, 2000, each of which have been accounted for under the purchase method of accounting. The unaudited pro forma condensed combined statements of operations for the nine months ended April 30, 2000 and the year ended July 31, 1999 give effect to the acquisitions of the AltaVista Business, AdForce, Flycast, yesmail.com, Tallan and uBid as if each had occurred on August 1, 1998. The pro forma statement of operations for the nine months ended April 30, 2000 is based on historical results of operations of CMGI for the nine months ended April 30, 2000 (which include the results of the AltaVista Business, AdForce, Flycast, yesmail.com and Tallan from their respective dates of acquisition through April 30, 2000), the historical results of the AltaVista Business for the period from August 1, 1999 through August 18, 1999, the historical results of AdForce for the six months ended December 31, 1999, the historical results of Flycast for the six months ended December 31, 1999, the historical results of yesmail.com for the period from August 1, 1999 through March 10, 2000, the historical results of Tallan for the eight months ended March 31, 2000 and the historical results of uBid for the nine months ended March 31, 2000. The pro forma statement of operations for the twelve months ended July 31, 1999 is based on historical results of operations of CMGI for the twelve months ended July 31, 1999, the historical results of operations of AdForce, Flycast, yesmail.com, Tallan and uBid for the twelve months ended June 30, 1999 and the historical results of operations of the components of the AltaVista Business consisting of the carve-out historical results of AltaVista Search and the historical results of Zip2 Corporation for the twelve months ended June 30, 1999 and the historical results of Shopping.com for the twelve months ended July 31, 1999. The following pro forma financial information, consisting of the pro forma statements of operations and the accompanying notes, should be read in conjunction with and are qualified by the historical annual and quarterly financial statements and notes of CMGI.

The pro forma financial information is presented for illustrative purposes only and is not necessarily indicative of the future results of operations of the consolidated company after the acquisitions of the AltaVista Business, AdForce, Flycast, yesmail.com, Tallan and uBid, or of the results of operations of the consolidated company that would have actually occurred had the acquisitions of the AltaVista Business, AdForce, Flycast, yesmail.com, Tallan and uBid been effected as of the dates described above.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
Nine Months Ended April 30, 2000
(In thousands, except per share data)

		Results prior to acquisition dates			
	CMGI	AltaVista Business	AdForce	Flycast	yesmail.com
Net revenues..................	$ 503,078	$ 7,198	$ 11,569	$ 34,619	$17,909
Operating expenses:					
Cost of revenues..............	410,974	4,104	7,736	23,882	11,491
Research and development......	101,283	1,891	5,586	5,084	2,953
In-process research and development.............	45,937	--	--	--	--
Selling.......................	314,150	7,361	7,061	12,816	10,331
General and administrative....	126,843	2,400	3,732	7,210	12,070
Amortization of intangible assets and stock-based compensation................	905,857	30,117	5,237	663	948
Total operating expenses....	1,905,044	45,873	29,352	49,655	37,793
Operating income (loss).......	(1,401,966)	(38,675)	(17,783)	(15,036)	(19,884)
Other income (expense):					
Interest income (expense), net.............	4,433	(35)	1,373	616	1,026
Equity in losses of affiliates..............	(15,719)	--	--	--	--
Minority interest............	110,844	--	101	--	--
Non-operating gains, net.....	499,962	--	--	--	--
	599,520	(35)	1,474	616	1,026
Income (loss) before income taxes................	(802,446)	(38,710)	(16,309)	(14,420)	(18,858)
Income tax expense (benefit)...........	(71,420)	--	--	--	--
Net income (loss)............	(731,026)	(38,710)	(16,309)	(14,420)	(18,858)
Deemed preferred dividend, preferred stock accretion and amortization of discount....	(9,333)	--	--	--	--
Net loss available to common stockholders.......	$ (740,359)	$(38,710)	$(16,309)	$(14,420)	$(18,858)
Basic loss per share	$ (2.94)				
Diluted loss per share.....	$ (2.94)				
Shares used in computing loss per share:					
Basic......................	251,560				
Diluted....................	251,560				

