SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

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

Date of Report (date of earliest event reported): March 9, 2000

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

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

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

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

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

Item 5. Other Events

On December 14, 1999, CMGI, Inc. ("CMGI") entered into a merger agreement (the "yesmail Merger Agreement") to acquire yesmail.com, inc. Pursuant to the yesmail Merger Agreement, CMGI will issue 0.1252 shares of CMGI common stock for each share of yesmail common stock issued and outstanding at the closing of the merger. Total consideration for the yesmail merger is estimated at approximately $671 million consisting of: (i) CMGI common stock valued at $555 million, (ii) options and warrants to purchase CMGI common stock valued at approximately $110 million and (iii) estimated direct acquisition costs of $6 million. The closing of this transaction will occur promptly following the satisfaction of all closing conditions set forth in the yesmail Merger Agreement, including the expiration or early termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvement Act of 1976, as amended (the "Hart-Scott-Rodino Act").

CMGI has entered into a Stock Purchase Agreement, dated as of February 14, 2000, by and among itself, Bean Acquisition Corp., a wholly-owned subsidiary of CMGI ("Acquisition Sub"), Tallan, Inc. ("Tallan") and certain stockholders of Tallan (the "Stock Purchase Agreement"), providing for the acquisition of an approximately 80% interest in Tallan on a fully diluted basis. Total consideration for the acquisition is approximately $920 million and is payable in cash, promissory notes and options to acquire CMGI stock. The promissory notes have varying maturities and the principal and interest on the promissory notes are generally payable, at CMGI's option, in cash or registered shares of CMGI stock. The closing of the acquisition will occur promptly following the satisfaction of all closing conditions set forth in the Stock Purchase Agreement, which include the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Act.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits

(a) Financial Statements of Business Acquired

Audited consolidated balance sheets of yesmail.com, inc. as of December 31, 1998 and 1999, and the related consolidated statements of operations, common stockholders' equity (deficit) and cash flows for each of the two years in the period ended December 31, 1999.

Audited balance sheets of Tallan, Inc. as of December 31, 1998 and 1999, and the related statements of operations, changes in stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 1999.

(c) Exhibits:

23.1 Consent of PricewaterhouseCoopers LLP

23.2 Consent of Arthur Andersen LLP

99.1 Audited consolidated balance sheets of yesmail.com, inc. as of December 31, 1998 and 1999, and the related consolidated statements of operations, common stockholders' equity (deficit) and cash flows for each of the years in the period ended December 31, 1999.

99.2 Audited balance sheets of Tallan, Inc. as of December 31, 1998 and 1999, and the related statements of operations, changes in stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 1999.

SIGNATURE

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

Date: March 8, 2000

CMGI, Inc.
(Registrant)

By: /s/ William Williams II

William Williams II
Title: Vice President and General Counsel

EXHIBIT INDEX

Exhibit No.	Description
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23.2	Consent of Arthur Andersen LLP
99.1	Audited consolidated balance sheets of yesmail.com, inc. as of December 31, 1998 and 1999, and the related consolidated statements of operations, common stockholders' equity (deficit) and cash flows for each of the years in the period ended December 31, 1999.
99.2	Audited balance sheets of Tallan, Inc. as of December 31, 1998 and 1999, and the related statements of operations, stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 1999.

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-3 (File Nos. 333-93005, 333-85047, 333-90587 and 333-71863), on Forms S-8 (Nos. 333-94645, 333-94479, 333-93189 and 333-91117) and on Form S-4 (File No. 333-95977) of CMGI, Inc. of our report dated January 25, 2000 relating to the financial statements of Tallan, Inc., which appears in this Current Report on Form 8-K of CMGI, Inc.

PricewaterhouseCoopers LLP

Hartford, Connecticut
March 8, 2000

EXHIBIT 23.2

[LOGO OF ARTHUR ANDERSEN]

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

As independent certified public accountants, we hereby consent to the incorporation of our reports included or incorporated by reference in this Form 8-K, into CMGI's previously filed Registration Statements on Form S-8 (registration nos. 333-94645, 333-94479, 333-93189, 333-91117), previously filed Registration Statements on Form S-3 (registration nos. 333-93005, 333-85047, 333-90587) and previously filed Registration Statement on Form S-4 (registration no. 333-95977).

