UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended October 31, 2004

OR

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

For the transition period from to

Commission File Number 000-23262

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

DELAWARE **(State or other jurisdiction of incorporation or organization)**	**04-2921333** **(I.R.S. Employer Identification No.)**
1100 Winter Street **Waltham, Massachusetts** **(Address of principal executive offices)**	**02451** **(Zip Code)**

(781) 663-5001
(Registrant’s telephone number, including area code)

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

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

As of December 1, 2004, there were 478,752,168 shares of the registrant’s Common Stock, $.01 par value per share, outstanding.

CMGI, INC.
FORM 10-Q
INDEX

		Page Number
Part I. FINANCIAL INFORMATION		
Item 1.	Condensed Consolidated Financial Statements	
	Condensed Consolidated Balance Sheets—October 31, 2004 and July 31, 2004 (unaudited)	1
	Condensed Consolidated Statements of Operations—Three months ended October 31, 2004 and 2003 (unaudited)	2
	Condensed Consolidated Statements of Cash Flows—Three months ended October 31, 2004 and 2003 (unaudited)	3
	Notes to Condensed Consolidated Financial Statements (unaudited)	4
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	17
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	37
Item 4.	Controls and Procedures	38
Part II. OTHER INFORMATION		
Item 1.	Legal Proceedings	39
Item 5.	Other Information	39
Item 6.	Exhibits	39
SIGNATURE		40
EXHIBIT INDEX		41

CMGI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)
(Unaudited)

	October 31, 2004	July 31, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 179,934	$ 271,871
Available-for-sale securities	274	292
Accounts receivable, trade, net of allowance for doubtful accounts of $2,224 and $573 at October 31, 2004 and July 31, 2004, respectively	185,142	54,296
Inventories	61,320	34,460
Prepaid expenses and other current assets	20,254	21,364
Current assets of discontinued operations	83	83
Total current assets	447,007	382,366
Property and equipment, net	40,411	7,246
Investments in affiliates	23,453	18,635
Goodwill and other intangible assets	201,524	22,122
Other assets	5,759	3,383
Non-current assets of discontinued operations	14	14
	$ 718,168	$ 433,766
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 254	$ 178
Current portion of capital lease obligations	270	—
Revolving line of credit	15,785	15,785
Accounts payable	148,245	37,055
Current portion of accrued restructuring	11,793	8,872
Accrued income taxes	29,346	24,352
Accrued expenses	47,787	32,298
Other current liabilities	2,893	2,565
Current liabilities of discontinued operations	—	155
Total current liabilities	256,373	121,260
Long-term debt, net of current portion	1,899	1,544
Long-term portion of accrued restructuring	7,868	6,269
Long-term portion of capital lease obligations	1,125	—
Other long-term liabilities	14,651	10,857
Non-current liabilities of discontinued operations	98	98
Minority interest	99	423
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value per share. Authorized 5,000,000 shares; zero issued or outstanding at October 31, 2004 and July 31, 2004	—	—
Common stock, $0.01 par value per share. Authorized 1,400,000,000 shares; issued and outstanding 476,677,981 at October 31, 2004 and 401,572,283 shares at July 31, 2004	4,767	4,016
Additional paid-in capital	7,448,804	7,300,010
Deferred compensation	(9,755)	(591)
Accumulated deficit	(7,010,338)	(7,009,785)
Accumulated other comprehensive income (loss)	2,577	(335)
Total stockholders' equity	436,055	293,315
	$ 718,168	$ 433,766

See accompanying notes to interim unaudited condensed consolidated financial statements

Table of Contents

CMGI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended October 31,	
	2004	2003
Net revenue	$257,126	$ 94,888
Operating expenses:		
Cost of revenue	225,475	87,410
Selling	5,550	1,197
General and administrative	19,479	11,637
Amortization of intangible assets and stock-based compensation	2,852	102
Restructuring, net	1,336	1,686
Total operating expenses	254,692	102,032
Operating income (loss)	2,434	(7,144)
Other income (expense):		
Interest income	630	974
Interest expense	(423)	(396)
Other gains (losses), net	(1,870)	42,144
Equity in income of affiliates, net	199	44
Minority interest	3	(2,281)
	(1,461)	40,485
Income from continuing operations before income taxes	973	33,341
Income tax expense	1,526	2,989
Income (loss) from continuing operations	(553)	30,352
Discontinued operations, net of income taxes:		
Loss from discontinued operations	—	(491)
Net income (loss)	$ (553)	$ 29,861
Basic earnings (loss) per share:		
Earnings (loss) from continuing operations	$ (0.00)	$ 0.08
Loss from discontinued operations	$ (0.00)	$ (0.00)
Net earnings (loss)	$ (0.00)	$ 0.08
Diluted earnings (loss) per share:		
Earnings (loss) from continuing operations	$ (0.00)	$ 0.07
Loss from discontinued operations	$ (0.00)	$ (0.00)
Net earnings (loss)	$ (0.00)	$ 0.07
Shares used in computing basic earnings (loss) per share:	469,720	395,735
Shares used in computing diluted earnings (loss) per share:	469,720	402,535

See accompanying notes to interim unaudited condensed consolidated financial statements

Table of Contents

CMGI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Three Months Ended October 31,	
	2004	**2003**
Cash flows from operating activities of continuing operations:		
Net income (loss)	$ (553)	$ 29,861
Loss from discontinued operations	—	(491)
	(553)	30,352
Adjustments to reconcile net income (loss) to cash used for continuing operations:		
Depreciation and amortization	5,230	2,303
Non-operating (gains) losses, net	1,219	(42,144)
Equity in income of affiliates	(199)	(44)
Non-cash restructuring charges	—	594
Minority interest	—	2,281
Changes in operating assets and liabilities, excluding effects from acquired and divested subsidiaries:		
Trade accounts receivable	(39,859)	1,307
Inventories	(5,074)	(2,739)
Prepaid expenses and other current assets	4,953	(511)
Accounts payable, accrued restructuring and expenses	11,838	(20)
Refundable and accrued income taxes, net	1,526	2,841
Other assets and liabilities	(274)	1,141
Net cash used for operating activities of continuing operations	(21,193)	(4,639)
Cash flows from investing activities of continuing operations:		
Additions to property and equipment	(2,474)	(1,196)
Net proceeds from sales and maturities of (purchases of) available-for-sale securities, net	—	77,721
Net cash impact of Modus acquisition, including retirement of Modus' indebtedness	(67,078)	—
Proceeds from affiliate distributions	512	—
Net investments in affiliates	(2,598)	—
Net cash provided by (used for) investing activities of continuing operations	(71,638)	76,525
Cash flows from financing activities of continuing operations:		
Repayments of long-term debt	(281)	(614)
Proceeds from issuance of common stock	778	74
Net cash provided by (used for) financing activities of continuing operations	497	(540)
Net cash used for discontinued operations	(155)	(532)
Net effect of exchange rate changes on cash and cash equivalents	552	—
Net increase (decrease) in cash and cash equivalents	(91,937)	70,814
Cash and cash equivalents at beginning of period	271,871	196,916
Cash and cash equivalents at end of period	$179,934	$267,730

See accompanying notes to interim unaudited condensed consolidated financial statements

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

A. NATURE OF OPERATIONS

CMGI, Inc. (together with its consolidated subsidiaries, “CMGI” or the “Company”) provides industry-leading global supply chain management services and marketing distribution solutions that help businesses market, sell and distribute their products and services. In addition, CMGI’s venture capital affiliate, @Ventures, invests venture capital in a variety of technology ventures. The Company previously operated under the name CMG Information Services, Inc. and was incorporated in Delaware in 1986. CMGI’s address is 1100 Winter Street, Suite 4600, Waltham, Massachusetts 02451.

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

On August 2, 2004, CMGI completed its acquisition of Modus Media, Inc., a privately held provider of supply chain management solutions (“Modus”), which conducted business through its wholly owned subsidiary, Modus Media International, Inc. CMGI acquired Modus in order to expand the geographic presence of its supply chain management offerings, diversify its customer base, broaden its product and service offerings and bolster its management team. Modus Media International, Inc., has been renamed ModusLink Corporation, and the supply chain management business of SalesLink is being integrated with ModusLink and operated under the ModusLink name. Through the formation of ModusLink, CMGI expects to create a supply chain management market leader with nearly $1 billion in annual revenue, 38 locations in 13 countries, including a significant China presence, and a widely diversified client base that includes leaders in technology, software and consumer electronics.

Historically, CMGI’s supply chain management business was operated by SalesLink Corporation and SL Supply Chain Services International Corp. On July 31, 2003, CMGI contributed the capital stock of SL Supply Chain Services International Corp. to SalesLink. As used herein, references to SalesLink for periods prior to August 2, 2004 refer to SalesLink Corporation and SL Supply Chain Services International Corp. References to SalesLink for periods including and after August 2, 2004 refer to SalesLink Corporation’s marketing distribution services business. All references to ModusLink include the marketing distribution services business of SalesLink.

B. BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements have been prepared by CMGI in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments, consisting only of those of a normal recurring nature, necessary for a fair presentation of the Company’s financial position, results of operations and cash flows at the dates and for the periods indicated. While the Company believes that the disclosures presented are adequate to make the information not misleading, these condensed consolidated financial statements should be read in conjunction with the audited financial statements and related notes for the year ended July 31, 2004 which are contained in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on October 14, 2004. The results for the three-month period ended October 31, 2004 are not necessarily indicative of the results to be expected for the full fiscal year. Certain prior year amounts in the condensed consolidated financial statements have been reclassified in accordance with US GAAP to conform to the current year presentation. Discontinued operations reporting has been applied for certain of the Company’s divestitures.

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

As a result of the Modus acquisition, the Company modified its organizational structure to closely resemble the operating model historically used by Modus. This operating structure is aligned along the Americas, Asia, and Europe regions. Each of these regions has designated management teams with direct responsibility over the operations of the respective regions. As a result, the Company will now report three operating segments, Americas, Asia, and Europe.

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

The Other category represents corporate expenses consisting primarily of directors and officers insurance costs, costs associated with maintaining certain of the Company's information technology systems and certain corporate administrative functions such as legal and finance, as well as certain administrative costs related to the Company's venture capital affiliates. The Other category's balance sheet information includes certain cash equivalents, available-for-sale securities, investments and other assets, which are not identifiable to the operations of the Company's operating business segments.

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

C. NEW ACCOUNTING PRONOUNCEMENTS

In May 2003, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 150, "Accounting For Certain Financial Instruments with Characteristics of Both Liabilities and Equity", which establishes standards for how an issuer of financial instruments classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances) if, at inception, the monetary value of the obligation is based solely or predominantly on a fixed monetary amount known at inception, variations in something other than the fair value of the issuer's equity shares or variations inversely related to changes in the fair value of the issuer's equity shares. This Statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. On November 7, 2003 the FASB deferred the classification and measurement provisions of SFAS No. 150 as they apply to certain mandatory redeemable non-controlling interests. This deferral is expected to remain in effect while these provisions are further evaluated by the FASB. The Company has not entered into or modified any financial instruments covered by this statement after May 31, 2003 and the application of this standard did not have a material impact on our consolidated financial statements or results of operations.

D. BUSINESS COMBINATIONS

On August 2, 2004, the Company completed its acquisition of Modus. Under the terms of the Merger Agreement, the Company issued approximately 68.6 million shares of CMGI common stock and assumed or

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

substituted options to purchase approximately 12.6 million shares of CMGI common stock in exchange for all outstanding equity of Modus. In addition, the Company paid $100.7 million to retire Modus' indebtedness and $2.5 million for certain deal related costs. These cash payments were offset by Modus' cash acquired of $37.0 million, for a net cash payment of $66.2 million. The acquisition expands the geographic presence of the Company's supply chain management offerings, diversifies its customer base, broadens its product and service offerings and bolsters its management team. These factors contributed to a purchase price in excess of the fair value of Modus' net tangible and intangible assets acquired, and as a result, the Company has recorded goodwill in connection with this transaction.

The purchase price to acquire the equity of Modus was approximately $143.3 million, consisting of 68.6 million shares of CMGI common stock valued at approximately $122.8 million, assumed or substituted options valued at approximately $17.0 million, of which approximately $1.8 million will be allocated to deferred compensation, and $3.5 million of deal related costs. The value of the CMGI common stock issued was determined using the 5-day average market price around the measurement date, May 19, 2004, in accordance with Emerging Issues Task Force (EITF) Issue No. 99-12 "Determination of the Measurement Date for the Market Price of Acquirer Securities Issued in a Purchase Business Combination" and SFAS No. 141 "Business Combinations". The value of the 12.6 million options issued was calculated using a Black-Scholes model with the following assumptions: volatility of 70.69%, risk-free interest rate of 3.48% and expected lives ranging from 6 months to 6.4 years.

The balance sheet and results of operations of Modus have been included in the Company's consolidated financial statements beginning August 2, 2004.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

	August 2, 2004 (in thousands)
Cash	$ 37,045
Other current assets	120,482
Property, plant, and equipment	31,388
Other non-current assets	5,316
Identifiable intangible assets	26,590
Goodwill	154,118
Total assets acquired	374,939
Current liabilities	130,502
Other non-current liabilities	2,174
Long-term debt	100,717
Total liabilities assumed	233,393
Net assets acquired	$ 141,546
Deferred compensation component of purchase price	$ 1,765

Of the $26.6 million of acquired identifiable intangible assets, $20.5 million was assigned to customer relationships (estimated useful life of 7 years), $3.5 million was assigned to developed technology (estimated useful life of 3 years), $2.2 million was assigned to trade names (estimated useful life of 3 years) and $0.4

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

million was assigned to non-compete agreements (estimated useful life of 1 year). Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired and is not deductible for tax purposes. Goodwill will not be amortized and will be tested for impairment, at least annually. The preliminary purchase price allocation for Modus is subject to revision as more detailed analysis is completed and additional information on the fair value of assets and liabilities acquired becomes available. Any change in the fair value of the net assets of Modus will change the amount of the purchase price allocable to goodwill.

As of October 31, 2004, certain integration activities related to the Company's acquisition of Modus had not yet been completed. Accordingly, in future periods, the Company expects to incur additional costs related to integrating its acquisition of Modus. These costs may include employee termination charges, costs to exit facility and equipment related obligations, and costs associated with the elimination of redundant overhead and infrastructure between the Company and Modus. Such costs, if incurred, will be reflected as either restructuring charges or as adjustments to goodwill, in accordance will the applicable accounting guidance.

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

	For the Three Months Ended October 31,	
	2004	2003
Amortization of intangible assets	$ 1,306	$ —
Amortization of stock-based compensation	1,546	102
Total	$ 2,852	$ 102

The amortization of intangible assets for the quarter ended October 31, 2004 would have been primarily allocated to selling expenses had the Company recorded the expenses within the functional operating expense categories. The amortization of stock-based compensation for the quarter ended October 31, 2004 would have been allocated $0.2 million to cost of goods sold, $0.3 million to selling expenses and $1.0 million to general and administrative expenses had the Company recorded the expenses within the functional department of the employee or director. The amortization of stock-based compensation for the quarter ended October 31, 2003 would have been allocated to general and administrative expenses.