	Results prior to acquisition dates			
	Tallan	uBid	Pro Forma Adjustments	Pro Forma As Adjusted
Net revenues.................	$52,081	$210,877	$ (3,670)(A)	$ 833,661
Operating expenses:				
Cost of revenues............	29,947	190,307	(3,670)(A)	674,771
Research and development....	--	4,290	--	121,087
In-process research and development...........	--	--	(38,600)(B)	7,337
Selling.....................	1,996	22,939	--	376,654
General and administrative..	12,768	17,424	(14,269)(C)	168,178
Amortization of intangible assets and stock-based compensation..............	66	2,186	26,337 (D)	1,482,213
			(15,550)(E)	
			74,442 (F)	
			126,010 (G)	
			117,155 (H)	
			118,305 (I)	
			90,440 (J)	
Total operating expenses..	44,777	237,146	480,600	2,830,240

Operating income (loss)......	7,304	(26,269)	(484,270)	(1,996,579)
Other income (expense):				
Interest income (expense), net.............	185	1,245	(1,139)(K) 3,223 (L)	10,927
Equity in losses of affiliates..............	--	--	--	(15,719)
Minority interest...........	--	--	4,055 (M)	115,000
Non-operating gains, net....	--	--	--	499,962
	185	1,245	6,139	610,170
Income (loss) before income taxes................	7,489	(25,024)	(478,131)	(1,386,409)
Income tax expense (benefit)	3,338	--	(31,589)(N)	(99,671)
Net income (loss)............	4,151	(25,024)	(446,542)	(1,286,738)
Deemed preferred dividend, preferred stock accretion and amortization of discount....	(5,607)	--	5,607 (O)	(9,333)
Net loss available to common stockholders.........	$(1,456)	$(25,024)	$(440,935)	$(1,296,071)
Basic loss per share........				$ (4.66)(P)
Diluted loss per share......				$ (4.66)(P)
Shares used in computing loss per share:				
Basic.......................				277,998(P)
Diluted.....................				277,998(P)

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
TWELVE MONTHS ENDED JULY 31, 1999
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	CMGI	AltaVista Business	AdForce	Flycast	yesmail.com
Net revenues	$ 175,666	$ 97,838	$ 10,490	$ 18,596	$ 6,179
Operating expenses:					
Cost of revenues	168,830	64,155	7,269	12,901	4,038
Research and development	22,253	27,105	7,358	4,760	1,747
In-process research and development	6,061	--	--	--	--
Selling	45,505	79,210	6,775	12,309	4,175
General and administrative	43,566	31,823	2,289	3,540	2,331
Amortization of intangible assets and stock-based compensation	16,110	171,925	6,265	1,786	211
Total operating expenses	302,325	374,218	29,956	35,296	12,502
Operating income (loss)	(126,659)	(276,380)	(19,466)	(16,700)	(6,323)
Other income (expense):					
Interest income (expense), net	269	(7,555)	288	(39)	(133)
Equity in losses of affiliates	(15,737)	--	--	--	--
Minority interest	2,331		--	--	(35)
Non-operating gains (losses), net	889,041	--	--	--	(230)
	875,904	(7,555)	288	(39)	(398)
Income (loss) from continuing operations before income taxes	749,245	(283,935)	(19,178)	(16,739)	(6,721)
Income tax expense (benefit)	325,402	--	--	2	--
Income (loss) from continuing operations	423,843	(283,935)	(19,178)	(16,741)	(6,721)
Preferred stock accretion	(1,662)	--	--	(998)	--
Income (loss) from continuing operations available to common stockholders	$ 422,181	$(283,935)	$(19,178)	$(17,739)	$(6,721)
Basic income (loss) from continuing operations per share	$ 2.26				
Diluted income (loss) from continuing operations per share	$ 2.05				
Shares used in computing income (loss) from continuing operations per share:					
Basic	186,532				
Diluted	206,832				