/s/ ARTHUR ANDERSEN LLP

ARTHUR ANDERSEN LLP

Chicago, Illinois
March 7, 2000

EXHIBIT 99.1

yesmail.com, inc.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of
yesmail.com, inc.:

We have audited the accompanying consolidated balance sheets of yesmail.com, inc. (a Delaware corporation) as of December 31, 1998 and 1999, and the related consolidated statements of operations, stockholders' (deficit) equity and cash flows for each of the two years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of yesmail.com, inc. as of December 31, 1998 and 1999, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 1999, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Chicago, Illinois
February 4, 2000

yesmail.com, inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

	December 31, 1998	December 31, 1999
Revenues	$ 4,583,354	$ 15,635,763
Cost of revenues	2,702,872	10,351,995
Gross profit	1,880,482	5,283,768
Operating expenses:		
Sales and marketing expenses	1,751,208	10,460,765
General and administrative expenses	929,209	4,252,508
Research and development costs	600,848	3,490,293
Merger costs	--	1,175,000
Stock based compensation	--	1,121,717
Total operating expenses	3,281,265	20,500,283
Operating loss	(1,400,783)	(15,216,515)
Other expense:		
Interest income (expense)	(45,075)	520,418
Other	(250,000)	--
Total other (expense) income	(295,075)	520,418
Net loss before minority interest	(1,695,858)	(14,696,097)
Minority interest	(10,547)	(34,356)
Net loss	$(1,706,405)	$(14,730,453)
Net loss per share:		
Basic and diluted	$ (0.22)	$ (1.15)
Weighted average shares--basic and diluted	7,636,099	12,826,932

The accompanying notes to consolidated financial statements are an integral part of these statements.

yesmail.com, inc.

CONSOLIDATED BALANCE SHEETS

	December 31, 1998	December 31, 1999
Current assets:		
Cash and cash equivalents	$ 26,212	$ 12,771,312
Short term investments	--	15,793,921
Accounts receivable, net of allowance of $56,000 and $457,000	242,757	6,081,564
Deposits and prepaid expenses	19,348	1,068,613
Total current assets	288,317	35,715,410
Property and equipment, net	353,871	2,757,981
Intangibles, net and other assets	750	1,118,734
Total assets	$ 642,938	$ 39,592,125
Current liabilities:		
Accounts payable	$ 1,391,509	$ 5,219,473
Short-term debt	342,870	150,000
Due to related parties	56,788	--
Obligations under capital leases, current portion	87,165	825,003
Accrued liabilities and other	672,194	4,191,786
Total current liabilities	2,550,526	10,386,262
Obligations under capital leases, less current portion	152,743	1,655,196
Commitments and contingencies		
Deferred Gain	--	72,000
Minority interest	(6,990)	--
Stockholders' (deficit) equity:		
Series A convertible preferred stock, $.0001 par value; 5,000,000 shares authorized; no shares issued and outstanding	--	--
Common stock, $.0001 par value; 60,000,000 shares authorized; 8,333,333 and 20,332,164 shares issued	833	2,033
Common stock in treasury, 833,333 and no shares, at cost	(1,030)	--
Notes receivable from stockholders	--	(3,947,936)
Additional paid-in capital	160,649	48,708,147
Deferred compensation	--	(987,331)
Accumulated deficit	(2,213,793)	(16,944,246)
Total stockholders' (deficit) equity	(2,053,341)	26,830,667
Total liabilities and stockholders' equity	$ 642,938	$ 39,592,125

The accompanying notes to consolidated financial statements are an integral part of these statements.

yesmail.com, inc.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' (DEFICIT) EQUITY