The changes in the carrying amount of goodwill for the quarter ended October 31, 2004 are as follows:

	Americas	Europe	Asia	Total
		(in thousands)		
Balance as of July 31, 2004	$ 22,122	$ —	$ —	$ 22,122
Goodwill from acquisition of Modus	53,869	22,739	77,510	154,118
Balance as of October 31, 2004	$ 75,991	$ 22,739	$ 77,510	$ 176,240

The following unaudited pro forma financial information presents the consolidated operations of the Company as if the August 2, 2004 acquisition of Modus had occurred as of the beginning of fiscal year 2003, after giving effect to certain adjustments including the elimination of Modus' amortization of stock compensation that are not indicative of normal operating results. The pro forma financial results of operations included approximately $1.1 million of non-recurring restructuring charges for severance related costs for former Modus executives. The following unaudited pro forma financial information is provided for informational purposes only and should not be construed to be indicative of the Company's consolidated results of operations had the

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

acquisition been consummated on the date assumed and do not project the Company's results of operations for any future period:

	Three months ended October 31, 2003
	(in thousands, except per share data)
Net revenue	$ 227,085
Income from continuing operations	$ 31,232
Net income	$ 30,741
Net income per share (basic and diluted)	$ 0.06

E. GOODWILL AND INTANGIBLE ASSETS

	Goodwill	Customer Relationships	Developed Technology	Trade Names	Non-compete Agreements	Total
			(in thousands)			
Balance as of July 31, 2004	$ 22,122	$ —	$ —	$ —	$ —	$ 22,122
Goodwill and other intangible assets from the acquisition of Modus	154,118	20,500	3,500	2,190	400	180,708
Gross carrying amount	176,240	20,500	3,500	2,190	400	202,830
Accumulated amortization	—	(731)	(292)	(183)	(100)	(1,306)
Balance as of October 31, 2004	$176,240	$ 19,769	$ 3,208	$2,007	$ 300	$201,524

F. STOCK-BASED COMPENSATION

The Company accounts for its stock compensation plans under the provisions of FASB Statement No. 123, *"Accounting for Stock-Based Compensation"* ("SFAS No. 123"). As permitted by SFAS No. 123, the Company measures compensation cost in accordance with Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations. Accordingly, no accounting recognition is given to stock options granted at fair market value until they are exercised. Upon exercise, net proceeds, including tax benefits realized, are credited to equity. The following table illustrates the pro forma effect on net income/(loss) and earnings/(loss) per share if the Company had applied the fair value recognition provisions of SFAS No. 123.

	For the Three Months Ended October 31,	
	2004	2003
	(in thousands, except per share amounts)	
Net income (loss)	$ (553)	$ 29,861
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(12,421)	(38,787)
Add: Total stock-based employee compensation expense included in reported net income (loss), net of related tax effects	1,546	102
Pro-forma net loss	$(11,428)	$ (8,824)
Basic—as reported	$ (0.00)	$ 0.08
Basic—pro-forma	$ (0.02)	$ (0.02)
Diluted—as reported	$ (0.00)	$ 0.07
Diluted—pro-forma	$ (0.02)	$ (0.02)

Table of Contents

The fair value of each stock option is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	For the Three Months Ended October 31,	
	2004	2003
Risk-free interest rate	3.5%	2.7%
Expected dividend yield	0.0%	0.0%
Expected volatility	71.07%	103.5%
Expected life (years)	3.9	4.6
Weighted average fair value of options granted during the period	$ 0.95	$ 1.19

During the quarter ended October 31, 2004, the Company issued approximately 5.0 million shares of restricted CMGI common stock to certain executives and other employees of the Company and its subsidiaries. In connection with these restricted stock grants the Company recorded approximately $1.4 million of stock compensation expense during the period. In addition, the Company also recorded approximately $0.1 million of stock compensation expense related to the restricted CMGI common stock issued in fiscal 2004.

G. OTHER GAINS (LOSSES), NET

The following table reflects the components of “Other gains (losses), net”:

	Three Months Ended October 31,	
	2004	2003
	(in thousands)	
Gain on sales of marketable securities	$ —	$42,603
Loss on impairment of investments in affiliates	(425)	(567)
Other, net	(1,445)	108
	$(1,870)	$42,144

During the three months ended October 31, 2004, the Company recorded impairment charges of approximately $0.4 million for other than temporary declines in the carrying value of certain investments in affiliates. These charges were primarily associated with investments made by CMGI@Ventures IV, LLC. In addition, the Company incurred foreign exchange losses of approximately $1.8 million during the three months ended October 31, 2004. These foreign exchange losses related primarily to unhedged foreign currency exposures in Asia. The Company has historically had very low exposure to changes in foreign currency exchange rates, and as such, has not used derivative financial instruments to manage foreign currency fluctuation risk. As a result of the acquisition of Modus, the Company has added operations in various countries throughout the world and its operating results and financial position can be affected by significant fluctuations in foreign currency exchange rates. Modus has historically used derivative financial instruments to manage the exposure that results from such fluctuations, and the Company expects to continue such practice.

During the three-months ended October 31, 2003, the Company sold marketable securities for total proceeds of approximately $77.7 million and recorded a net pre-tax gain of approximately $42.6 million on these sales. These sales primarily consisted of approximately 1.0 million shares of Loudeye Corp. common stock for proceeds of approximately $2.3 million and approximately 3.2 million shares of Overture Services, Inc. common stock for total proceeds of approximately $75.4 million. The Company also recorded impairment charges of

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

approximately $0.6 million for other than temporary declines in the carrying value of certain investments in affiliates. These charges were primarily associated with investments made by CMGI@Ventures IV, LLC.

H. RESTRUCTURING CHARGES

The following table summarizes the activity in the restructuring accrual for the three months ended October 31, 2004:

	Employee Related Expenses	Contractual Obligations	Total
		(in thousands)	
Accrued restructuring balance at July 31, 2004	$ 296	$ 14,845	$15,141
Restructuring liability assumed or accrued in conjunction with the Modus acquisition	3,692	5,128	8,820
Q1 Restructuring	456	856	1,312
Restructuring adjustments	—	24	24
Cash charges	(2,165)	(3,471)	(5,636)
Accrued restructuring balance at October 31, 2004	$ 2,279	$ 17,382	$19,661

It is expected that the payments of employee-related expenses will be substantially completed by July 31, 2005. The remaining contractual obligations primarily relate to facility lease obligations for vacant space resulting from the previous restructuring activities of the Company, and excess plant capacity relating to the Company's Modus acquisition on August 2, 2004. The Company anticipates that contractual obligations will be settled by May 2012.

The net restructuring charges for the three months ended October 31, 2004 and 2003 would have been allocated as follows had the Company recorded the expense and adjustments within the functional department of the restructured activities:

	Three Months Ended October 31,	
	2004	2003
	(in thousands)	
Cost of revenue	$ 890	$ (104)
General and administrative	446	1,790
	$ 1,336	$ 1,686

During the three months ended October 31, 2004, the Company recorded net restructuring charges of approximately $1.3 million. These charges consist of approximately $0.5 million related to a workforce reduction of 27 employees, and approximately $0.8 million relating to unoccupied facilities for which the Company expects to realize no future economic benefit.

In conjunction with the acquisition of Modus, the Company assumed certain restructuring liabilities totaling approximately $2.9 million. In addition, the Company accrued approximately $2.7 million of employee related costs as well as $3.2 million of contractual obligations for facility and equipment related costs as the result of the Company's integration of certain Modus operations in Europe.

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

During the three months ended October 31, 2003, the Company recorded net restructuring charges of approximately $1.7 million. These charges included a $0.6 million charge related to a hosting services contract that the Company is no longer utilizing, as it represented excess capacity. The reduction in hosting services required to support the Company's businesses was primarily the result of the divestiture of several subsidiaries in fiscal 2003. Also during the period, the Company recorded a charge of $0.3 million related to a workforce reduction of 17 employees, a charge of $0.5 million to write-off certain software and hardware related assets no longer being utilized by the Company, and a $0.4 million charge related to facility and equipment lease obligations from which the Company expects to realize no future economic benefit.

I. DERIVATIVES AND FINANCIAL INSTRUMENTS

The Company often enters into forward currency exchange contracts to manage exposures to foreign currencies. The fair value of the Company's foreign currency exchange contracts is estimated based on foreign exchange rates as of the end of each reporting period. The Company's policy is to not allow the use of derivatives for trading or speculative purposes.

The Company believes that its forward currency exchange contracts economically function as effective hedges of the underlying exposures, however the foreign currency contracts do not meet the specific criteria for hedge accounting defined in SFAS No. 133, thus requiring the Company to record all changes in the fair value of these contracts in earnings in the period of the change. During the-three months ended October 31, 2004, the Company recorded unrealized gains of $0.2 million as a result of fair value changes on its outstanding forward currency exchange contracts. These unrealized gains have been included in Other gains (losses), net in the Company's condensed consolidated statement of operations.

J. SEGMENT INFORMATION

Based on the information provided to the Company's chief operating decision-maker (CODM) for purposes of making decisions about allocating resources and assessing performance, the Company previously reported one operating segment, eBusiness and Fulfillment, which included the results of operations of the Company's SalesLink subsidiary.

On August 2, 2004, CMGI completed its acquisition of Modus. Modus and SalesLink are being integrated and operated under the name ModusLink. As a result of this acquisition, the Company modified its organizational structure to closely resemble the operating model historically used by Modus. This operating structure is aligned along the Americas, Asia, and Europe regions. Each of these regions has designated management teams with direct responsibility over the operations of the respective regions. Accordingly, the Company's CODM will now focus primarily on regional information and analysis for purposes of making decisions about allocating resources and assessing performance. As a result, the Company will now report three operating segments, Americas, Asia, and Europe. Historical segment information has been reclassed to conform to current reporting structure.

In addition to its three current operating segments, the Company continues to report an Enterprise Software and Services segment (which consists of the operations of Equilibrium, and CMGI Solutions), a Portals segment (that consists of the operations of MyWay and iCast) and a Managed Application Services segment (that consists of the operations of NaviPath, ExchangePath, and Activate), as these entities do not meet the aggregation criteria under SFAS No. 131 with respect to the Company's current reporting segments. The historical results of these companies will continue to be reported in the Enterprise Software and Services, Portals and Managed

Application Services segments, respectively, as will any residual results from operations that exist through the cessation of operations of these entities, each of which have been divested or substantially wound down.

Management evaluates segment performance based on segment net revenue, operating income (loss) and “Non-GAAP operating income (loss)”, which is defined as the operating income/(loss) excluding net charges related to depreciation, long-lived asset impairment, restructuring, and amortization of intangible assets and stock-based compensation. The Company believes that its Non-GAAP measure of operating income/(loss) provides investors with a useful supplemental measure of the Company’s operating performance by excluding the impact of non-cash charges and restructuring activities. Each of the excluded items (depreciation, long-lived asset impairment, amortization of intangible assets and stock-based compensation and restructuring) were excluded because they may be considered to be of a non-operational nature. Historically, the Company has recorded significant impairment and restructuring charges and therefore management uses Non-GAAP operating income/(loss) to assist in evaluating the performance of the Company’s core operations. Non-GAAP operating income/(loss) does not have any standardized definition and therefore is unlikely to be comparable to similar measures presented by other reporting companies. These Non-GAAP results should not be evaluated in isolation of, or as a substitute for the Company’s financial results prepared in accordance with US GAAP.

The “Other” category includes certain corporate infrastructure expenses, which are not identifiable to the operations of the Company’s operating business segments. The Other category represents corporate expenses consisting primarily of directors and officers insurance costs, costs associated with maintaining certain of the Company’s information technology systems and certain corporate administrative functions such as legal and finance, as well as certain administrative costs related to the Company’s venture capital affiliates. The Other category’s balance sheet information includes certain cash equivalents, available-for-sale securities, investments and other assets, which are not identifiable to the operations of the Company’s operating business segments.

One customer, Hewlett-Packard based in the U.S. accounted for approximately 39% and 75% of CMGI’s consolidated net revenue for the three months ended October 31, 2004 and 2003, respectively.

Table of Contents

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

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

	Three Months Ended October 31, 2004	Three Months Ended October 31, 2003
	(in thousands)	
Net revenue:		
eBusiness and Fulfillment		
Americas	$107,266	$51,720
Asia	51,329	9,242
Europe	98,453	33,761
Total eBusiness and Fulfillment	257,048	94,723
Managed Application Services	78	165
	$257,126	$94,888
Operating income (loss):		
eBusiness and Fulfillment		
Americas	$ 313	$ (33)
Asia	6,907	(246)
Europe	(1,205)	1,091
Total eBusiness and Fulfillment	6,015	812
Managed Application Services	78	161
Other	(3,659)	(8,117)
	$ 2,434	$ (7,144)
Non-GAAP operating income (loss):		
eBusiness and Fulfillment		
Americas	$ 2,593	$ 1,268
Asia	9,179	(217)
Europe	447	1,139
Total eBusiness and Fulfillment	12,219	2,190
Managed Application Services	78	161
Other	(3,297)	(5,506)
	$ 9,000	$ (3,155)

	Three Months Ended October 31, 2004	Three Months Ended October 31, 2003
	(in thousands)	
GAAP operating income (loss)	$ 2,434	$ (7,144)
Adjustments:		
Depreciation	2,378	2,201
Amortization of intangible assets and stock-based compensation	2,852	102
Restructuring	1,336	1,686
Non-GAAP operating income (loss)	$ 9,000	$ (3,155)

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

	October 31, 2004	July 31, 2004
	(in thousands)	
Total assets of continuing operations:		
eBusiness and Fulfillment		
Americas	$ 226,742	$ 109,065
Asia	201,687	13,252
Europe	152,094	49,949
Total eBusiness and Fulfillment	580,523	172,266
Managed Application Services	1,036	1,053
Portals	414	414
Other	136,098	259,936
	$ 718,071	$ 433,669

K. EARNINGS PER SHARE

The Company calculates earnings per share in accordance with Statement of Financial Accounting Standards (SFAS) No. 128, “Earnings per Share.” Basic earnings per share is computed based on the weighted average number of common shares outstanding during the period. The dilutive effect of common stock equivalents is included in the calculation of diluted earnings per share only when the effect of the inclusion would be dilutive. Approximately 19.2 million options and 5.3 million unvested restricted shares were excluded from the denominator in the diluted loss per share calculation for the three months ended October 31, 2004, as their inclusion would be antidilutive. For the three months ended October 31, 2003, approximately 6.9 million weighted average common stock equivalents were included in the denominator of the calculation of dilutive earnings per share.

L. COMPREHENSIVE INCOME (LOSS)

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

	Three Months Ended October 31,	
	2004	2003
	(in thousands)	
Net income (loss)	$ (553)	$ 29,861
Net unrealized holding gain (loss) arising during period	(18)	487
Reclassification adjustment for net realized gains included in net income (loss)	—	(42,576)
	(18)	(42,089)
Foreign currency translation adjustment arising during period	2,930	(250)
Comprehensive income (loss)	$2,359	$(12,478)

The components of accumulated other comprehensive income (loss) are as follows:

	October 31, 2004	July 31, 2004
	(in thousands)	
Net unrealized holding losses	$ (37)	$ (19)
Cumulative foreign currency translation adjustment	2,614	(316)
	$ 2,577	$ (335)

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

M. CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS SUPPLEMENTAL INFORMATION

	Three Months Ended October 31,	
	2004	2003
	(in thousands)	
Cash paid for interest	$ 448	$ 141
Cash paid for income taxes	$ 163	$ 178
Common stock issued in settlement of contractual obligation	$ —	$ 205
Restricted stock grant to certain executives and employees (excluding acquisition related grant)	$ 5,859	$ 850

Significant non-cash investing activities during the three months ended October 31, 2004 included the issuance of approximately 68.6 million shares of CMGI common stock and assumed or substituted options to purchase approximately 12.6 million shares of CMGI common stock in connection with the acquisition of Modus. In addition, the Company issued approximately 2.5 million shares of restricted CMGI common stock (valued at approximately $3.6 million) to certain executives and employees of Modus in connection with the acquisition.

There were no significant non-cash investing activities during the three months ended October 31, 2003.