	Tallan	uBid	Pro Forma Adjustments	Pro Forma As Adjusted
Net revenues	$33,013	$119,313	$ (1,991)(A)	$ 459,104
Operating expenses:				
Cost of revenues	19,080	109,073	(1,991)(A)	383,355
Research and development	--	2,193	--	65,416
In-process research and development	--	--	--	6,061
Selling	1,121	8,879	--	157,974
General and administrative	7,050	9,208	--	99,807
Amortization of intangible assets and stock-based compensation	145	7,086	682,337 (D)	1,811,278
			(8,906)(E)	
			166,547 (F)	
			277,452 (G)	
			192,208 (H)	
			177,526 (I)	
			120,586 (J)	
Total operating expenses	27,396	136,439	1,605,759	2,523,891
Operating income (loss)	5,617	(17,126)	(1,607,750)	(2,064,787)
Other income (expense):				
Interest income				

(expense), net	(128)	331	(23,100)(K) (22,648)(L)	(52,715)
Equity in losses of affiliates	--	--	--	(15,737)
Minority interest	--	--	76,516 (M)	78,812
Non-operating gains (losses), net	--	--	--	888,811
	(128)	331	30,768	899,171
Income (loss) from continuing operations before income taxes	5,489	(16,795)	(1,576,982)	(1,165,616)
Income tax expense (benefit)	2,344	--	(314,834)(N)	12,914
Income (loss) from continuing operations	3,145	(16,795)	(1,262,148)	(1,178,530)
Preferred stock accretion	--	--	998 (O)	(1,662)
Income (loss) from continuing operations available to common stockholders	$ 3,145	$ (16,795)	$(1,261,150)	$(1,180,192)
Basic income (loss) from continuing operations per share				$ (4.51)(P)
Diluted income (loss) from continuing operations per share				$ (4.51)(P)
Shares used in computing income (loss) from continuing operations per share:				
Basic				261,505 (P)
Diluted				261,505 (P)

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

Pro Forma Adjustments and Assumptions:

The pro forma information herein gives effect to the following acquisitions:

On August 18, 1999, CMGI acquired an 81.495% equity stake in the former AltaVista division of Digital Equipment Corporation, referred to as the AltaVista Business, from Compaq Computer Corporation and its wholly-owned subsidiary Digital Equipment Corporation. Consideration for the acquisition was valued at approximately $2.4 billion, including $4 million of direct costs of the acquisition. The AltaVista Business includes the assets and liabilities constituting the AltaVista Internet search service, referred to as AltaVista Search, which was a division of Digital, and also includes former Compaq/Digital wholly-owned subsidiaries Zip2 Corporation and Shopping.com. In consideration for the acquisition, CMGI issued 37,989,950 shares of its common stock valued at approximately $1.8 billion, 18,090.45 shares of its Series D Preferred Stock (which were converted into 3,618,090 shares of CMGI common stock in October 1999) valued at approximately $173 million and promissory notes with an aggregate principal amount of $220 million. Additionally, AltaVista Business and CMGI stock options issued in the transaction, valued at approximately $175 million and $4 million, respectively, have been included in CMGI's purchase consideration.

On January 12, 2000, CMGI completed its acquisition of AdForce, Inc., a leading online provider of centralized, outsourced ad management and delivery services. The total purchase price for AdForce was valued at approximately $545 million, consisting of 11,270,209 shares of CMGI common stock valued at approximately $473 million, options and warrants to purchase CMGI common stock valued at approximately $70.9 million, and direct acquisition costs of approximately $1.1 million. Of the purchase price, $9.3 million was allocated to in-process research and development, which was charged to operations during the third quarter of fiscal 2000. The pro forma statement of operations for the nine months ended April 30, 2000 includes nine months and twenty days of historical operating results of AdForce. The effects of including the additional twenty days of operating results is not material to the pro forma financial information.