	Preferred Stock		Common Stock		Treasury Stock		Notes
	Shares	Amount	Shares	Amount	Shares	Amount	Receivable
Balance at December 31, 1997	--	$ --	8,333,333	$ 833	(497,685)	$ (602)	$ --
Treasury stock purchase	--	--	--	--	(335,648)	(428)	--
Net loss	--	--	--	--	--	--	--
Balance at December 31, 1998	--	--	8,333,333	833	(833,333)	(1,030)	--
Treasury stock cancelled	--	--	(833,333)	(83)	833,333	1,030	--
Issuance of common stock in initial Public offering, net	--	--	3,400,000	340	--	--	--
Issuance of common stock	--	--	1,875,469	188	--	--	--
Issuance of options and warrants	--	--	--	--	--	--	--
Exercise of warrants	--	--	7,601	1	--	--	--
Issuance of restricted common stock to officers in exchange for notes receivable	--	--	2,394,546	239	--	--	(3,831,274)
Issuance of preferred stock	5,154,548	515	--	--	--	--	--
Conversion of Series A preferred stock into Common stock	(5,154,548)	(515)	5,154,548	515	--	--	--
Interest on notes receivable	--	--	--	--	--	--	(116,662)
Deferred compensation	--	--	--	--	--	--	--
Amortization of deferred compensation, net	--	--	--	--	--	--	--
Net loss	--	--	--	--	--	--	--
Balance at December 31, 1999	--	$ --	20,332,164	$ 2,033	--	--	$3,947,936)

	Additional Paid In Capital	Deferred Compensation	Accumulated Deficit	Total
Balance at December 31, 1997	$ 160,649	$ --	$ (507,388)	$ (346,508)
Treasury stock purchase	--	--	--	(428)
Net loss	--	--	(1,706,405)	(1,706,405)
Balance at December 31, 1998	160,649	--	(2,213,793)	(2,053,341)
Treasury stock cancelled	(947)	--	--	--
Issuance of common stock in initial Public offering, net	33,142,832	--	--	33,142,832
Issuance of common stock	1,062	--	--	1,250
Issuance of options and warrants	1,496,782	--	--	1,496,782
Exercise of warrants	20,295	--	--	20,296
Issuance of restricted common stock to officers in exchange for notes receivable	3,831,035	--	--	--
Issuance of preferred stock	8,949,485	--	--	8,950,000
Conversion of Series A preferred stock into Common stock	--	--	--	--
Interest on notes receivable	--	--	--	(116,662)
Deferred compensation	1,120,420	(1,120,420)	--	--
Amortization of deferred compensation, net	(13,126)	133,089	--	119,963
Net loss	--	--	(14,730,453)	(14,730,453)
Balance at December 31, 1999	$ 48,708.147	$ (987,331)	$(16,944,246)	$ 26,830,667

The accompanying notes to consolidated financial statements are an integral part of these statements.

yesmail.com, inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	December 31, 1998	December 31, 1999
Cash Flows from Operating Activities:		
Net loss	$ (1,706,405)	$(14,730,453)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities--		
Depreciation and Amortization	101,783	1,066,100
Stock based compensation	--	1,121,717
Minority interest	10,547	34,356
Changes in operating assets and liabilities--		
Accounts receivable	(66,498)	(5,838,807)
Deposits and prepaid expenses	(15,562)	(1,049,265)
Accounts payable, accrued liabilities and other	1,677,070	7,347,556
Net cash provided by (used in) operating activities	935	(12,048,796)
Cash Flows from Investing Activities:		
Purchases of property and equipment	(102,232)	(1,655,568)
Short term investments	--	(15,793,921)
Purchase of minority interest	--	(150,000)
Net cash used in investing activities	(102,232)	(17,599,489)
Cash Flows from Financing Activities:		
Payment to related parties	(19,933)	(56,788)
Proceeds from short term debt	312,259	--
Payments of short term debt, net	(118,630)	(192,870)
Repurchase of stock	(428)	--
Net proceeds from issuance of common stock	--	33,144,082
Proceeds from issuance of preferred stock	--	8,950,000
Proceeds from sale-leaseback	--	745,715
Principal payments under capital lease obligations	(47,600)	(196,754)
Net cash provided by financing activities	125,668	42,393,385
Net Increase in Cash	24,371	12,745,100
Cash and cash equivalents, beginning of year	1,841	26,212
Cash and cash equivalents, end of year	$ 26,212	$ 12,771,312
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for interest	$ 45,075	$ 158,047
Noncash Transactions:		
Equipment acquired under capital leases	$ 251,782	$ 1,640,716
Securities received in exchange for sale of certain assets	--	720,000
Issuance of notes payable for purchase of minority interest	--	150,000
Issuance of warrants to purchase common stock in connection with lease agreement	--	56,614
Issuance of options to purchase common stock in exchange for purchase of minority interest	--	177,000
Issuance of restricted common stock to officer in exchange for notes receivable	--	3,831,274