N. INVENTORIES

Inventories at October 31, 2004 and July 31, 2003 consisted of the following:

	October 31, 2004	July 31, 2004
	(in thousands)	
Raw Materials	$ 43,354	$23,047
Work-in-process	1,342	39
Finished Goods	16,624	11,374
	$ 61,320	$34,460

O. CONTINGENCIES

On September 24, 2003, the Official Committee of Unsecured Creditors of Engage, Inc. (the “Creditors Committee”) filed a complaint against the Company in the U.S. Bankruptcy Court (Massachusetts, Western Division). The complaint was amended on November 6, 2003. In the amended complaint, the Creditors Committee asserted a number of causes of action, including the following: (i) re-characterization of debt as equity, (ii) equitable subordination, (iii) invalidation of a release, (iv) fraudulent transfer, (v) preferential transfers, (vi) illegal redemption of shares, (vii) turnover of property of estate, (viii) alter ego, (ix) breach of contract, (x) breach of covenant of good faith and fair dealing, (xi) promissory estoppel, (xii) unjust enrichment, (xiii) unfair and deceptive trade practices under Massachusetts General Laws §93A, and (xiv) declaration with respect to scope and extent of security interests. The Creditors Committee seeks monetary damages and other relief, including cancellation of a $2.0 million promissory note, return of $2.5 million in cash, certain other unspecified amounts and a finding that the Company is liable for Engage’s debt. The Company believes that these claims are without merit and intends to vigorously defend this matter. In addition, on May 28, 2004, the Creditors Committee filed a complaint in the U.S. Bankruptcy Court against David Wetherell, George McMillan,

CMGI, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

Andrew Hajducky and Christopher Cuddy, in their individual capacities as former officers and/or directors of Engage. The Complaint asserts the following causes of action: (i) breaches of fiduciary duties, (ii) fraudulent misrepresentations, (iii) negligent misrepresentations, and (iv) unfair and deceptive trade practices. The Creditors Committee seeks unspecified monetary and other damages. The Company is obligated to indemnify each of Messrs. Wetherell, McMillan and Hajducky in connection with the foregoing action, subject to the terms of the Company's certificate of incorporation and by-laws. On August 23, 2004, the U.S. Bankruptcy Court entered an order consolidating the foregoing two cases into a single proceeding. The parties are currently involved in the discovery process and no trial date has been set.

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

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Overview

CMGI, through its subsidiaries, provides industry-leading global supply chain management services and marketing distribution solutions that help businesses market, sell and distribute their products and services. In addition, CMGI's venture capital affiliate, @Ventures, invests venture capital in a variety of technology ventures.

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

On August 2, 2004, CMGI completed its acquisition of Modus Media, Inc., a privately held provider of supply chain management solutions ("Modus"), which conducted business through its wholly owned subsidiary, Modus Media International, Inc. CMGI acquired Modus in order to expand the geographic presence of its supply chain management offerings, diversify its customer base, broaden its product and service offerings and bolster its management team. Modus Media International, Inc. has been renamed ModusLink Corporation, and the supply chain management business of SalesLink is being integrated with ModusLink and operated under the ModusLink name. Through the formation of ModusLink, CMGI expects to create a supply chain management market leader with nearly $1 billion in annual revenue, 38 locations in 13 countries, including a significant China presence, and a widely diversified client base that includes leaders in technology, software and consumer electronics.

ModusLink provides extended supply chain management services and solutions to the technology industry on a global basis. These services and solutions include supply base and inventory management, sourcing, manufacturing, configuration, assembly processes, EDI solutions offering direct connections with customers IT systems, distribution and fulfillment, e-commerce, order management, production, customer service and supply chain design and consulting. We also supplement traditional supply chain management with services at the front-end such as design and consulting, and at the back-end with after sales services such as returns management and repair.

SalesLink provides marketing distribution services. On behalf of its clients, SalesLink fulfills orders for promotional collateral and products by assembling and shipping the items requested. As part of its fulfillment programs, SalesLink also provides print on demand solutions, product and literature inventory control and warehousing, comprehensive reporting and analysis, shipments, billings, back orders and returns. SalesLink's marketing distribution services business continues to be operated under the SalesLink name.

Historically, CMGI's supply chain management business was operated by SalesLink and SL Supply Chain Services International Corp. On July 31, 2003, CMGI contributed the capital stock of SL Supply Chain Services International Corp. to SalesLink. As used herein, references to SalesLink for periods prior to August 2, 2004 refer to SalesLink Corporation and SL Supply Chain Services International Corp. References to SalesLink for periods including and after August 2, 2004 refer to SalesLink Corporation's marketing distribution services business. All references to ModusLink include the marketing distribution services business of SalesLink.

Our clients include hardware manufacturers, software publishers, telecommunication carriers, broadband and wireless service providers, financial services institutions and other companies that engage us to manage and perform multiple services across their supply chains.

We have a limited number of key customers that account for a significant percentage of our revenue. For the three months ended October 31, 2004, one customer, Hewlett Packard, accounted for approximately 39% of our consolidated net revenue. We currently do not have any agreements which obligate any customer to buy a minimum amount of products or services from CMGI or any subsidiary. Consequently, our sales are subject to demand variability by our supply chain management and marketing distribution services customers. The level and timing of orders placed by these customers vary for a variety of reasons, including seasonal buying by end-users, the introduction of new technologies and general economic conditions. We expect to continue to derive the vast majority of our operating revenue from sales to a small number of key customers. Our supply chain management business is often required to finance, purchase and maintain adequate levels of inventory in order to meet customer needs rapidly and on a timely basis.

The market for supply chain management and marketing distribution products and services is very competitive, and the intensity of the competition is expected to continue to increase. Increased competition may result in price reductions, reduced gross margins and loss of market share. As a result of these competitive pressures, the gross margins in our ModusLink business are low. Increased competition arising from industry consolidation and/or low demand for certain of our customers' products and services may hinder our ability to maintain or improve our gross margins. These low gross margins magnify the impact of variations in revenue and operating costs on our financial results. A portion of our operating expenses is relatively fixed, and planned expenditures are based in part on anticipated orders that are forecasted with limited visibility of future demand. We must continue to focus on margin improvement, through cost reductions and asset and employee productivity gains in order to improve the profitability of our business and maintain our competitive position. We are reacting to margin and pricing pressures in several ways, including efforts to lower our cost to service customers, move work to lower-cost venues, establish facilities closer to our customers to gain efficiencies, and add other service offerings at higher margins.

We currently conduct business in the United Kingdom, The Netherlands, Hungary, France, Singapore, Taiwan, China, Malaysia, Ireland and certain other foreign locations, in addition to our North American operations. We also have interests in joint ventures in Korea and Japan. Our supply chain management customers have, at times, requested that the Company add capacity or open or expand a facility in locations near their sites.

Results of Operations

Three months ended October 31, 2004 compared to the three months ended October 31, 2003

Net Revenue:

	Three Months Ended October 31, 2004	As a % of Total Net Revenue	Three Months Ended October 31, 2003	As a % of Total Net Revenue	$ Change	% Change
			(in thousands)			
eBusiness and Fulfillment						
Americas	$ 107,266	42%	$ 51,720	55%	$ 55,546	107%
Asia	51,329	20%	9,242	10%	42,087	455%
Europe	98,453	38%	33,761	35%	64,692	192%
Total eBusiness and Fulfillment	257,048	100%	94,723	100%	162,325	171%
Managed Application Services	78	—	165	—	(87)	(53)%
Total	$ 257,126	100%	$ 94,888	100%	$162,238	171%

The increase in net revenue for the three months ended October 31, 2004, as compared to the same period in the prior year, was primarily attributable to the Company's acquisition of Modus on August 2, 2004. Additionally, the Company realized year over year organic revenue growth, primarily from new U.S. based supply chain management customer programs awarded during the third quarter of fiscal 2004.

Net revenue within the Americas, Asia, and Europe segments increased for the three months ended October 31, 2004, as compared to the same period in the prior year, primarily as a result of the net revenue from the Company's Modus acquisition. Additionally, the Americas region realized year over year organic growth from new U.S. based supply chain management customer programs awarded during the third quarter of fiscal 2004. Within the Asia region, year over year organic revenue declined as a result of reduced order volumes attributable to the loss of a supply chain management customer program. Within the Europe region, year over year organic revenue growth was realized as a result of stronger overall demand for our customers' products in the region.

The Company derives substantially all of its revenue by providing supply chain management services. Our business and future growth will continue to depend in large part on the industry trend towards outsourcing supply chain management and other business processes. During the three months ended October 31, 2004 and 2003, one customer, Hewlett-Packard accounted for approximately 39% and 75% of the Company's consolidated net revenues, respectively.

As a result of the Modus acquisition, we expect our future operating results to be affected by seasonality driven demand for certain of our customers' products, including consumer electronics and computer software programs. We expect this seasonality to contribute to higher sales in the Americas region during our second fiscal quarter as compared to the other periods of our fiscal year. However, there can be no assurance that this seasonality driven demand will continue in future periods. In addition, the Company continues to see volatility in demand for our customer's products, and as such we maintain a conservative view on order volumes and revenues. Our clients' performance varies from quarter-to-quarter based on market acceptance of their product introductions and overall demand for their products.

Table of Contents

Cost of Revenue:

	Three Months Ended October 31, 2004	As a % of Segment Net Revenue	Three Months Ended October 31, 2003	As a % of Segment Net Revenue	$ Change	% Change
	(in thousands)					
eBusiness and Fulfillment						
Americas	$ 97,734	91%	$ 47,605	92%	$ 50,129	105%
Asia	36,352	71%	8,514	92%	27,838	327%
Europe	91,389	93%	31,291	93%	60,098	192%
Total eBusiness and Fulfillment	$ 225,475	88%	$ 87,410	92%	$138,065	158%

Cost of revenue consists primarily of expenses related to the cost of products purchased for sale or distribution as well as salaries and benefit expenses, consulting and contract labor costs, fulfillment and shipping costs, and applicable facilities costs. The Company's cost of revenue for the three months ended October 31, 2004 increased as compared to the same period in the prior year, primarily as a result of the Company's acquisition of Modus on August 2, 2004. In addition, the Modus acquisition was primarily responsible for the increase in gross margins from 8% to 12%, year over year.

Cost of revenue and gross margins within the Americas, Asia, and Europe segments increased for the three months ended October 31, 2004, as compared to the same period in the prior year, primarily as a result of the cost of revenue and gross margin contributions from the Company's Modus acquisition. The Company's gross margin percentages within the Americas, Asia and Europe regions were 9.0%, 29.0% and 7.0%, respectively, for the three months ended October 31, 2004, as compared to 8.0%, 8.0% and 7.0%, respectively, for the same period of the prior year. In recent years, the demand for supply chain management services in both the Americas and Europe has been adversely affected by customers' migration of their work to lower cost regions of world, particularly Asia. Accordingly, as a result of the lower overall cost of delivering the Company's products and services in the Asia region, particularly China, and the increasing demand for supply chain management services in that region, we expect gross margin levels in Asia to continue to exceed those earned in the Americas and Europe regions. However, over the long-term, we expect that the gross margin levels earned in Asia will more closely approximate those of the Americas and Europe. Our gross margins are impacted by a number of factors, including competition, order volumes, pricing, customer mix, and overall demand for our customers' products. A significant portion of the costs required to deliver our products and services is fixed in nature. The Company is continually focused on margin improvement through cost reductions and asset and employee productivity gains, in order to improve the profitability of our business and maintain our competitive position. We are reacting to margin and pricing pressures in several ways, including efforts to lower our cost to service customers, moving work to lower-cost venues, establishing facilities closer to our customers to gain efficiencies, and adding other service offerings at higher margins.

Selling Expenses:

	Three Months Ended October 31, 2004	As a % of Segment Net Revenue	Three Months Ended October 31, 2003	As a % of Segment Net Revenue	$ Change	% Change
	(in thousands)					
eBusiness and Fulfillment						
Americas	$ 1,966	2%	$ 650	1%	$ 1,316	203%
Asia	1,651	3%	104	1%	1,547	1,488%
Europe	1,933	2%	440	1%	1,493	339%
Total eBusiness and Fulfillment	5,550	2%	1,194	1%	4,356	365%
Other	—	—	3	—	(3)	(100)%
Total	$ 5,550	2%	$ 1,197	1%	$ 4,353	364%

Table of Contents

Selling expenses consist primarily of compensation and employee-related expenses, sales commissions, facilities costs, marketing expenses and travel costs. Selling expenses increased during the three months ended October 31, 2004, as compared to the same period in the prior fiscal year, primarily as a result of the Company's acquisition of Modus. Excluding the increased selling expenses attributable to the Modus acquisition, selling expenses remained relatively flat, year over year.

General and Administrative Expenses:

	Three Months Ended October 31, 2004	As a % of Segment Net Revenue	Three Months Ended October 31, 2003	As a % of Segment Net Revenue	$ Change	% Change
			(in thousands)			
eBusiness and Fulfillment						
Americas	$ 6,103	6%	$ 3,602	7%	$ 2,501	69%
Asia	4,750	9%	870	9%	3,880	446%
Europe	5,296	5%	939	3%	4,357	464%
Total eBusiness and Fulfillment	16,149	6%	5,411	6%	10,738	198%
Managed Application Services	—	—	4	2%	(4)	(100)%
Other	3,330	—	6,222	—	(2,892)	(46)%
Total	$ 19,479	8%	$ 11,637	12%	$ 7,842	67%

General and administrative expenses consist primarily of compensation and other employee-related costs, facilities costs, depreciation expense and fees for professional services. General and administrative expenses increased during the three months ended October 31, 2004, as compared to the same period in the prior fiscal year, primarily as a result of the Company's acquisition of Modus. Excluding the Modus contributions, general and administrative expenses decreased year over year, primarily as a result of lower depreciation and employee related costs. During fiscal 2004, SalesLink recorded accelerated depreciation of a legacy ERP system that was replaced during the year, and made reductions in personnel that lowered its overall employee related costs in fiscal 2005.

The general and administrative expenses within the Other category primarily reflect the cost of the Company's directors and officers insurance, costs associated with certain corporate administrative functions such as legal and finance which are not fully allocated to the Company's subsidiary companies, and administration costs related to the Company's venture capital affiliates. General and administrative expenses within the Other category decreased compared to the same period in the prior fiscal year, primarily as a result of restructuring initiatives taken in the prior year fiscal year at the Company's corporate headquarters that were designed to reduce the overall cost structure of the Company. These restructuring initiatives primarily included headcount reductions, a substantial downsizing of the Company's IT infrastructure and the write-off of unutilized office space and equipment in connection with the overall downsizing of the Company's corporate infrastructure. Additionally, the Company has lowered the costs related to its insurance programs in 2005, principally directors and officers insurance, as compared to the same period of the prior fiscal year.

Amortization of Intangible Assets and Stock-Based Compensation:

	Three Months Ended October 31, 2004	As a % of Segment Net Revenue	Three Months Ended October 31, 2003	As a % of Segment Net Revenue	$ Change	% Change
			(in thousands)			
eBusiness and Fulfillment						
Americas	$ 1,142	1%	—	—	$ 1,142	100%
Asia	756	1%	—	—	756	100%
Europe	622	1%	—	—	622	100%
Total eBusiness and Fulfillment	2,520	1%	—	—	2,520	100%
Other	332	—	$ 102	—	230	225%
Total	$ 2,852	1%	$ 102	—	$ 2,750	2,696%

Amortization of intangible assets and stock-based compensation for the three months ended October 31, 2004 includes approximately $1.5 million of stock-based compensation, of which $1.1 million relates to the issuance of approximately 2.5 million shares of restricted CMGI common stock to certain ModusLink executives and employees in connection with the Company's acquisition of Modus on August 2, 2004. These restricted shares vest over one year. In addition, the Company recorded amortization of intangible assets of approximately $1.3 million for the three months ended October 31, 2004. The intangible asset amortization relates to certain amortizable intangible assets acquired by the Company in connection with its acquisition of Modus. These intangible assets are being amortized over lives ranging from 1 to 7 years.