On January 13, 2000, CMGI completed its acquisition of Flycast Communications Corporation, a leading provider of Web-based direct response advertising solutions. The total purchase price for Flycast was valued at approximately $905.3 million consisting of 14,611,499 shares of CMGI common stock valued at approximately $716.6 million, options and warrants to purchase CMGI common stock valued at approximately $168.2 million, and direct acquisition costs of approximately $20.5 million. Of the purchase price, $29.3 million was allocated to in-process research and development, which was charged to operations during the third quarter of fiscal 2000. The pro forma statement of operations for the nine months ended April 30, 2000 includes nine months and nineteen days of historical operating results of Flycast. The effects of including the additional nineteen days of historical operating results is not material to the pro forma financial information. CMGI completed the contribution of Flycast to Engage, Inc., a subsidiary of CMGI, on April 28, 2000. No pro forma adjustments related to this contribution have been included in the pro forma financial statements.

On March 10, 2000, CMGI completed its acquisition of yesmail.com, a leading outsourcer of permission e-mail marketing technologies and services. The total purchase price for yesmail.com was valued at approximately $597.2 million consisting of 5,120,181 shares of CMGI common stock valued at approximately $546.4 million, options to purchase CMGI common stock valued at approximately $45.3 million, and direct acquisition costs of approximately $5.5 million.

On March 31, 2000, CMGI completed its acquisition of approximately 94.2% of Tallan, Inc., a leading provider of Internet and e-commerce services to Fortune 500, Global 2000 and dot.com companies. The total purchase price for Tallan was valued at approximately $904.8 million consisting of cash totaling $342.3 million, options to purchase CMGI common stock valued at approximately $188.3 million, short-term promissory notes valued at approximately $368.7 million, and direct acquisition costs of approximately $5.5 million.

On April 28, 2000, CMGI completed its acquisition of uBid, Inc., a leading e-commerce auction site. The total purchase price for uBid was valued at approximately $390.1 million consisting of 3,068,374 shares of CMGI common stock valued at approximately $360.6 million, options to purchase CMGI common stock valued at approximately $26.5 million, and direct acquisition costs of approximately $3 million.

The following table sets forth the allocation of the purchase prices for the acquisitions included in the pro forma financial information. The purchase prices were allocated over CMGI's acquired portion of the fair value of the assets and liabilities of the acquired companies as of the dates of acquisition.

	AltaVista Business	AdForce	Flycast	yesmail.com	Tallan	uBid
			(in thousands)			
Working capital, including cash (cash overdraft) acquired	$ (39,604)	$ 33,808	$ 34,377	$ 15,378	$ 13,793	$ 22,927
Property and equipment	44,460	10,360	11,751	3,195	3,062	5,423
Other assets (liabilities), net	15,786	(5,078)	(2,518)	2,044	341	--
Goodwill	2,199,426	438,350	738,537	576,623	887,630	361,758
Developed technology	128,128	29,440	35,000	--	--	--
Other identifiable intangible assets	40,575	28,820	58,820	--	--	--
In-process research and development	--	9,300	29,300	--	--	--
Purchase price	$2,388,771	$545,000	$905,267	$597,240	$904,826	$390,108

The valuation of the actual intangible assets acquired in the acquisitions of yesmail.com, Tallan and uBid has not yet been completed. When completed certain amounts which have been allocated to goodwill in the above table may be allocated to in-process research and development, developed technology and other identifiable intangible assets.

A detailed description of the periods of historical financial information for the acquired companies included in the pro forma financial information appears in the introduction to the pro forma financial information.

(A) The pro forma adjustments reflect the elimination of transactions between AdForce, uBid and CMGI's majority-owned companies during the periods reflected in the pro forma financial information.

(B) The pro forma adjustment reflects the elimination of in-process research and development charges recorded in CMGI's consolidated statement of operations during the nine months ended April 30, 2000 related to the acquisitions of AdForce ($9.3 million) and Flycast ($29.3 million). These charges have been excluded from the pro forma results as they are non-recurring and not indicative of normal operating results.

(C) The pro forma adjustment represents the elimination of merger related expenses recorded in the historical financial statements of AdForce, yesmail.com, Tallan and uBid in the periods included in the pro forma financial information. These costs consist primarily of legal, accounting and investment banker fees incurred by the acquired entities. These charges have been eliminated from the pro forma results as they are non-recurring and not indicative of normal operating results.