The accompanying notes to consolidated financial statements are an integral part of these statements.

yesmail.com, inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The company and description of business

yesmail.com, inc. (the "Company") provides Internet marketing services which primarily consist of the delivery of targeted direct email campaigns to specific members in the YesMail Network. The YesMail Network is a collection of consumers who have given express permission to receive direct marketing messages in specific categories of interest. These consumers join the YesMail Network through relationships with Network Partners, and the Company shares a portion of the revenue received from the delivery and execution of its email campaigns with its Network Partners. Prior to 1999, the Company also offered a variety of marketing services focused on delivering Internet users to a particular Web site.

Superhighway Consulting, Inc. ("SCI", doing business as WebPromote) was founded in 1995 and was merged with WP Holding, Inc. ("WP Holding") on March 29, 1999, in a stock-for-stock transaction (the "Merger"), with the SCI stockholders receiving 80% of the outstanding shares of WP Holding. WP Holding was organized as a Delaware corporation in October 1998 and five investors purchased 5 million shares of common stock at par value on March 25, 1999. As the SCI stockholders retained a controlling interest in the surviving entity and WP Holding had no prior operations, the Company accounted for this merger as a recapitalization. The shares of SCI have been retroactively adjusted as if there had been an 11.57 for one stock-split.

In connection with the Merger, SCI and the stockholders of WP Holding entered into a Founders' Agreement, which, among other things, gives the former SCI stockholders the right to retain the first $16 million in value of the Company upon subsequent sale or merger or the WP Holding stockholders' interest in the first $16 million in value of the Company upon the Company's initial public offering. In the case of an initial public offering, such payment shall be made with a transfer of shares among the stockholders. The $16 million represented the negotiated value of SCI as of the date of the Merger.

The financial statements reflect the historical accounts of SCI, with the number of SCI shares retroactively adjusted to reflect the stock split referred to above. On May 10, 1999, WP Holding changed its name to yesmail.com, inc.

Starting Point, L.L.C. ("Starting Point"), was incorporated by the Company as a wholly-owned subsidiary in February 1996. Starting Point manages and operates an Internet directory and search resource. Starting Point owns a list of permission e-mail addresses and sells Web site banner advertisements for its Web site. In September 1996, the Company distributed a 30% interest to and entered into an operating agreement with a third party retained to manage Starting Point. This 30% ownership distribution resulted in a $16,000 compensation charge based on the fair market value of the 30% interest as determined by the Board of Directors. In June 1999, the Company purchased the 30% minority ownership as further described in Note 12. On December 7, 1999, the Company signed an agreement to sell certain assets of Starting Point as further described in Note 12.

The Company signed a definitive agreement on December 14, 1999, to be acquired by CMGI, Inc., in a stock-for-stock merger as further described in Note 13.

2. Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiary. All significant intercompany balances and transactions have been eliminated in the consolidation process.

Cash and cash equivalents

The Company considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Short term investments

The Company invests in investment-grade marketable securities with varying maturities. These securities include government and agency securities, money market funds, commercial paper and corporate bonds. The Company accounts for its investments using Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS No. 115"). Management determines the classification of investments under SFAS No. 115 at the time of purchase and reevaluates such classifications at each balance sheet date.

The costs of the investments (which approximates fair market value) that are held to maturity consist of the following as of December 31, 1999:

Corporate bonds	$ 11,698,546
U.S. government and agency securities.....	4,095,375
	$ 15,793,921

Accounts receivable

A summary of activity in allowance for doubtful accounts is approximately as follows:

	December 31, 1998	December 31, 1999
Balance at beginning of the year	$ 26,000	$ 56,000
Charged to costs and expenses...........	30,000	406,000
Write-offs..............................	--	(5,000)
Balance at the ending of the year	$ 56,000	$ 457,000

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

Property and equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets or, for leasehold improvements, the shorter of the lease term or the estimated useful life of the asset, as follows:

Computer equipment and software..........	1--3 years
Telephone equipment......................	2--5 years
Furniture and fixtures...................	5--7 years
Leasehold improvements...................	1--5 years

Maintenance and repairs are charged to expense as incurred and improvements and betterments are capitalized. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the consolidated statement of operations for the period in which it is realized.