Restructuring, net:

	Three Months Ended October 31, 2004	As a % of Segment Net Revenue	Three Months Ended October 31, 2003	As a % of Segment Net Revenue	$ Change	% Change
			(in thousands)			
eBusiness and Fulfillment						
Americas	$ 5	—	(104)	—	$ 109	(105)%
Asia	913	2%	—	—	913	100%
Europe	418	1%	—	—	418	100%
Total eBusiness and Fulfillment	1,336	1%	(104)	—	1,440	(1,385)%
Other	—		1,790	—	(1,790)	(100)%
Total	$ 1,336	1%	$ 1,686	2%	$ (350)	(21)%

During the three months ended October 31, 2004, the Company recorded net restructuring charges of approximately $1.3 million. These charges consist of approximately $0.5 million related to a workforce reduction of 27 employees, and approximately $0.8 million relating to unoccupied SalesLink facilities for which the Company expects to realize no future economic benefit. During the three months ended October 31, 2003, the Company recorded net restructuring charges of approximately $1.7 million. These charges included a $0.6 million charge related to a hosting services contract that the Company is no longer utilizing, as it represented excess capacity. The reduction in hosting services required to support the Company's businesses was primarily the result of the divestiture of several subsidiaries in fiscal 2003. Also during the three months ended October 31, 2003, the Company recorded a charge of $0.3 million related to a workforce reduction of 17 employees, a charge of $0.5 million to write-off certain software and hardware related assets no longer being utilized by the Company, and a $0.4 million charge related to facility and equipment lease obligations from which the Company expects to realize no future economic benefit.

As of October 31, 2004, certain integration activities related to the Company's acquisition of Modus had not yet been completed. Accordingly, in future periods, the Company expects to incur additional costs related to integrating its acquisition of Modus. These costs may include employee termination charges, costs to exit facility and equipment related obligations, and costs associated with the elimination of redundant overhead and infrastructure between the Company and Modus. Such costs, if incurred, will be reflected as either restructuring charges or as adjustments to goodwill, in accordance with the applicable accounting guidance.

Other Income/Expense:

During the three months ended October 31, 2004, interest income decreased $0.4 million to $0.6 million from $1.0 million for the same period in the prior fiscal year. The decrease in interest income was the result of lower average cash balances during the first quarter of fiscal 2005, as compared to the same period in the prior fiscal year. The decrease in the average cash balances was largely due to the Company's acquisition of Modus on August 2, 2004, for which the Company made a net cash payment of approximately $66.2 million to retire Modus' debt and pay certain deal related costs.

Interest expense totaled approximately $0.4 million for the three months ended October 31, 2004 and 2003, respectively. In both periods, interest expense of approximately $0.2 million related to the Company's stadium obligation, and the remaining $0.2 of interest expense related primarily to outstanding borrowings on a revolving bank credit facility.

Other Gains (losses), net:

Other gains (losses) net, totaled a loss of $1.9 million for the three months ended October 31, 2004 as compared to a gain of $42.1 million for the same period of the prior fiscal year. During the three months ended October 31, 2004, the Company recorded impairment charges of approximately $0.4 million for other than temporary declines in the carrying value of certain investments in affiliates. These charges were primarily associated with previous investments made by CMGI@Ventures IV, LLC. In addition, the Company incurred foreign exchange losses of approximately $1.8 million during the three months ended October 31, 2004, primarily related to unhedged foreign currency exposures in Asia. During the three-months ended October 31, 2003, the Company sold marketable securities for total proceeds of approximately $77.7 million and recorded a net pre-tax gain of approximately $42.6 million on these sales. These sales primarily consisted of approximately 1.0 million shares of Loudeye Corp. common stock for proceeds of approximately $2.3 million and approximately 3.2 million shares of Overture Services, Inc. common stock for total proceeds of approximately $75.4 million. The Company also recorded impairment charges of approximately $0.6 million for other than temporary declines in the carrying value of certain investments in affiliates. These charges were primarily associated with previous investments made by CMGI@Ventures IV, LLC.

Equity in income of affiliates, net, resulted from the Company's minority ownership in certain investments that are accounted for under the equity method. Under the equity method of accounting, the Company's proportionate share of each affiliate's operating income (losses) is included in equity in income of affiliates. Equity in income of affiliates increased to approximately $0.2 million for the three months ended October 31, 2004, from $0.04 million for the same period in the prior fiscal year, primarily as a result of an increase in net income recognized by certain of the affiliate companies.

Income Taxes:

The Company does not record any income tax benefit for losses generated in the U.S. due to the uncertainty of realizing such benefits and the fact that the Company has fully utilized its tax loss carryback benefits. The Company provides income tax expense related to certain foreign and state taxes. During the three months ended October 31, 2004, the Company recorded income tax expense of approximately $1.5 million, as compared to $3.0 million for the same period of the prior year.

Liquidity and Capital Resources

Historically, the Company has financed its operations and met its capital requirements primarily through funds generated from operations, the issuance of CMGI common stock, the sale of investments in subsidiary and affiliate entities and borrowings from lending institutions. As of October 31, 2004, the Company's primary sources of liquidity consisted of cash and cash equivalents of $180.2 million. Additionally, the Company's SalesLink subsidiary has a revolving bank credit facility (the Loan Agreement) of $30.0 million. CMGI is a guarantor of all indebtedness under the Loan Agreement. Advances under the Loan Agreement may be in the form of loans or letters of credit. As of October 31, 2004, approximately $15.8 million of borrowings were outstanding under the facility, and approximately $5.9 million had been reserved in support of outstanding letters of credit. All borrowings under the Loan Agreement mature on June 30, 2005. The credit facility includes restrictive financial covenants, all of which SalesLink was in compliance with at October 31, 2004. These covenants include liquidity and profitability measures and restrictions that limit the ability of SalesLink, among other things, to merge, acquire or sell assets without prior approval from the bank. In connection with ongoing integration efforts, ModusLink expects to secure a bank credit facility to replace the SalesLink facility. The Company's working capital at October 31, 2004 was approximately $190.6 million.

Net cash used for operating activities of continuing operations was $21.2 million for the three months ended October 31, 2004, compared to $4.6 million for the three months ended October 31, 2003. Cash used for operating activities of continuing operations represents net income (loss) as adjusted for non-cash items. During the three months ended October 31, 2004, non-cash items primarily included depreciation and amortization charges of $5.2 million and non-operating losses, net of $1.2 million. During the three months ended October 31, 2003, non-cash items primarily included depreciation and amortization charges of $2.3 million and non-operating gains, net of $42.1 million. The non-operating gains included a $40.5 million gain on the sale by AltaVista of approximately 3.2 million shares of Overture Services, Inc. common stock and a $2.1 million gain on the sale of approximately 1.0 million shares of Loudeye Corp. common stock. The Company believes that further reductions in the net cash used for operating activities of continuing operations is dependent on several factors, including increased profitability, effective inventory management practices, and optimization of the credit terms of certain vendors of the Company.

Investing activities of continuing operations used cash of $71.6 million for the three months ended October 31, 2004 and provided cash of $76.5 million for the three months ended October 31, 2003. On August 2, 2004, the Company completed its acquisition of Modus. In connection with the acquisition, CMGI issued approximately 68.6 million shares of CMGI common stock and assumed or substituted options to purchase approximately 12.6 million shares of CMGI common stock in exchange for all outstanding equity of Modus. In addition, the Company paid $100.7 million to retire Modus' indebtedness and $2.5 million for certain deal related costs. These cash payments were offset by Modus' cash acquired of $37.0 million, for a net cash payment of $66.2 million. Also during the three months ended October 31, 2004, the Company paid additional acquisition related costs of approximately $0.9 million. The $76.5 million of cash provided from investing activities of continuing operations during the three months ended October 31, 2003 primarily included $75.4 million in cash proceeds from AltaVista's sale of approximately 3.2 million shares of Overture Services, Inc. common stock and $2.3 million of cash proceeds from the Company's sale of approximately 1.0 million shares of Loudeye Corp. common stock, partially offset by $1.2 million in capital expenditures.

Financing activities of continuing operations provided cash of $0.5 million for the three months ended October 31, 2004 and used cash of $0.5 million for the three months ended October 31, 2003. The $0.5 million of cash provided by financing activities of continuing operations during the three months ended October 31, 2004 includes $0.8 million of proceeds from the issuance of common stock and $0.3 million of payments of long-term debt. The $0.5 million of cash used by financing activities of continuing operations during the three months ended October 31, 2003 includes $0.1 million of proceeds from the issuance of common stock and $0.6 million of payments of long-term debt.

The Company believes that its existing working capital will be sufficient to fund its operations, investments and capital expenditures for the foreseeable future. Should additional capital be needed to fund future investment

Table of Contents

and acquisition activity, the Company may seek to raise additional capital through offerings of the Company's stock, or through debt financing. There can be no assurance, however, that the Company will be able to raise additional capital on terms that are favorable to the Company, or at all.

Off-Balance Sheet Financing Arrangements

The Company does not have any off-balance sheet financing arrangements other than operating leases that are recorded in accordance with generally accepted accounting principles.

Contractual Obligations

The Company leases facilities and certain machinery and equipment under various non-cancelable operating leases and executory contracts expiring through June 2015. In August 2000, the Company announced it had acquired the exclusive naming and sponsorship rights to the New England Patriots' new stadium for a period of fifteen years. In August 2002, the Company finalized an agreement with the owner of the stadium to amend the sponsorship agreement. Under the terms of the amended agreement, the Company relinquished the stadium naming rights and remains obligated for a series of annual payments of $1.6 million per year through 2015.

Future minimum payments, including previously recorded restructuring obligations, as of October 31, 2004 are as follows:

Contractual Obligations	Total	Less than 1 year	1–3 years	3–5 years	After 5 years
			(in thousands)		
Operating leases	$ 93,411	$ 23,372	$ 32,715	$ 22,451	$ 14,873
Stadium obligations	17,600	1,600	3,200	3,200	9,600
Long-term debt	2,153	324	708	608	513
Revolving line of credit	15,785	15,785	—	—	—
Total	$ 128,949	$ 41,081	$ 36,623	$ 26,259	$ 24,986

Total future minimum lease payments have been reduced by future minimum sublease rentals of approximately $1.0 million.

Total rent and equipment lease expense charged to continuing operations was approximately $6.6 and $2.1 million for the three months ended October 31, 2004 and 2003, respectively.

From time to time, the Company provides guarantees of payment to vendors doing business with certain of the Company's subsidiaries. These guarantees require that in the event that the subsidiary cannot satisfy its obligations with certain of its vendors, the Company will be required to settle the obligation. As of October 31, 2004, the Company had outstanding guarantees of subsidiary indebtedness totaling approximately $3.4 million. In addition, the Company is also the guarantor of approximately $15.8 million of indebtedness under the SalesLink Loan Agreement All of the obligations underlying these guarantees are reflected in the consolidated balance sheet.

From time to time, the Company agrees to provide indemnification to its customers in the ordinary course of business. Typically, the Company agrees to indemnify its customers for losses caused by the Company including with respect to certain intellectual property, such as databases, software masters, certificates of authenticity and similar valuable intellectual property. As of October 31, 2004, the Company had no recorded liabilities with respect to these arrangements.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally

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

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

- *Revenue recognition*
- *Restructuring expenses*
- *Loss contingencies*
- *Accounting for impairment of long-lived assets, goodwill and other intangible assets*
- *Investments*
- *Income taxes*
- *Derivatives and Financial Instruments*

Revenue Recognition. The Company derives its revenue primarily from the sale of products, supply chain management services, marketing distribution services and other services. Revenue is recognized as product is shipped and related services are performed in accordance with all applicable revenue recognition criteria.

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

In November 2002, the Financial Accounting Standards Board's Emerging Issues Task Force reached a consensus on Issue No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables" ("EITF 00-21"). This issue addresses determination of whether an arrangement involving more than one deliverable contains more than one unit of accounting and how the arrangement consideration should be measured and allocated to the separate units of accounting. EITF 00-21 became effective for revenue arrangements entered into in periods beginning after June 15, 2003. For revenue arrangements occurring on or after August 1, 2003, the Company has revised its revenue recognition policy to comply with the provisions of EITF 00-21.

For those contracts which contain multiple deliverables, management must first determine whether each service, or deliverable, meets the separation criteria of EITF 00-21. In general, a deliverable (or a group of deliverables) meets the separation criteria if the deliverable has standalone value to the customer and if there is

objective and reliable evidence of the fair value of the remaining deliverables in the arrangement. Each deliverable that meets the separation criteria is considered a "separate unit of accounting." Management allocates the total arrangement consideration to each separate unit of accounting based on the relative fair value of each separate unit of accounting. The amount of arrangement consideration that is allocated to a unit of accounting that has already been delivered is limited to the amount that is not contingent upon the delivery of another separate unit of accounting. After the arrangement consideration has been allocated to each separate unit of accounting, management applies the appropriate revenue recognition method for each separate unit of accounting as described previously based on the nature of the arrangement. All deliverables that do not meet the separation criteria of EITF 00-21 are combined into one unit of accounting, and the appropriate revenue recognition method is applied.

In December 2003, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 104 ("SAB 104"), "Revenue Recognition.", which updates portions of Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements ("SAB 101"). SAB 104's primary purpose is to rescind accounting guidance contained in SAB 101 related to multiple element revenue arrangements, superseded as a result of the issuance of EITF 00-21. While the wording of SAB 104 has changed to reflect the issuance of EITF 00-21, the revenue recognition principles of SAB 101 remain largely unchanged by the issuance of SAB 104. As a result, the adoption of this pronouncement did not have a material effect on the Company's financial position or results of operations.

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

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

Accounting for Impairment of Long-Lived Assets, Goodwill and Other Intangible Assets. On August 1, 2002, the Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Under SFAS No. 144, the Company tests certain long-lived assets or group of assets for recoverability whenever events

or changes in circumstances indicate that the Company may not be able to recover the asset's carrying amount. SFAS No. 144 defines impairment as the condition that exists when the carrying amount of a long-lived asset or group exceeds its fair value. When events or changes in circumstances dictate an impairment review of a long-lived asset or group, the Company evaluates recoverability by determining whether the undiscounted cash flows expected to result from the use and eventual disposition of that asset or group cover the carrying value at the evaluation date. If the undiscounted cash flows are not sufficient to cover the carrying value, the Company measures any impairment loss as the excess of the carrying amount of the long-lived asset or group over its fair value. Management predominantly uses third party valuation reports in its determination of fair value.

On August 1, 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 requires the Company to evaluate its existing intangible assets and goodwill that were acquired in prior purchase business combinations, and to make any necessary reclassifications in order to conform with the new criteria in SFAS No. 141 for recognition apart from goodwill. Accordingly, the Company is required to reassess the useful lives and residual values of all identifiable intangible assets acquired in purchase business combinations, and make any necessary amortization period adjustments. In addition, to the extent an intangible asset is then determined to have an indefinite useful life, the Company is required to test the intangible asset for impairment in accordance with the provisions of SFAS No. 142. The Company's valuation methodology for assessing impairment requires management to make judgments and assumptions based on historical experience and projections of future operating performance. Management predominantly uses third party valuation reports to assist in its determination of the fair value of reporting units subject to impairment testing. If these assumptions differ materially from future results, the Company may record impairment charges in the future. Additionally, the Company's policy is to perform its annual impairment testing for all reporting units in the fourth quarter of each fiscal year. At October 31, 2004 and July 31, 2004, the Company's carrying value of goodwill totaled $176.2 million and $22.1 million, respectively.