(D) The pro forma adjustments include an incremental $38.2 million and $789.4 million in amortization of goodwill and other intangible assets that would have been recorded during the nine months ended April 30, 2000 and the twelve months ended July 31, 1999 related to the acquisition of the AltaVista Business. The amounts identified as goodwill and other intangible assets in CMGI's acquisition of the AltaVista Business are being amortized on a straight-line basis over a three-year period. The adjustment amounts also include a net reduction of $11.9 million and $107.1 million in amortization of goodwill and other intangible assets for the nine months ended April 30, 2000 and the twelve months ended July 31, 1999, respectively. These amounts relate to the reduction in historical amortization expense to reflect only the 18.505% carry-over basis in the historical goodwill and other intangible assets of the AltaVista Business. The historical financial statements of the AltaVista Business represented in the pro forma statements of operations include amortization of goodwill and other intangible assets relating to Compaq's acquisition of Digital in June 1998 and Compaq/Digital's acquisitions of Shopping.com and Zip2 Corporation in January 1999 and April 1999, respectively.

(E) The pro forma adjustments relate to stock-based compensation charges recorded in the historical financial statements of the AltaVista Business. The value of the stock options, to which these charges relate, is included in the calculation of the purchase consideration. Accordingly, on a pro forma basis, these expenses have been eliminated.

(F) The pro forma adjustments represent amortization of goodwill and other intangible assets (per the allocation above) that would have been recorded during the periods covered by the pro forma statements of operations related to the acquisition of AdForce. The goodwill, developed technology and other intangible assets related to the acquisition of AdForce are being amortized over periods ranging from two and a half to three years.

(G) The pro forma adjustments represent amortization of goodwill and other intangible assets (per the allocation above) that would have been recorded during the periods covered by the pro forma statements of operations related to the acquisition of Flycast. The goodwill, developed technology and other intangible assets related to the acquisition of Flycast are being amortized over a three-year period.

(H) The pro forma adjustments represent amortization of goodwill and other intangible assets (per the allocation above) that would have been recorded during the periods covered by the pro forma statements of operations related to the acquisition of yesmail.com. The pro forma adjustments are based on the assumption that the entire amounts identified as goodwill and other intangible assets in CMGI's acquisition of yesmail.com will be amortized on a straight-line basis over a three-year period. The valuation of the actual intangible assets acquired has not yet been completed. When completed, certain amounts identified as intangible assets may be amortized over periods other than the three-year period represented in the pro forma statement of operations. Additionally, a portion of the purchase price may be identified as in-process research and development. This amount, if any, will be charged to operating results in CMGI's fiscal year 2000 financial statements when the acquisition accounting and valuation amounts are finalized. The pro forma statements of operations do not give effect to any potential in-process research and development charge related to the acquisition of yesmail.com.

(I) The pro forma adjustments represent amortization of goodwill and other intangible assets (per the allocation above) that would have been recorded during the periods covered by the pro forma statements of operations related to Tallan. The pro forma adjustments are based on the assumption that the entire amounts identified as goodwill and other intangible assets in CMGI's acquisition of Tallan will be amortized on a straight-line basis over a five-year period. The valuation of the actual intangible assets acquired has not yet been completed. When completed, certain amounts identified as intangible assets may be amortized over periods other than the five-year period represented in the pro forma statement of operations. Additionally, a portion of the purchase price may be identified as in-process research and development. This amount, if any, will be charged to operating results in CMGI's fiscal year 2000 financial statements when the acquisition accounting and valuation amounts are finalized. The pro forma statements of operations do not give effect to any potential in-process research and development charge related to the acquisition of Tallan.