Income taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards ("SFAS No.109"), "Accounting for Income Taxes." Under SFAS No.109, deferred tax assets and liabilities are determined based on temporary differences between the financial statement and tax bases of assets and liabilities and net operating loss and credit carryforwards using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. A provision for income tax expense is recognized for income taxes payable for the current period, plus the net changes in deferred tax amounts.

Revenue recognition

The Company earns revenues from its customers by (i) charging fees for sending targeted email to its owned and represented subscribers, (ii) placing advertisements on Web sites and (iii) providing services to Web site owners. Revenue is recognized when emails are transmitted to subscribers, as advertisements are placed on Web sites, and when services are performed. Deferred revenue represents liabilities for services not yet rendered or for advertisements not yet placed.

The Company generally becomes obligated to make payments to it Network Partners, which have contracted with the Company to be part of the YesMail Network, in the period the email messages are delivered. Such expenses are classified as cost of revenues in the consolidated statements of operations.

Research and development costs

Costs incurred in the development of its Web site, products, and related applications to be used in connection with the Company's services have been expensed to operations as incurred through the year ended December 31, 1998. In March 1998, the American Institute of Certified Public Accountants issued Statement of Position ("SOP") No. 98-1, "Software for Internal Use," which provides guidance on accounting for the cost of computer software developed or obtained for internal use. The Company adopted SOP No. 98-1 on January 1, 1999. As a result, the Company has continued to expense its development costs as incurred as the rapid pace of technological change results in an estimated useful life of such software of one year or less.

Advertising costs

Costs of developing the advertisements are expensed as incurred. Costs of placing the media are expensed as the advertisements are run. Such costs are included in sales and marketing on the consolidated statement of operations and totaled approximately $699,000 and $843,000 for the years ended December 31, 1998 and 1999, respectively.

Goodwill and other intangibles

Goodwill and other intangible assets are stated at cost and amortized using the straight-line method over the estimated economic useful life of up to three years. The Company continually evaluates whether subsequent events and circumstances have occurred that indicate the remaining estimated useful life of goodwill or an intangible asset may warrant revision, or that the remaining balance of goodwill or an intangible asset may not be recoverable. The Company evaluates the recoverability of goodwill and intangible assets by measuring the carrying amount of the assets against the estimated undiscounted future cash flows associated with them. At the time such evaluations indicate that the future undiscounted cash flows of such assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values. Based on these evaluations, there were no adjustments to the carrying value of goodwill or intangible assets in 1998 and 1999.

Financial instruments and concentration of risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash, accounts receivable, accounts payable, short-term debt, obligations under capital leases and accrued liabilities. At December 31, 1998 and 1999, the fair market value of these instruments approximated their financial statement carrying amount because of the short term maturity of these instruments. The Company does not require collateral for accounts receivable, but does evaluate customer creditworthiness and establish allowances as necessary based on management estimates of collectibility. One customer represented 10.3% of revenues for the year ended December 31, 1999, and 9.9% of the accounts receivable balance as of December 31, 1999.

Impairment of long-lived assets and long-lived assets to be disposed of

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

Stock-based compensation

The Company accounts for stock-based compensation arrangements with employees in accordance with provisions of Accounting Principles Board ("APB"), Opinion No. 25, "Accounting for Stock Issued to Employees," and complies with the disclosure provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." Under APB No. 25, compensation expense is based on the difference, if any, on the measurement date, between the estimated fair value of the Company's stock and the exercise price of options to purchase that stock or price paid for shares of stock. For directors and consultants receiving stock-based compensation, the Company complies with the provisions of SFAS No. 123.

Net loss per share

The Company computes net loss per share in accordance with SFAS No. 128, "Earnings per Share." Under the provisions of SFAS No. 128, basic net loss per share is computed by dividing the net loss for the period by the weighted average number of common shares outstanding during the period. Diluted net loss per share is computed by dividing the net loss for the period by the weighted average number of common and common equivalent shares outstanding during the period. However, the Company had securities outstanding which could potentially dilute basic earnings per share in the future, but were excluded in the computation of diluted net loss per share in the periods presented, as their effect would have been antidilutive. The Company has outstanding options to purchase 1,966,924 shares of common stock as of December, 31, 1999.