Investments

The Company maintains interests in several privately held companies primarily through its various venture capital affiliates. These venture affiliates ("CMGI @Ventures") invest in early-stage technology companies. These equity investments are generally made in connection with a round of financing with other third-party investors. At October 31, 2004, the Company had approximately $23.5 million of equity investments in privately held companies. Investments in which the Company's interest is less than 20% and which are not classified as available-for-sale securities are carried at the lower of cost or net realizable value unless it is determined that the Company exercises significant influence over the investee company, in which case the equity method of accounting is used. For those investments in which the Company's voting interest is between 20% and 50%, the equity method of accounting is generally used. Under this method, the investment balance, originally recorded at cost, is adjusted to recognize the Company's share of net earnings or losses of the investee company as they occur, limited to the extent of the Company's investment in, advances to and commitments for the investee. These adjustments are reflected in "Equity in income of affiliates, net" in the Company's Condensed Consolidated Statements of Operations.

The Company assesses the need to record impairment losses on its investments and records such losses when the impairment of an investment is determined to be other than temporary in nature. The process of assessing whether a particular equity investment's net realizable value is less than its carrying cost requires a significant amount of judgment. In making this judgment, the Company carefully considers the investee's cash position, projected cash flows (both short and long-term), financing needs, recent financing rounds, most recent valuation data, the current investing environment, management/ownership changes, and competition. This valuation process is based primarily on information that the Company requests from these privately held companies and is not subject to the same disclosure and audit requirements as the reports required of U.S. public companies. As such, the reliability and accuracy of the data may vary. Based on the Company's evaluation, it recorded impairment charges related to its investments in privately held companies of $0.4 million and $0.6 million for the three months ended October 31, 2004 and 2003, respectively. These impairment losses are reflected in "Other gains (losses), net" in the Company's Condensed Consolidated Statements of Operations.

Estimating the net realizable value of investments in privately held early-stage technology companies is inherently subjective and may contribute to significant volatility in our reported results of operations. We may incur additional impairments to our equity investments in privately held companies, which could have an adverse impact on our future results of operations.

At the time an equity method investee sells its stock to unrelated parties at a price in excess of its book value, the Company's net investment in that affiliate increases. If at that time, the affiliate is not a newly formed, non-operating entity, or a research and development company, start-up or development stage company, and if there is no question as to the affiliate's ability to continue in existence, the Company records the increase as a gain in its Condensed Consolidated Statements of Operations.

Income Taxes

Income taxes are accounted for under the provisions of SFAS No. 109, "Accounting for Income Taxes," using the asset and liability method whereby deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. SFAS No. 109 also requires that the deferred tax assets be reduced by a valuation allowance, if based on the weight of available evidence, it is more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods. This methodology requires estimates and judgments in the determination of the recoverability of deferred tax assets and in the calculation of certain tax liabilities. At October 31, 2004 and July 31, 2004, respectively, a full valuation allowance has been recorded against the gross deferred tax asset since management believes that after considering all the available objective evidence, both positive and negative, historical and prospective, with greater weight given to historical evidence, it is more likely than not that these assets will not be realized. In addition, the calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax regulations in a multitude of jurisdictions. The Company records liabilities for estimated tax obligations in the U.S. and other tax jurisdictions. These estimated tax liabilities include the provision for taxes that may become payable in the future.

Derivatives and Financial Instruments

The Company often enters into forward currency exchange contracts to manage exposures to foreign currencies. The fair value of the Company's foreign currency exchange contracts is estimated based on foreign exchange rates as of the end of each reporting period. The Company's policy is to not allow the use of derivatives for trading or speculative purposes. The Company believes that its forward currency exchange contracts economically function as effective hedges of the underlying exposures, however the foreign currency contracts do not meet the specific criteria for hedge accounting as defined in Statement of Financial Accounting Standards ("SFAS") No. 133, *Accounting for Derivative Instruments and Hedging Activities*, thus the Company is required to record all changes in the fair value of these contracts in earnings in the period of the change.

Recent Accounting Pronouncements

In May 2003, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 150, "Accounting For Certain Financial Instruments with Characteristics of Both Liabilities and Equity", which establishes standards for how an issuer of financial instruments classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances) if, at inception, the monetary value of the obligation is based solely or predominantly on a fixed monetary amount known at inception, variations in something other than the fair value of the issuer's equity shares or variations inversely related to changes in the fair value of the issuer's equity shares. This Statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. On

November 7, 2003 the FASB deferred the classification and measurement provisions of SFAS No. 150 as they apply to certain mandatory redeemable non-controlling interests. This deferral is expected to remain in effect while these provisions are further evaluated by the FASB. The Company has not entered into or modified any financial instruments covered by this statement after May 31, 2003 and the application of this standard did not have a material impact on our consolidated financial statements or results of operations.

Factors That May Affect Future Results

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

We may not realize all of the anticipated benefits of our acquisition of Modus.

The success of our acquisition of Modus will depend in part on our ability to realize the anticipated synergies and cost savings from integrating the businesses of Modus with SalesLink's supply chain management business. Our success in realizing these benefits and the timing of this realization depend upon the successful integration of the technology, personnel and operations into ModusLink. The integration of two independent companies is a complex, costly and time-consuming process. The difficulties of combining the operations of the companies include, among others:

- retaining key employees;
- retaining key customers;
- consolidating corporate and administrative infrastructures;
- maintaining customer service levels;
- minimizing the diversion of management's attention from ongoing business concerns;
- coordinating geographically disparate organizations;
- effectively consolidating facilities;
- coordinating and integrating disparate supplier bases; and
- consolidating and integrating information technology systems.

We cannot assure you that the integration of our supply chain management businesses will result in the realization of the full benefits that we anticipate in a timely manner or at all.

We may have difficulty sustaining operating profitability.

We reported an operating profit of $2.4 million for the fiscal quarter ended October 31, 2004, representing our first operating profit in several years. However, for the fiscal year ended July 31, 2004, we had an operating loss of approximately $23.7 million. We anticipate that we will continue to incur significant operating expenses in the future, including significant costs of revenue and general and administrative expenses. We also have significant commitments and contingencies, including real estate leases, continuing stadium sponsorship obligations, and guarantees entered into by us on behalf of our current and former operating companies. As a result, we can give no assurance that we will sustain operating profitability in the future. We may also use

significant amounts of cash to fund growth and expansion of our operations, including through additional acquisitions. We may also incur significant costs and expenses in connection with pending and future litigation. At October 31, 2004, we had a consolidated cash, cash equivalents and marketable securities balance of approximately $180.2 million and fixed contractual obligations of $128.9 million. Our acquisition of Modus required us to make net cash payments to Modus to repay indebtedness and to pay certain deal related costs of approximately $66.2 million, which reduced our available cash reserves. If we are unable to sustain operating profitability, we risk depleting our working capital balances and our business will be materially adversely affected.

We derive substantially all of our revenue from a small number of customers and adverse industry trends or the loss of any of those customers could significantly damage our business.

We derive substantially all of our revenue by providing supply chain management services. Our business and future growth will continue to depend in large part on the industry trend towards outsourcing supply chain management and other business processes. If this trend does not continue or declines, demand for our supply chain management services would decline and our financial results could suffer.

In addition, ModusLink has been designated as an authorized replicator for Microsoft. Such designation provides a license to replicate Microsoft software products and documentation for clients who want to bundle licensed software with their hardware products. This designation is annually renewable at Microsoft's discretion. A failure to maintain authorized replicator status could result in a reduction in our business and our revenues.

For the fiscal year ended July 31, 2004, one customer, Hewlett-Packard, accounted for approximately 71% of CMGI's consolidated net revenue. For the quarter ended October 31, 2004, approximately 39% of CMGI's consolidated net revenue was accounted for by sales to Hewlett-Packard. We derive substantially all of our revenue from a small number of customers. The loss of any one or more of these customers would cause our revenues to decline, perhaps below expectations. We currently do not have any agreements, which obligate any customer to buy a minimum amount of products or services. We do not currently have any agreements, which designate us as the sole supplier of any particular products or services. The loss of a significant amount of business with Hewlett-Packard, Microsoft or any other key customers would have a material adverse effect on our business. We continue to derive the vast majority of our operating revenue from sales to a small number of key customers. There can be no assurance that our revenue from key customers will not decline in future periods.

We may have problems raising the money we need in the future.

We have generally financed our operations and growth through the selective sale of investments or minority or majority interests in subsidiaries or affiliates to outside investors. Market and other conditions largely beyond our control may affect our ability to engage in future sales of such securities, the timing of any such sales, and the amount of proceeds therefrom. Even if we are able to sell any such securities in the future, we may not be able to sell at favorable prices or on favorable terms. In addition, this funding source may not be sufficient in the future, and we may need to obtain funding from outside sources. However, we may not be able to obtain funding from outside sources. In addition, even if we find outside funding sources, we may be required to issue to such outside sources securities with greater rights than those currently possessed by holders of our common stock. We may also be required to take other actions, which may lessen the value of our common stock or dilute our common stockholders, including borrowing money on terms that are not favorable to us or issuing additional shares of common stock. If we experience difficulties raising money in the future, our business could be materially adversely affected.

A decline in the technology sector could reduce our revenues.

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

The gross margins in the supply chain management business are low, which magnifies the impact of variations in revenue and operating costs on our financial results.

As a result of intense price competition in the technology products marketplace, the gross margins in our supply chain management business are low, and we expect them to continue to be low in the future. Increased competition arising from industry consolidation and/or low demand for certain products may hinder our ability to maintain or improve our gross margins. In addition, there may be additional pressure following our acquisition of Modus with respect to overlapping customers that may seek to reduce pricing to the lower of the pre-acquisition pricing of SalesLink and Modus. These low gross margins magnify the impact of variations in revenue and operating costs on our financial results. Portions of our operating expenses are relatively fixed, and planned expenditures are based in part on anticipated orders that are forecasted with limited visibility of future demand. As a result, we may not be able to reduce our operating expenses as a percentage of revenue to mitigate any further reductions in gross margins. We may also be required to spend money to restructure our operations should future demand fall significantly in any one facility. If we cannot proportionately decrease our cost structure in response to competitive price pressures, our business and operating results could suffer.

Because we frequently sell to supply chain management customers on a purchase order basis, we are subject to uncertainties and variability in demand by customers, which could decrease revenue and adversely affect our financial results.

We frequently sell to our supply chain management customers on a purchase order basis rather than pursuant to long-term contracts or contracts with minimum purchase requirements. Consequently, our sales are subject to demand variability by our supply chain management customers. The level and timing of orders placed by these customers vary for a variety of reasons, including seasonal buying by end-users, the introduction of new technologies and general economic conditions. Customers submitting a purchase order may cancel, reduce or delay their orders. If we are unable to anticipate and respond to the demands of our supply chain management customers, we may lose customers because we have an inadequate supply of products, or we may have excess inventory, either of which may harm our business, financial position and operating results.

We are required to maintain adequate levels of inventory in our supply chain management business in order to meet customer needs, which presents risks to our financial position and operating results.

We are often required to purchase and maintain adequate levels of inventory in our supply chain management business in order to meet customer needs rapidly and on a timely basis. We are often required to finance the purchase of products or components that are necessary to fulfill customer orders. The technology sector served by our customers is subject to rapid technological change, new and enhanced product specification requirements, and evolving industry standards. These changes may cause inventory on hand to decline substantially in value or to rapidly become obsolete. Our customers offer limited protection, if any, from the loss in value of inventory. In addition, our customers may become unable or unwilling to fulfill such protection obligations. The decrease or elimination of price protection or the inability of our customers to fulfill their protection obligations could lower our gross margins and cause us to record inventory write-downs. If we are unable to manage our inventory with our customers with a high degree of precision, we may have insufficient product supplies or we may have excess inventory, resulting in inventory write-downs, which may harm our business, financial position and operating results. In addition, we may not be able to recover fully the credit costs we would face with the financing of inventory. Fluctuations in financing costs may also adversely affect our gross margins.

The ability of our operating companies to obtain particular products or components in the required quantities and to fulfill customer orders on a timely basis is critical to our success. In most cases, our operating companies have no guaranteed price or delivery agreements with our respective suppliers. Our operating companies may occasionally experience a supply shortage of certain products as a result of strong demand or problems experienced by their suppliers. If shortages or delays persist, the price of those products may increase, or the products may not be available at all. Accordingly, if we are not able to secure and maintain an adequate supply of products or components to fulfill our customer orders on a timely basis, our business, financial position and operating results may be adversely affected.

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

Our supply chain management customers face significant uncertainties in forecasting the demand for their products. Limitations on the size of facilities, number of personnel and availability of materials could make it difficult for our operating companies to meet customers' unforecasted demand for additional production. Any failure to meet customers' specifications, capacity requirements or expectations could result in lost revenue, lower client satisfaction, negative perceptions in the marketplace and potential claims for damages.

If we are not able to establish customer sites where requested, or if we fail to retain key customers at established sites, our customer relationships, revenue and expenses could be seriously harmed.

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

We may be affected by strikes, work stoppages and slowdowns by our employees.

Some of our international employees are covered by collective bargaining agreements or otherwise represented by labor unions. While we believe our relations with our employees are generally good, we may nonetheless experience strikes, work stoppages or slowdowns by employees. Such actions may affect our ability to meet our clients' needs, which may result in the loss of business and clients, which may have a material adverse effect on our financial condition and results of operations. The terms of future collective bargaining agreements also may affect our competitive position and results of operations.

We are subject to risks of operating internationally.

We maintain operations outside of the United States, and we will likely expand these operations. Our success depends, in part, on our ability to manage and expand our international operations. Failure to expand our international sales and fulfillment activities could limit our ability to grow. This international expansion will require significant management attention and financial resources. Our operations are and will continue to be subject to numerous and varied regulations worldwide, some of which may have an adverse effect on our ability to develop our international operations in accordance with our business plans or on a timely basis.

We currently conduct business in Mexico, China, Taiwan, Singapore, Malaysia, the United Kingdom, Hungary, Ireland, France, The Netherlands and certain other foreign locations, in addition to our United States operations. Sales outside the United States accounted for 58% of CMGI's total revenue for the quarter ended October 31, 2004. Prior to our acquisition of Modus, sales outside the United States accounted for 58% of CMGI's total revenue for fiscal 2004. In addition, sales outside the United States accounted for 68% of Modus' total revenue for calendar 2003. A portion of our international revenue cost of revenue and operating expenses are denominated in foreign currencies. Changes in exchange rates between foreign currencies and the U.S. dollar may adversely affect our operating margins. There is also additional risk if the currency is not freely traded. Some currencies, such as the Chinese renminbi, are subject to limitations on conversion into other currencies, which can limit or delay our ability to repatriate funds or engage in hedging activities. While the Company often enters into forward currency exchange contracts to manage exposure to foreign currencies, future exchange rate fluctuations may have a material adverse effect on our business and operating results.

There are other certain risks inherent in conducting international operations, including:

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

In addition, a substantial portion of our business is now conducted in China, where we face additional risks, including the following:

- the challenge of navigating a complex set of licensing requirements and restrictions affecting the conduct of business in China by foreign companies;
- difficulties and limitations on the repatriation of cash;
- currency fluctuation and exchange rate risks;
- protection of intellectual property, both for us and our customers; and
- difficulty retaining management personnel and skilled employees.

If we are unable to manage these risks, we may face significant liability, our international sales may decline and our financial results may be adversely affected.

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

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

The intellectual property of our supply chain management customers may be damaged, misappropriated, stolen or lost while in our possession, subjecting us to litigation and other adverse consequences.