(J) The pro forma adjustments represent amortization of goodwill and other intangible assets (per the allocation above) that would have been recorded during the periods covered by the pro forma statements of operations related to uBid. The pro forma adjustments are based on the assumption that the entire amounts identified as goodwill and other intangible assets in CMGI's acquisition of uBid will be amortized on a straight-line basis over a three-year period. The valuation of the actual intangible assets acquired has not yet been completed. When completed, certain amounts identified as intangible assets may be amortized over periods other than the three-year period represented in the pro forma statement of operations. Additionally, a portion of the purchase price may be identified as in-process research and development. This amount, if any, will be charged to operating results in CMGI's fiscal year 2000 financial statements when the acquisition accounting and valuation amounts are finalized. The pro forma statements of operations do not give effect to any potential in-process research and development charge related to the acquisition of uBid.

(K) The pro forma adjustments reflect the incremental interest expense that would have been recorded by CMGI related to the $220 million of aggregate principal amounts of notes payable issued in the acquisition of the AltaVista Business. The notes bear interest at an annual rate of 10.5%.

(L) The pro forma adjustments reflect the incremental interest expense and amortization of debt discount that would have been recorded by CMGI related to the $368.7 million of notes payable that were issued in the acquisition of Tallan. The three notes bear interest at an annual rate of 6.5%. The duration of each of the three notes is less than one year and as a result, on a pro forma basis, interest expense and amortization of debt discount related to these notes for the nine-month period ended April 30, 2000 have been eliminated.

(M) The pro forma adjustments reflect the 18.505% minority interest in the results of operations of the AltaVista Business assuming that CMGI's acquisition of 81.495% of the AltaVista Business occurred on August 1, 1998 and the 5.8% minority interest in the results of operations of Tallan, assuming that CMGI's acquisition of 94.2% of Tallan occurred on August 1, 1998.

(N) The pro forma adjustments reflect the income tax benefit that would have been recorded by CMGI in its consolidated statements of operations related to the historical losses of the AltaVista Business, AdForce, Flycast, yesmail.com and uBid for the comparable periods presented and the income tax effect, if any, of the other pre-tax pro forma adjustments related to the AltaVista Business, AdForce, Flycast, yesmail.com, Tallan and uBid. The pro forma adjustments assume that CMGI would recognize a federal tax benefit for the amortization of goodwill and other intangible assets related to the acquisition of the AltaVista Business, but would not recognize a federal tax benefit for the amortization of goodwill and other intangible assets related to the acquisitions of AdForce, Flycast, yesmail.com, Tallan and uBid. The pro forma adjustments also assume that CMGI would record a valuation allowance for all state tax benefits associated with the AltaVista Business, AdForce, Flycast, yesmail.com and uBid. Actual effective tax rates may differ from pro forma rates reflected in this pro forma financial information.

(O) The pro forma adjustments reflect the elimination of preferred stock accretion or deemed preferred dividend charges recorded in Flycast's and Tallan's historical financial statements. Assuming the acquisitions of Flycast and Tallan occurred on August 1, 1998, the preferred stock, to which these charges relate, would not have been outstanding during the periods covered by the pro forma statements of operations.

(P) Since the pro forma statements of operations each result in a loss from continuing operations, the pro forma basic and diluted loss from continuing operations per common share are computed by dividing the loss from continuing operations available to common stockholders by the weighted average number of common shares outstanding. The calculations of the weighted average number of common shares outstanding assume that the aggregate 72,060,213 shares of CMGI's common stock issued in the acquisitions of the AltaVista Business, AdForce, Flycast, yesmail.com and uBid were outstanding for the entire period. The calculations of the weighted average number of common shares outstanding also assume that the 18,090.45 shares of CMGI's Series D preferred stock were converted into 3,618,090 shares of CMGI common stock on October 11, 1998 (the 71st day after the assumed acquisition date of August 1, 1998) and that such common shares were outstanding for the entire period thereafter. The Series D preferred shares were converted into common stock on October 28, 1999 (the 71st day after the actual acquisition date of August 18, 1999). The notes payable that were issued as a component of the Tallan purchase consideration can be settled in either cash or CMGI common stock, at the option of CMGI. For purposes of the pro forma financial information, it has been assumed that the notes will be settled in cash. The effect of the additional CMGI common stock shares that would be outstanding if it was assumed that the notes were settled in CMGI common stock rather than cash would be antidilutive.