Recently issued accounting pronouncements

In June 1997, the Financial Accounting Standard Board ("FASB") issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS No. 131 establishes standards for the way companies report information about operating segments in annual financial statements. It also establishes standards for related disclosures about products and services, geographic areas and major customers. The disclosures prescribed in SFAS No. 131 are effective for the year ended December 31, 1998. The Company has determined that it does not have any separately reportable business segments.

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

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year's presentation.

3. Related-party transactions

The Company had amounts payable to certain stockholders for expenses incurred on behalf of the Company in the amount of $133,509 as of December 31, 1998.

During 1999, the Company obtained advances from certain stockholders totaling $600,000. All advances were converted to Series A preferred stock on May 18, 1999.

Starting Point paid a management fee to its minority member for services related to operating and managing the business. Management fees paid to the minority member were $81,000 and $115,000 for the years ended December 31, 1998 and 1999, respectively.

Certain stockholders personally guarantee a portion of the Company's short-term debt and certain equipment leases as further described in Notes 6 and 9.

4. Property and equipment

Property and equipment are summarized as follows:

	December 31, 1998	December 31, 1999
Computer equipment	$ 268,384	$ 2,834,294
Computer software	126,147	728,251
Telephone equipment	57,528	57,528
Furniture and fixtures	10,878	91,157
Leasehold improvements	60,628	108,619
	523,565	3,819,849
Accumulated depreciation	(169,694)	(1,061,868)
	$ 353,871	$ 2,757,981

5. Intangible and other assets

Intangible and other assets are summarized as follows:

	December 31, 1998	December 31, 1999
Long-term investment	$ --	$ 720,000
Goodwill, net	--	374,695
Other	750	24,039
	$ 750	$1,118,734

Accumulated amortization of goodwill as of December 31, 1999 is approximately $75,000.

6. Short-term debt

As of December 31, 1998, the Company had two lines of credit for maximum borrowings of $370,000. Interest rates ranged from 9.25% and 14.75%, with a weighted average rate of 10% as of December 31, 1998. Outstanding borrowings under the lines of credit were $298,955 as of December 31, 1998, and were personally guaranteed by certain stockholders.

On March 12, 1998 the Company borrowed $50,000 from a bank at an interest rate of 10.0% that matured and was paid in full in July 1999. The balance of the note as of December 31, 1998, was $43,915. The loan was collateralized by all of the assets and property of the Company.

In June 1999, the Company purchased the 30% ownership interest of Starting Point from the minority interest shareholder for $477,000 as described in Note 12. The purchase price included the issuance of an $150,000 note, which accrues interest at a rate of 10% and is to be repaid one year from the anniversary of the acquisition date.

As of December 31, 1999, the Company has a line of credit with a bank providing for maximum borrowing of $2,500,000 that expires on June 30, 2000. Borrowings are collateralized by substantially all assets. Interest on borrowings is at prime. There were no borrowings outstanding as of December 31, 1999.

7. 401(k) savings plan

In September 1997, the Company established a 401(k) Savings Plan (the "Plan") that covers substantially all employees. Under the Plan, employees are permitted to contribute a portion of gross compensation not to exceed standard limitations provided by the Internal Revenue Service. The Company maintains the right to match employee contributions, but for the years ended December 31, 1998 and 1999, no Company matching contributions were made.

8. Accrued liabilities and other

Accrued liabilities and other are comprised of the following:

	December 31, 1998	December 31, 1999
Payroll and payroll related expenses	$ 213,291	$ 1,347,984
Deferred revenue	114,301	548,709
Legal settlement	250,000	--
Professional fees	--	1,756,093
Accrued marketing	--	539,000
Other	94,602	--
	$ 672,194	$ 4,191,786

9. Commitments and contingencies

Leases

The Company leases office space and equipment under noncancelable operating and capital leases with various expiration dates through the year 2004. Rent expense amounted to approximately, $86,000, and $336,000 for the years ended December 31, 1998 and 1999, respectively.