In the course of providing supply chain management services to our customers, we and our operating companies have possession of or access to certain intellectual property of such customers, including databases, software masters, certificates of authenticity and similar valuable intellectual property. In the event such intellectual property is damaged, misappropriated, stolen or lost, we could suffer:

- claims under indemnification provisions in customer agreements or other liability for damages;
- delayed or lost revenue due to adverse customer reaction;
- negative publicity; and
- litigation that could be costly and time consuming.

We depend on third-party software, systems and services.

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

We depend on certain important employees, and the loss of any of those employees may harm our business.

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

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

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

Our strategy of expanding our business through acquisitions of other businesses and technologies presents special risks.

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

- the need to incur additional indebtedness, issue stock or use cash in order to consummate the acquisition;
- difficulty integrating acquired technologies, operations and personnel with the existing businesses;
- diversion of management attention in connection with both negotiating the acquisitions and integrating the assets;
- strain on managerial and operational resources as management tries to oversee larger operations;
- the funding requirements for acquired companies may be significant;
- exposure to unforeseen liabilities of acquired companies;
- increased risk of costly and time-consuming litigation, including stockholder lawsuits; and
- potential issuance of securities in connection with an acquisition with rights that are superior to the rights of holders of our common stock, or which may have a dilutive effect on our common stockholders.

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

Our quarterly results may fluctuate significantly.

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

- demand for our products and services;

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

We believe that period-to-period comparisons of our results of operations will not necessarily be meaningful and should not be relied upon as indicative of our future performance. It is also possible that in some fiscal quarters, our operating results will be below the expectations of securities analysts and investors. In such circumstances, the price of our common stock may decline.

The price of our common stock has been volatile and may fluctuate based on the value of our assets.

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

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

We will continue to be subject to intense competition.

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

To succeed, we must respond to the rapid changes in the technology sector.

The markets for our technology-related products and services are characterized by:

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

Our success will depend on our ability to adapt to this rapidly evolving marketplace. We may not be able to adequately adapt our products and services or to acquire new products and services that can compete successfully. In addition, we may not be able to establish and maintain effective distribution channels.

We could be subject to infringement claims and other liabilities.

From time to time, we have been, and will continue to be, subject to third-party claims in the ordinary course of business, including claims of alleged infringement of intellectual property rights. Any such claims may damage our business by:

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

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

The Company is exposed to the impact of interest rate changes, foreign currency fluctuations, and changes in the market values of its investments. The carrying values of financial instruments including cash and cash equivalents, accounts receivable, accounts payable and the revolving line of credit, approximate fair value because of the short term nature of these instruments. The carrying value of long-term debt and capital lease obligations approximates fair value, as estimated by using discounted future cash flows based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. As a matter of policy, the Company does not enter into derivative financial instruments for trading purposes. All derivative positions are used to reduce risk by hedging underlying economic or market exposure.

Interest Rate Risk

The Company has from time to time used derivative financial instruments to reduce exposure to adverse fluctuations in interest rates on its borrowing arrangements. The derivatives the Company uses are straightforward instruments with liquid markets. At October 31, 2004, the Company was primarily exposed to the London Interbank Offered Rate (LIBOR) and Euro Interbank Offered Rate (EURIBOR) interest rate on its outstanding borrowing arrangements, and the Company had no open derivative positions with respect to its borrowing arrangements.

Foreign Currency Risk

Prior to the Modus acquisition, the Company had minimal exposure to changes in foreign currency exchange rates, and as such, had not used derivative financial instruments to manage foreign currency fluctuation risk. As a result of the acquisition of Modus, the Company has added operations in various countries and

currencies throughout the world and its operating results and financial position are subject to greater exposure from significant fluctuations in foreign currency exchange rates. Modus historically used derivative financial instruments to manage the exposure that results from such fluctuations, and the Company expects to continue such practice.

International revenues from our foreign operating segments accounted for approximately 58% of total revenues during the three months ended October 31, 2004. A portion of our international sales made by our foreign business units in their respective countries is denominated in the local currency of each country. These business units also incur a portion of their expenses in the local currency. Our international business is subject to risks, including, but not limited to differing economic conditions, changes in political climate, differing tax structures, other regulations and restrictions, and foreign exchange rate volatility when compared to the United States. Accordingly, our future results could be materially adversely impacted by changes in these or other factors. As exchange rates vary, our international financial results may vary from expectations and adversely impact our overall operating results.

Item 4. ***Controls and Procedures***

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

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On September 24, 2003, the Official Committee of Unsecured Creditors of Engage, Inc. (the “Creditors Committee”) filed a complaint against the Company in the U.S. Bankruptcy Court (Massachusetts, Western Division). The complaint was amended on November 6, 2003. In the amended complaint, the Creditors Committee asserted a number of causes of action, including the following: (i) re-characterization of debt as equity, (ii) equitable subordination, (iii) invalidation of a release, (iv) fraudulent transfer, (v) preferential transfers, (vi) illegal redemption of shares, (vii) turnover of property of estate, (viii) alter ego, (ix) breach of contract, (x) breach of covenant of good faith and fair dealing, (xi) promissory estoppel, (xii) unjust enrichment, (xiii) unfair and deceptive trade practices under Massachusetts General Laws §93A, and (xiv) declaration with respect to scope and extent of security interests. The Creditors Committee seeks monetary damages and other relief, including cancellation of a $2.0 million promissory note, return of $2.5 million in cash, certain other unspecified amounts and a finding that the Company is liable for Engage’s debt. The Company believes that these claims are without merit and intends to vigorously defend this matter. In addition, on May 28, 2004, the Creditors Committee filed a complaint in the U.S. Bankruptcy Court against David Wetherell, George McMillan, Andrew Hajducky and Christopher Cuddy, in their individual capacities as former officers and/or directors of Engage. The Complaint asserts the following causes of action: (i) breaches of fiduciary duties, (ii) fraudulent misrepresentations, (iii) negligent misrepresentations, and (iv) unfair and deceptive trade practices. The Creditors Committee seeks unspecified monetary and other damages. The Company is obligated to indemnify each of Messrs. Wetherell, McMillan and Hajducky in connection with the foregoing action, subject to the terms of the Company’s certificate of incorporation and by-laws. On August 23, 2004, the U.S. Bankruptcy Court entered an order consolidating the foregoing two cases into a single proceeding. The parties are currently involved in the discovery process and no trial date has been set.

Item 5. Other Information

During the quarter ended October 31, 2004, we made no material changes to the procedures by which stockholders may recommend nominees to our Board of Directors, as described in our most recent proxy statement.

Item 6. Exhibits

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

Table of Contents

SIGNATURE

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

Date: December 9, 2004

CMGI, Inc.

By: /s/ THOMAS OBERDORF

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

Table of Contents

EXHIBIT INDEX

Item	Description
10.1	2004 Stock Incentive Plan is incorporated herein by reference to Appendix VI to the Registrant's Definitive Schedule 14A filed November 2, 2004 (File No. 000-23262).
10.2	FY 2005 Executive Bonus Plan for CMGI, Inc. is incorporated herein by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K dated November 4, 2004 (File No. 000-23262).
10.3	FY 2005 Executive Bonus Plan for ModusLink Corporation is incorporated herein by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K dated November 4, 2004 (File No. 000-23262).
10.4	Fifth Amendment to Limited Liability Company Agreement of @Ventures Partners III, LLC, dated as of January 24, 2003.
10.5	Sixth Amendment to Limited Liability Company Agreement of @Ventures Partners III, LLC, dated as of February 3, 2003.
10.6	Form of Restricted Stock Agreement, dated August 2, 2004, by and among the Registrant and each of Thomas Oberdorf, Peter L. Gray, Daniel F. Beck, Patrick Ring, W. Kendale Southerland and Rudolph J. Westerbos.
10.7	Restricted Stock Agreement, dated August 5, 2004, by and between the Registrant and Daniel F. Beck.
10.8	Restricted Stock Agreement, dated August 5, 2004, by and between the Registrant and W. Kendale Southerland.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

EXHIBIT 10.4

FIFTH AMENDMENT TO
LIMITED LIABILITY COMPANY AGREEMENT
OF
@VENTURES PARTNERS III, LLC

THIS FIFTH AMENDMENT, effective as of the 24th day of January, 2003, to the Limited Liability Company Agreement dated as of June 30, 1999 (as amended to date, the “Agreement”), of @Ventures Partners III, LLC, a Delaware limited liability company (the “LLC”), is by and among the Capital Member and the Managing Members of the LLC. Capitalized terms used herein, and not otherwise defined herein, shall have the respective meanings ascribed to them in the Agreement.

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Members hereby amend the Agreement as follows.

1. Treatment of Denise W. Marks in Respect of Event of Termination. Effective as of January 24, 2003, Denise W. Marks’ relationship with all Employers has terminated, and such termination constitutes an Event of Forfeiture. The Members and Ms. Marks agree that (i) such Event of Forfeiture shall not constitute a Clause Z Event, and (ii) Ms. Marks’ Vested Percentage shall equal 100%. Therefore, effective as of the date hereof, (a) Ms. Marks’ Percentage Interest has been reduced to zero; and (b) Ms. Marks shall continue to retain her entire interest in all Investments in which she participates as of the date hereof. Ms. Marks shall continue to be subject to all other provisions of the Agreement, including without limitation, Sections 3.0l (b)(ii) and (iii), 3.04(b)(iv), 3.04(c) and 6.06(b), and the last sentence in the definition of the term “Event of Forfeiture.”

2. No Other Amendments. In all other respects, the Agreement is hereby ratified and confirmed.

[Signature page follows.]

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the date first above written.

CAPITAL MEMBER:

CMG @VENTURES CAPITAL CORP.

By /s/ Peter L. Gray

Name Peter L. Gray
Title Secretary

MANAGING MEMBERS (to be executed by the Managing Members, exclusive of Members for whom an Event of Forfeiture has occurred):

NA

Guy A. Bradley (Event of Forfeiture)

NA

Jonathan Callaghan (Event of Forfeiture)

NA

Brad Garlinghouse (Event of Forfeiture)

NA

Andrew J. Hajducky, III (Event of Forfeiture)

NA

Denise W. Marks (Event of Forfeiture)

/s/ Peter H. Mills

Peter H. Mills

/s/ David J. Nerrow, Jr.

David J. Nerrow, Jr.

/s/ Marc Poirier

Marc Poirier

/s/ David S. Wetherell

David S. Wetherell

EXHIBIT 10.5

SIXTH AMENDMENT TO
LIMITED LIABILITY COMPANY AGREEMENT
OF
@VENTURES PARTNERS III, LLC

THIS SIXTH AMENDMENT, effective as of the 3rd day of February, 2003, to the Limited Liability Company Agreement dated as of June 30, 1999 (as amended to date, the "Agreement"), of @Ventures Partners III, LLC, a Delaware limited liability company (the "LLC"), is by and among the Capital Member and all of the Managing Members of the LLC. Capitalized terms used herein, and not otherwise defined herein, shall have the respective meanings ascribed to them in the Agreement.

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Members hereby amend the Agreement as follows.

1. Garlinghouse Transfer. The records of the LLC are hereby amended, in order to reflect that (i) effective as of the date of this Amendment, Bradley Garlinghouse ("Garlinghouse") has transferred all of his right, title and interest in and to the LLC, if any, to the LLC (the "LLC Interest"). The LLC Interest is that of Member for whom an Event of Forfeiture has occurred, and such interest shall not be subject to the provisions of Section 3.04 or 6.06(b) of the Agreement.

2. Interests Acquired. Effective as of the date hereof, the LLC has also acquired from Garlinghouse certain interests in (i) @Ventures Expansion Partners, LLC ("Expansion Partners"), (ii) @Ventures Investors, LLC ("Investors LLC"), (iii) @Ventures Expansion Investors, LLC ("Expansion Investors") and (iv) CMGI @Ventures IV, LLC ("IV LLC"). The LLC Interest, and all such other interests acquired on the date hereof, are hereinafter referred to as the "Garlinghouse Interests". The Garlinghouse Interests shall not constitute Investments for purposes of the Agreement.

3. Definitions. The definition of the term "Other Cash Receipts" included in Article I of the Agreement is hereby amended to read in its entirety as follows:

> "Other Cash Receipts" means cash receipts of the LLC, exclusive of capital contributions of the Members, which the Voting Managing Members reasonably determine are not allocable to Investments, provided that distributions of cash and property received in respect of the Garlinghouse Interests shall not constitute Other Cash Receipts."

4. Amendment to Section 4.01(b). Section 4.01(b) of the Agreement is hereby amended to read in its entirety as follows:

> "(b) Subject to the provisions of Sections 4.02 and 9.02(b) below: (I) Distributable Cash and Property related to an Investment shall be distributed to the Members in proportion to their respective Investment Percentage Interests in such Investment on the date the LLC makes such distribution; (ii) Distributable Other Cash shall be distributed to the Members in proportion to their respective Percentage Interests

on the date the LLC makes such distribution; and (iii) distributions of cash and property received in respect of the Garlinghouse Interests shall be distributed to the following Members in the following proportions:

Peter H. Mills	36.01%
David S. Wetherell	36.01%
CMG @Ventures Capital Corp.	10.00%
David J. Nerrow, Jr.	8.99%
Marc D. Poirier	8.99%”

5 Amendment to Section 5.01(a). Section 5.01(a) of the Agreement is hereby amended to read in its entirety as follows:

“(a) Net Profits and Net Losses shall be computed on an Investment by Investment basis as of the end of each fiscal year (or other relevant period). Except as provided in Section 5.02 below (which shall be applied first) and Section 5.01(b) below, Net Profits and Net Losses attributable to a particular Investment shall be allocated among the Members in proportion to their respective Investment Percentage Interests in such Investment. Net Profits and Net Losses attributable to Other Cash Receipts shall be allocated among the Members in proportion to their respective Percentage Interests. Net Profits and Net Losses attributable to the Garlinghouse Interests shall be allocated among the Members in the following proportions:

Peter H. Mills	36.01%
David S. Wetherell	36.01%
CMG @Ventures Capital Corp.	10.00%
David J. Nerrow, Jr.	8.99%
Marc D. Poirier	8.99%”

6. No Other Amendments. In all other respects, the Agreement is hereby ratified and confirmed.

[Signature page follows.]

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the date first above written.

CAPITAL MEMBER:

CMG @VENTURES CAPITAL CORP.

By /s/ Peter L. Gray

Name Peter L. Gray
Title Secretary

MANAGING MEMBERS (to be executed by all Managing Members):

/s/ Peter H. Mills

Peter H. Mills

/s/ David J. Nerrow, Jr.

David J. Nerrow, Jr.

/s/ Marc Poirier

Marc Poirier

/s/ David S. Wetherell

David S. Wetherell

EXHIBIT 10.6

CMGI, Inc.
Restricted Stock Agreement
Granted Under 2000 Stock Incentive Plan

AGREEMENT made as of the 2nd day of August, 2004 (the “Grant Date”) between CMGI, Inc., a Delaware corporation (the “Company”), and [______] (the “Participant”).

For past services rendered and other valuable consideration, receipt of which is acknowledged, the parties hereto agree as follows:

1. Grant of Shares.

The Company hereby grants to the Participant, subject to the terms and conditions set forth in this Agreement and in the Company’s 2000 Stock Incentive Plan (the “Plan”), [______] shares (the “Shares”) of common stock, $0.01 par value, of the Company (“Common Stock”). The Participant agrees that the Shares shall be subject to forfeiture as set forth in Section 2 of this Agreement and the restrictions on transfer set forth in Section 3 of this Agreement.

2. Forfeiture.

(a) In the event that the Participant ceases to be employed by the Company for any reason or no reason, with or without cause, prior to August 2, 2007, all of the Unvested Shares (as defined below) shall be forfeited.

“Unvested Shares” means the total number of Shares multiplied by the Applicable Percentage at the time the Participant ceases to be employed by the Company. The “Applicable Percentage” shall be (i) 100% during the 12-month period ending August 1, 2005, (ii) 66.67% during the 12-month period ending August 1, 2006, (iii) 33.33% during the 12-month period ending August 1, 2007 and (iv) zero after August 1, 2007.

(b) For purposes of this Agreement, employment with the Company shall include employment with a parent or subsidiary of the Company.

3. Restrictions on Transfer.

The Participant shall not sell, assign, transfer, pledge, hypothecate or otherwise dispose of, by operation of law or otherwise (collectively “transfer”) any Shares, or any interest therein, that would be Unvested Shares if the Participant were to cease to be employed by the Company at the time of the transfer, except that the Participant may transfer such Shares (i) to or for the benefit of any spouse, children, parents, uncles, aunts, siblings, grandchildren and any other relatives approved by the Board of Directors (collectively, “Approved Relatives”) or to a trust established solely for the benefit of the Participant and/or Approved Relatives, provided that such Shares shall remain subject to this Agreement (including without limitation the forfeiture provisions of Section 2 and the restrictions on transfer set forth in this Section 3) and such permitted transferee shall, as a condition to such transfer, deliver to the Company a written

instrument confirming that such transferee shall be bound by all of the terms and conditions of this Agreement or (ii) as part of the sale of all or substantially all of the shares of capital stock of the Company (including pursuant to a merger or consolidation), provided that, in accordance with the Plan, the securities or other property received by the Participant in connection with such transaction shall remain subject to this Agreement.

4. Escrow.

The Participant shall, upon the execution of this Agreement, execute Joint Escrow Instructions in the form attached to this Agreement as Exhibit A. The Joint Escrow Instructions shall be delivered to the Assistant Secretary of the Company, as escrow agent thereunder. The Participant shall deliver to such escrow agent a stock assignment duly endorsed in blank, in the form attached to this Agreement as Exhibit B, and hereby instructs the Company to deliver to such escrow agent, on behalf of the Participant, the certificate(s) evidencing the Shares issued hereunder. Such materials shall be held by such escrow agent pursuant to the terms of such Joint Escrow Instructions.

5. Restrictive Legends.

All certificates representing Shares shall have affixed thereto a legend in substantially the following form, in addition to any other legends that may be required under federal or state securities laws:

> "The shares of stock represented by this certificate are subject to restrictions on transfer and a risk of forfeiture as set forth in a certain Restricted Stock Agreement between the corporation and the registered owner of these shares (or his or her predecessor in interest), and such Agreement is available for inspection without charge at the office of the Secretary of the corporation."

6. Provisions of the Plan.

(a) This Agreement is subject to the provisions of the Plan, a copy of which is furnished to the Participant with this Agreement.

(b) As provided in the Plan, upon the occurrence of a Reorganization Event (as defined in the Plan), all rights of the Company hereunder shall inure to the benefit of the Company's successor and shall apply to the cash, securities or other property which the Shares were converted into or exchanged for pursuant to such Reorganization Event in the same manner and to the same extent as they applied to the Shares under this Agreement. If, in connection with a Reorganization Event, a portion of the cash, securities and/or other property received upon the conversion or exchange of the Shares is to be placed into escrow to secure indemnification or similar obligations, the mix between the vested and unvested portion of such cash, securities and/or other property that is placed into escrow shall be the same as the mix between the vested and unvested portion of such cash, securities and/or other property that is not subject to escrow.

7. Withholding Taxes; Section 83(b) Election.

(a) The Participant acknowledges and agrees that the Company has the right to deduct from payments of any kind otherwise due to the Participant any federal, state or local taxes of any kind required by law to be withheld with respect to the lapse or partial lapse of the risk of forfeiture.

(b) The Participant has reviewed with the Participant's own tax advisors the federal, state, local and foreign tax consequences of this investment and the transactions contemplated by this Agreement. The Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. The Participant understands that the Participant (and not the Company) shall be responsible for the Participant's own tax liability that may arise as a result of the transactions contemplated by this Agreement. The Participant understands that it may be beneficial in many circumstances to elect to be taxed at the time the Shares are granted rather than when and as the risk of forfeiture lapses by filing an election under Section 83(b) of the Code with the I.R.S. within 30 days from the date of grant.

THE PARTICIPANT ACKNOWLEDGES THAT IT IS THE PARTICIPANT'S SOLE RESPONSIBILITY AND NOT THE COMPANY'S TO FILE TIMELY THE ELECTION UNDER SECTION 83(b), EVEN IF THE PARTICIPANT REQUESTS THE COMPANY OR ITS REPRESENTATIVES TO MAKE THIS FILING ON THE PARTICIPANT'S BEHALF.

8. Miscellaneous.

(a) No Rights to Employment. The Participant acknowledges and agrees that the vesting of the Shares pursuant to Section 2 hereof is earned only by continuing service as an employee at the will of the Company (not through the act of being hired or being granted shares hereunder). The Participant further acknowledges and agrees that the transactions contemplated hereunder and the vesting schedule set forth herein do not constitute an express or implied promise of continued engagement as an employee or consultant for the vesting period, for any period, or at all.

(b) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

(c) Waiver. Any provision for the benefit of the Company contained in this Agreement may be waived, either generally or in any particular instance, by the Board of Directors of the Company.

(d) Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Company and the Participant and their respective heirs, executors, administrators, legal representatives, successors and assigns, subject to the restrictions on transfer set forth in Section 3 of this Agreement.

(e) Notice. All notices required or permitted hereunder shall be in writing and deemed effectively given upon personal delivery or five days after deposit in the United

States Post Office, by registered or certified mail, postage prepaid, addressed to the other party hereto at the address shown beneath his or its respective signature to this Agreement, or at such other address or addresses as either party shall designate to the other in accordance with this Section 8(e).

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

(g) Entire Agreement. This Agreement and the Plan constitute the entire agreement between the parties, and supersedes all prior agreements and understandings, relating to the subject matter of this Agreement.

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

(i) Governing Law. This Agreement shall be construed, interpreted and enforced in accordance with the internal laws of the State of Delaware without regard to any applicable conflicts of laws.

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

CMGI, Inc.

By: ______________________________

Name:
Title:

____

[Name of Participant]

Address: ______________________________

____

Exhibit A

CMGI, Inc.

Joint Escrow Instructions

August 2, 2004

Assistant Secretary
CMGI, Inc.
1100 Winter Street
Suite 4600
Waltham, MA 02451

Dear Sir:

As Escrow Agent for CMGI, Inc., a Delaware corporation, and its successors in interest under the Restricted Stock Agreement (the “Agreement”) of even date herewith, to which a copy of these Joint Escrow Instructions is attached (the “Company”), and the undersigned person (“Holder”), you are hereby authorized and directed to hold the documents delivered to you pursuant to the terms of the Agreement in accordance with the following instructions:

1. Appointment. Holder irrevocably authorizes the Company to deposit with you any certificates evidencing Shares (as defined in the Agreement) to be held by you hereunder and any additions and substitutions to said Shares. For purposes of these Joint Escrow Instructions, “Shares” shall be deemed to include any additional or substitute property. Holder does hereby irrevocably constitute and appoint you as his attorney-in-fact and agent for the term of this escrow to execute with respect to such Shares all documents necessary or appropriate to make such Shares negotiable and to complete any transaction herein contemplated. Subject to the provisions of this paragraph 1 and the terms of the Agreement, Holder shall exercise all rights and privileges of a stockholder of the Company while the Shares are held by you.

2. Forfeiture.

Upon any forfeiture of the Shares pursuant to the Agreement, the Company shall give to Holder and you a written notice of forfeiture. Holder and the Company hereby irrevocably authorize and direct you to deliver the forfeited Shares to the Company in accordance with the terms of said notice.

3. Withdrawal. The Holder shall have the right to withdraw from this escrow any Shares that are not Unvested Shares (as defined in the Agreement).

4. Duties of Escrow Agent.

(a) Your duties hereunder may be altered, amended, modified or revoked only by a writing signed by all of the parties hereto.

(b) You shall be obligated only for the performance of such duties as are specifically set forth herein and may rely and shall be protected in relying or refraining from acting on any instrument reasonably believed by you to be genuine and to have been signed or presented by the proper party or parties. You shall not be personally liable for any act you may do or omit to do hereunder as Escrow Agent or as attorney-in-fact of Holder while acting in good faith and in the exercise of your own good judgment, and any act done or omitted by you pursuant to the advice of your own attorneys shall be conclusive evidence of such good faith.

(c) You are hereby expressly authorized to disregard any and all warnings given by any of the parties hereto or by any other person or Company, excepting only orders or process of courts of law, and are hereby expressly authorized to comply with and obey orders, judgments or decrees of any court. In case you obey or comply with any such order, judgment or decree of any court, you shall not be liable to any of the parties hereto or to any other person, firm or Company by reason of such compliance, notwithstanding any such order, judgment or decree being subsequently reversed, modified, annulled, set aside, vacated or found to have been entered without jurisdiction.

(d) You shall not be liable in any respect on account of the identity, authority or rights of the parties executing or delivering or purporting to execute or deliver the Agreement or any documents or papers deposited or called for hereunder.

(e) You shall be entitled to employ such legal counsel and other experts as you may deem necessary properly to advise you in connection with your obligations hereunder and may rely upon the advice of such counsel.

(f) Your rights and responsibilities as Escrow Agent hereunder shall terminate if (i) you cease to be Assistant Secretary of the Company or (ii) you resign by written notice to each party. In the event of a termination under clause (i), your successor as Assistant Secretary shall become Escrow Agent hereunder; in the event of a termination under clause (ii), the Company shall appoint a successor Escrow Agent hereunder.

(g) If you reasonably require other or further instruments in connection with these Joint Escrow Instructions or obligations in respect hereto, the necessary parties hereto shall join in furnishing such instruments.

(h) It is understood and agreed that should any dispute arise with respect to the delivery and/or ownership or right of possession of the securities held by you hereunder, you are authorized and directed to retain in your possession without liability to anyone all or any part of said securities until such dispute shall have been settled either by mutual written agreement of the parties concerned or by a final order, decree or judgment of a court of competent jurisdiction after the time for appeal has expired and no appeal has been perfected, but you shall be under no duty whatsoever to institute or defend any such proceedings.

(i) These Joint Escrow Instructions set forth your sole duties with respect to any and all matters pertinent hereto and no implied duties or obligations shall be read into these Joint Escrow Instructions against you.

(j) The Company shall indemnify you and hold you harmless against any and all damages, losses, liabilities, costs, and expenses, including attorneys' fees and disbursements, for anything done or omitted to be done by you as Escrow Agent in connection with this Agreement or the performance of your duties hereunder, except such as shall result from your gross negligence or willful misconduct.

5. Notice. Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery or upon deposit in the United States Post Office, by registered or certified mail with postage and fees prepaid, addressed to each of the other parties thereunto entitled at the following addresses, or at such other addresses as a party may designate by ten days' advance written notice to each of the other parties hereto.

COMPANY:	Notices to the Company shall be sent to the address set forth in the salutation hereto, Attn: President
HOLDER:	Notices to Holder shall be sent to the address set forth below Holder's signature below.
ESCROW AGENT:	Notices to the Escrow Agent shall be sent to the address set forth in the salutation hereto.

6. Miscellaneous.

(a) By signing these Joint Escrow Instructions, you become a party hereto only for the purpose of said Joint Escrow Instructions, and you do not become a party to the Agreement.

(b) This instrument shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

* * * * *

Very truly yours,

CMGI, Inc.

By: ______________________________

Name:
Title:

HOLDER:

____

[Name of Holder]

Address: ______________________________

____

Date Signed: ______________________________

ESCROW AGENT:

____

Exhibit B

(STOCK ASSIGNMENT SEPARATE FROM CERTIFICATE)

FOR VALUE RECEIVED, I hereby sell, assign and transfer unto CMGI, Inc. ______________ (______) shares of Common Stock, $0.01 par value per share, of CMGI, Inc. (the "Corporation") standing in my name on the books of the Corporation represented by Certificate(s) Number ______ herewith, and do hereby irrevocably constitute and appoint ______________ as attorney to transfer the said stock on the books of the Corporation with full power of substitution in the premises.

Dated: __________

IN PRESENCE OF:

____

____

NOTICE: The signature(s) to this assignment must correspond with the name as written upon the face of the certificate, in every particular, without alteration, enlargement, or any change whatever and must be guaranteed by a commercial bank, trust company or member firm of the Boston, New York or Midwest Stock Exchange.

This Form of Restricted Stock Agreement Granted Under 2000 Stock Incentive Plan was entered into on August 2, 2004 by and between CMGI, Inc. and each of the following executive officers of CMGI, Inc.:

Name	Number of Shares
Thomas Oberdorf	78,500
Peter L. Gray	75,000
Daniel F. Beck	100,000
Patrick Ring	63,000
W. Kendale Southerland	100,000
Rudolph J. Westerbos	100,000

EXHIBIT 10.7

CMGI, Inc.
Restricted Stock Agreement
Under 2000 Stock Incentive Plan

AGREEMENT made as of the 5th day of August, 2004 (the "Grant Date") between CMGI, Inc., a Delaware corporation (the "Company"), and Daniel F. Beck (the "Participant"). Except where the context otherwise requires, the term "Company" shall include any of the Company's present or future parent or subsidiary corporations as defined in Sections 424(e) and (f), respectively, of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder, and any other business venture (including, without limitation, joint venture or limited liability company) in which the Company has a significant interest, as determined by the Board of Directors of the Company.

WHEREAS, in connection with the transactions contemplated by that certain Agreement and Plan of Merger (the "Merger Agreement"), dated as of March 23, 2004, by and among the Company, Westwood Acquisition Corp., a wholly owned subsidiary of the Company, and Modus Media, Inc., ("Modus"), the Company established the Modus SalesLink Corporation Employee Retention Policy (the "Retention Policy") pursuant to the Company's 2000 Stock Incentive Plan (the "Plan"); and

WHEREAS, the Company wishes to carry out the Retention Policy and the Plan (the terms of each of which are incorporated herein by reference and made a part of this Agreement);

NOW, THEREFORE, in order to comply with the covenant set forth in Section 5.22 of the Merger Agreement, in consideration of past services rendered and for other valuable consideration, receipt of which is acknowledged, the parties hereto agree as follows:

1. Grant of Shares.

The Company hereby grants to the Participant, subject to the terms and conditions set forth in this Agreement and in the Plan, 214,285 shares (the "Shares") of common stock, $0.01 par value, of the Company ("Common Stock"). The Participant agrees that the Shares shall be subject to forfeiture as set forth in Section 2 of this Agreement and the restrictions on transfer set forth in Section 3 of this Agreement (such forfeiture provisions and transfer restrictions, the "Restrictions").

2. Forfeiture.

(a) In the event that the Participant ceases to be employed by the Company for any reason or no reason, other than as a result of a termination by the Company without Cause, all of the Shares which are then subject to the Restrictions (the "Unvested Shares") shall be immediately forfeited. The Restrictions shall lapse with respect to 100% of the Shares upon the earlier to occur of (i) the first anniversary of the Effective Time (as defined in the Merger Agreement), provided that the Participant remains continuously employed by the Company through such date, and (ii) a termination of the Participant's employment by the Company

without cause. For purposes of this Agreement, employment with, or termination of employment by, the Company shall include employment with, or termination of employment by, a parent or subsidiary of the Company, including without limitation Modus SalesLink Corporation.

(b) For purposes of this Agreement, "Cause" shall mean a good faith finding by the Company of: (i) gross negligence or willful misconduct by the Participant in connection with his or her employment duties, (ii) failure by the Participant to perform his or her duties or responsibilities required pursuant to his or her employment, after written notice and an opportunity to cure, (iii) misappropriation by the Participant of the assets or business opportunities of the Company, or its affiliates, (iv) embezzlement or other financial fraud committed by the Participant, (v) the Participant knowingly allowing any third party to commit any of the acts described in any of the preceding clauses (iii) or (iv), (vi) the Participant's indictment for, conviction of, or entry of a plea of no contest with respect to, any felony, or (vii) the Participant failing to keep the existence and terms of this Agreement confidential, as set forth in Section 7 below.

3. Restrictions on Transfer.

The Participant shall not sell, assign, transfer, pledge, hypothecate or otherwise dispose of, by operation of law or otherwise (collectively "transfer") any Shares, or any interest therein, that would be Unvested Shares if the Participant were to cease to be employed by the Company at the time of the transfer, except that the Participant may transfer such Shares (i) to or for the benefit of any spouse, children, parents, uncles, aunts, siblings, grandchildren and any other relatives approved by the Board of Directors (collectively, "Approved Relatives") or to a trust established solely for the benefit of the Participant and/or Approved Relatives, *provided* that such Shares shall remain subject to this Agreement (including without limitation the Restrictions) and such permitted transferee shall, as a condition to such transfer, deliver to the Company a written instrument confirming that such transferee shall be bound by all of the terms and conditions of this Agreement or (ii) as part of the sale of all or substantially all of the shares of capital stock of the Company (including pursuant to a merger or consolidation), *provided* that, in accordance with the Plan, the securities or other property received by the Participant in connection with such transaction shall remain subject to this Agreement.

4. Restrictive Legends.

All certificates representing Shares shall have affixed thereto a legend in substantially the following form, in addition to any other legends that may be required under federal or state securities laws:

> "The shares of stock represented by this certificate are subject to restrictions on transfer and a risk of forfeiture as set forth in a certain Restricted Stock Agreement between the corporation and the registered owner of these shares (or his or her predecessor in interest), and such Agreement is available for inspection without charge at the office of the Secretary of the corporation."

5. Provisions of the Plan.

(a) This Agreement is subject to the provisions of the Plan, a copy of which is furnished to the Participant with this Agreement.

(b) As provided in the Plan, upon the occurrence of a Reorganization Event (as defined in the Plan), all rights of the Company hereunder shall inure to the benefit of the Company's successor and shall apply to the cash, securities or other property which the Shares were converted into or exchanged for pursuant to such Reorganization Event in the same manner and to the same extent as they applied to the Shares under this Agreement. If, in connection with a Reorganization Event, a portion of the cash, securities and/or other property received upon the conversion or exchange of the Shares is to be placed into escrow to secure indemnification or similar obligations, the mix between the vested and unvested portion of such cash, securities and/or other property that is placed into escrow shall be the same as the mix between the vested and unvested portion of such cash, securities and/or other property that is not subject to escrow.

6. Withholding Taxes; Section 83(b) Election.

(a) The Participant acknowledges and agrees that the Company has the right to deduct from payments of any kind otherwise due to the Participant any federal, state or local taxes of any kind required by law to be withheld with respect to the lapse or partial lapse of the risk of forfeiture.

(b) The Participant has reviewed with the Participant's own tax advisors the federal, state, local and foreign tax consequences of this investment and the transactions contemplated by this Agreement. The Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. The Participant understands that the Participant (and not the Company) shall be responsible for the Participant's own tax liability that may arise as a result of the transactions contemplated by this Agreement. The Participant understands that it may be beneficial in many circumstances to elect to be taxed at the time the Shares are granted rather than when and as the risk of forfeiture lapses by filing an election under Section 83(b) of the Code with the I.R.S. within 30 days from the date of grant.

THE PARTICIPANT ACKNOWLEDGES THAT IT IS THE PARTICIPANT'S SOLE RESPONSIBILITY AND NOT THE COMPANY'S TO FILE TIMELY THE ELECTION UNDER SECTION 83(b), EVEN IF THE PARTICIPANT REQUESTS THE COMPANY OR ITS REPRESENTATIVES TO MAKE THIS FILING ON THE PARTICIPANT'S BEHALF.

7. Confidentiality. The Participant acknowledges that the existence and terms of this Agreement are confidential. The Participant agrees not to disclose the existence or terms of this Agreement to any other person, other than to the Participant's immediate family members, legal counsel, accountant, tax advisor, tax return preparer or financial planner, each of which shall be informed of the confidentiality obligations imposed by this Agreement.

8. Miscellaneous.

(a) No Rights to Employment. The Participant acknowledges and agrees that the vesting of the Shares pursuant to Section 2 hereof is earned only by continuing service as an

employee at the will of the Company (not through the act of being hired or being granted shares hereunder). The Participant further acknowledges and agrees that the transactions contemplated hereunder and the vesting schedule set forth herein do not constitute an express or implied promise of continued engagement as an employee or consultant for the vesting period, for any period, or at all.

(b) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

(c) Waiver. Any provision for the benefit of the Company contained in this Agreement may be waived, either generally or in any particular instance, by the Board of Directors of the Company.

(d) Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Company and the Participant and their respective heirs, executors, administrators, legal representatives, successors and assigns, subject to the restrictions on transfer set forth in Section 3 of this Agreement.

(e) Notice. All notices required or permitted hereunder shall be in writing and deemed effectively given upon personal delivery or five days after deposit in the United States Post Office, by registered or certified mail, postage prepaid, addressed to the other party hereto at the address shown beneath his or its respective signature to this Agreement, or at such other address or addresses as either party shall designate to the other in accordance with this Section 8(e).

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

(g) Entire Agreement. This Agreement and the Plan constitute the entire agreement between the parties, and supersedes all prior agreements and understandings, relating to the subject matter of this Agreement.

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

(i) Governing Law. This Agreement shall be construed, interpreted and enforced in accordance with the internal laws of the State of Delaware without regard to any applicable conflicts of laws.

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

CMGI, Inc.

By: /s/ Peter L. Gray

Name: Peter L. Gray
Title: Executive Vice President and General Counsel

/s/ Daniel F. Beck

Daniel F. Beck

Address: ______________________

____

EXHIBIT 10.8

CMGI, Inc.
Restricted Stock Agreement
Under 2000 Stock Incentive Plan

AGREEMENT made as of the 5th day of August, 2004 (the “Grant Date”) between CMGI, Inc., a Delaware corporation (the “Company”), and Watson K. Southerland (the “Participant”). Except where the context otherwise requires, the term “Company” shall include any of the Company’s present or future parent or subsidiary corporations as defined in Sections 424(e) and (f), respectively, of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder, and any other business venture (including, without limitation, joint venture or limited liability company) in which the Company has a significant interest, as determined by the Board of Directors of the Company.

WHEREAS, in connection with the transactions contemplated by that certain Agreement and Plan of Merger (the “Merger Agreement”), dated as of March 23, 2004, by and among the Company, Westwood Acquisition Corp., a wholly owned subsidiary of the Company, and Modus Media, Inc., (“Modus”), the Company established the Modus SalesLink Corporation Employee Retention Policy (the “Retention Policy”) pursuant to the Company’s 2000 Stock Incentive Plan (the “Plan”); and

WHEREAS, the Company wishes to carry out the Retention Policy and the Plan (the terms of each of which are incorporated herein by reference and made a part of this Agreement);

NOW, THEREFORE, in order to comply with the covenant set forth in Section 5.22 of the Merger Agreement, in consideration of past services rendered and for other valuable consideration, receipt of which is acknowledged, the parties hereto agree as follows:

1. Grant of Shares.

The Company hereby grants to the Participant, subject to the terms and conditions set forth in this Agreement and in the Plan, 214,285 shares (the “Shares”) of common stock, $0.01 par value, of the Company (“Common Stock”). The Participant agrees that the Shares shall be subject to forfeiture as set forth in Section 2 of this Agreement and the restrictions on transfer set forth in Section 3 of this Agreement (such forfeiture provisions and transfer restrictions, the “Restrictions”).

2. Forfeiture.

(a) In the event that the Participant ceases to be employed by the Company for any reason or no reason, other than as a result of a termination by the Company without Cause, all of the Shares which are then subject to the Restrictions (the “Unvested Shares”) shall be immediately forfeited. The Restrictions shall lapse with respect to 100% of the Shares upon the earlier to occur of (i) the first anniversary of the Effective Time (as defined in the Merger Agreement), provided that the Participant remains continuously employed by the Company through such date, and (ii) a termination of the Participant’s employment by the Company

without cause. For purposes of this Agreement, employment with, or termination of employment by, the Company shall include employment with, or termination of employment by, a parent or subsidiary of the Company, including without limitation Modus SalesLink Corporation.

(b) For purposes of this Agreement, "Cause" shall mean a good faith finding by the Company of: (i) gross negligence or willful misconduct by the Participant in connection with his or her employment duties, (ii) failure by the Participant to perform his or her duties or responsibilities required pursuant to his or her employment, after written notice and an opportunity to cure, (iii) misappropriation by the Participant of the assets or business opportunities of the Company, or its affiliates, (iv) embezzlement or other financial fraud committed by the Participant, (v) the Participant knowingly allowing any third party to commit any of the acts described in any of the preceding clauses (iii) or (iv), (vi) the Participant's indictment for, conviction of, or entry of a plea of no contest with respect to, any felony, or (vii) the Participant failing to keep the existence and terms of this Agreement confidential, as set forth in Section 7 below.

3. Restrictions on Transfer.

The Participant shall not sell, assign, transfer, pledge, hypothecate or otherwise dispose of, by operation of law or otherwise (collectively "transfer") any Shares, or any interest therein, that would be Unvested Shares if the Participant were to cease to be employed by the Company at the time of the transfer, except that the Participant may transfer such Shares (i) to or for the benefit of any spouse, children, parents, uncles, aunts, siblings, grandchildren and any other relatives approved by the Board of Directors (collectively, "Approved Relatives") or to a trust established solely for the benefit of the Participant and/or Approved Relatives, *provided* that such Shares shall remain subject to this Agreement (including without limitation the Restrictions) and such permitted transferee shall, as a condition to such transfer, deliver to the Company a written instrument confirming that such transferee shall be bound by all of the terms and conditions of this Agreement or (ii) as part of the sale of all or substantially all of the shares of capital stock of the Company (including pursuant to a merger or consolidation), *provided* that, in accordance with the Plan, the securities or other property received by the Participant in connection with such transaction shall remain subject to this Agreement.

4. Restrictive Legends.

All certificates representing Shares shall have affixed thereto a legend in substantially the following form, in addition to any other legends that may be required under federal or state securities laws:

> "The shares of stock represented by this certificate are subject to restrictions on transfer and a risk of forfeiture as set forth in a certain Restricted Stock Agreement between the corporation and the registered owner of these shares (or his or her predecessor in interest), and such Agreement is available for inspection without charge at the office of the Secretary of the corporation."

5. Provisions of the Plan.

(a) This Agreement is subject to the provisions of the Plan, a copy of which is furnished to the Participant with this Agreement.

(b) As provided in the Plan, upon the occurrence of a Reorganization Event (as defined in the Plan), all rights of the Company hereunder shall inure to the benefit of the Company's successor and shall apply to the cash, securities or other property which the Shares were converted into or exchanged for pursuant to such Reorganization Event in the same manner and to the same extent as they applied to the Shares under this Agreement. If, in connection with a Reorganization Event, a portion of the cash, securities and/or other property received upon the conversion or exchange of the Shares is to be placed into escrow to secure indemnification or similar obligations, the mix between the vested and unvested portion of such cash, securities and/or other property that is placed into escrow shall be the same as the mix between the vested and unvested portion of such cash, securities and/or other property that is not subject to escrow.

6. Withholding Taxes; Section 83(b) Election.

(a) The Participant acknowledges and agrees that the Company has the right to deduct from payments of any kind otherwise due to the Participant any federal, state or local taxes of any kind required by law to be withheld with respect to the lapse or partial lapse of the risk of forfeiture.

(b) The Participant has reviewed with the Participant's own tax advisors the federal, state, local and foreign tax consequences of this investment and the transactions contemplated by this Agreement. The Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. The Participant understands that the Participant (and not the Company) shall be responsible for the Participant's own tax liability that may arise as a result of the transactions contemplated by this Agreement. The Participant understands that it may be beneficial in many circumstances to elect to be taxed at the time the Shares are granted rather than when and as the risk of forfeiture lapses by filing an election under Section 83(b) of the Code with the I.R.S. within 30 days from the date of grant.

THE PARTICIPANT ACKNOWLEDGES THAT IT IS THE PARTICIPANT'S SOLE RESPONSIBILITY AND NOT THE COMPANY'S TO FILE TIMELY THE ELECTION UNDER SECTION 83(b), EVEN IF THE PARTICIPANT REQUESTS THE COMPANY OR ITS REPRESENTATIVES TO MAKE THIS FILING ON THE PARTICIPANT'S BEHALF.

7. Confidentiality. The Participant acknowledges that the existence and terms of this Agreement are confidential. The Participant agrees not to disclose the existence or terms of this Agreement to any other person, other than to the Participant's immediate family members, legal counsel, accountant, tax advisor, tax return preparer or financial planner, each of which shall be informed of the confidentiality obligations imposed by this Agreement.

8. Miscellaneous.

(a) No Rights to Employment. The Participant acknowledges and agrees that the vesting of the Shares pursuant to Section 2 hereof is earned only by continuing service as an

employee at the will of the Company (not through the act of being hired or being granted shares hereunder). The Participant further acknowledges and agrees that the transactions contemplated hereunder and the vesting schedule set forth herein do not constitute an express or implied promise of continued engagement as an employee or consultant for the vesting period, for any period, or at all.

(b) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

(c) Waiver. Any provision for the benefit of the Company contained in this Agreement may be waived, either generally or in any particular instance, by the Board of Directors of the Company.

(d) Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Company and the Participant and their respective heirs, executors, administrators, legal representatives, successors and assigns, subject to the restrictions on transfer set forth in Section 3 of this Agreement.

(e) Notice. All notices required or permitted hereunder shall be in writing and deemed effectively given upon personal delivery or five days after deposit in the United States Post Office, by registered or certified mail, postage prepaid, addressed to the other party hereto at the address shown beneath his or its respective signature to this Agreement, or at such other address or addresses as either party shall designate to the other in accordance with this Section 8(e).

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

(g) Entire Agreement. This Agreement and the Plan constitute the entire agreement between the parties, and supersedes all prior agreements and understandings, relating to the subject matter of this Agreement.

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

(i) Governing Law. This Agreement shall be construed, interpreted and enforced in accordance with the internal laws of the State of Delaware without regard to any applicable conflicts of laws.

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

CMGI, Inc.

By: /s/ Peter L. Gray

Name: Peter L. Gray
Title: Executive Vice President and
General Counsel

/s/ Watson K. Southerland

Watson K. Southerland

Address: ______________________

____

EXHIBIT 31.1

CERTIFICATION PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Joseph C. Lawler, President and Chief Executive Officer of CMGI, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of CMGI, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: December 9, 2004

By: /s/ Joseph C. Lawler

Joseph C. Lawler
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Thomas Oberdorf, Chief Financial Officer and Treasurer of CMGI, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of CMGI, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 9, 2004

By: /s/ Thomas Oberdorf

Thomas Oberdorf
Chief Financial Officer and Treasurer

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of CMGI, Inc. (the “Company”) for the fiscal quarter ended October 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, Joseph C. Lawler, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 9, 2004

By: /s/ Joseph C. Lawler

Joseph C. Lawler
President and Chief Executive Officer

EXHIBIT 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of CMGI, Inc. (the "Company") for the fiscal quarter ended October 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Thomas Oberdorf, Chief Financial Officer and Treasurer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 9, 2004

By: /s/ Thomas Oberdorf

Thomas Oberdorf
Chief Financial Officer and Treasurer