Future minimum lease payments under noncancelable capital leases and operating leases as of December 31, 1999 are as follows:

	Capital Leases	Operating Leases
2000	$1,093,624	$1,102,043
2001	1,038,780	1,189,975
2002	767,082	1,218,790
2003	28,395	1,210,945
2004	--	1,063,507
After 2004	--	2,348,054
Total minimum lease payments	$2,927,881	$8,133,314
Less--Amount representing interest	(447,682)	
Present value of capital lease obligations	2,480,199	
Less--Current portion	(825,003)	
Long-term portion	$1,655,196	

The Company received $745,715 as proceeds pursuant to an equipment and furniture sale-leaseback transaction in August 1999. This capital lease agreement expires in August 2002 and has any annual interest rate of 12.35%. Interest rates under other noncancelable capital leases range from 10.43% to 28.11%.

Litigation

In connection with the termination of employment of a stockholder, the Company exercised its right to repurchase the stockholder's shares in accordance with the Shareholders' Agreement described in Note 11. The former stockholder has filed a lawsuit contesting the repurchase amount. During 1998, the Company recorded a reserve of $250,000 in other expense in the accompanying financial statements. During 1999, the case was settled for approximately $250,000.

Additionally, the Company is, at times, subject to pending and threatened legal actions and proceedings. After reviewing pending and threatened actions and proceedings with counsel, management believes that the outcome of such actions or proceedings is not expected to have a material adverse effect on the financial position or results of operations of the Company.

Guarantees

The Company has commitments to certain third parties that guarantees quarterly payments of approximately $300,000. These commitments expire in 2000.

Construction Commitments

At December 31, 1999, the Company signed commitments to spend approximately $2,000,000 relating to new office space. Management believes that the office space will be completed by March 2000.

Letter of Credit

A letter of credit of $1,495,337 is outstanding that expires on February 28, 2001.

10. Income taxes

As of December 31, 1998 and 1999, the Company had net operating loss carryforwards of approximately $1,423,000 and $10,213,000, which begin to expire in the year 2010.

As a result of various equity transactions during 1999, the Company believes that it may have undergone an "ownership change" as defined in Section 382 of the Internal Revenue Code. Accordingly, the utilization of a portion of the net operating loss carryforwards may be limited. Due to the uncertainty regarding the ultimate utilization of the net operating carryforwards, the Company has not recorded any benefit for losses and a valuation allowance has been recorded for the entire amount of the net deferred tax asset. In addition, sales of the Company's stock, including shares sold in the Company's initial public offering, may further restrict its ability to utilize its net operating loss carryforwards.

The difference between the income tax benefit at the federal statutory rate of 34% and the Company's effective tax rate is due primarily to recognition of a full valuation allowance to offset the deferred tax assets.

The estimated tax effects of significant temporary difference and carryforwards that give rise to deferred income tax assets are as follows:

	December 31, 1998	December 31, 1999
Deferred income tax assets--		
Net operating loss carryforwards..........	$ 554,787	$ 3,983,195
Accrued liabilities and other.............	453,448	1,218,953
Gross deferred income tax assets.....	1,008,235	5,202,148
Less: valuation allowance.................	(839,316)	(5,160,394)
Deferred income tax liabilities--		
Deferred revenue..........................	(156,629)	--
Depreciation on property and equipment...	(12,290)	--
Prepaid insurance........................	--	(41,754)
Gross deferred income tax liabilities..	(168,919)	(41,754)
Net deferred tax assets................	$ --	$ --

The Company has recorded a valuation allowance against gross deferred tax assets due to uncertainties surrounding their realization. The amount of net deferred tax assets considered realizable, however, could be increased in the future if estimates of future taxable income are increased.

11. Stockholders' (deficit) equity

Common stock

In January 1998, the Board of Directors authorized a five hundred for one stock split. In connection with the Merger described in Note 1, the financial statements reflect an 11.57 for one stock split on March 29, 1999. On July 13, 1999, the Company's Board of Directors approved a 3 for 8 reverse stock split of the Company's outstanding shares of common stock and convertible preferred stock. The reverse stock split became effective on September 21, 1999. The consolidated financial statements have been restated to reflect these stock splits.

The stock of SCI, prior to the Merger, was subject to a Shareholders' Agreement which gave SCI the right to repurchase the stock, at a formula price, from stockholders who terminated employment with SCI. The Shareholders' Agreement also gave SCI the right of first refusal to repurchase shares offered to a third party. The Shareholders' Agreement was terminated in connection with the Merger with WP Holding.

In 1998, the Company repurchased 335,648 shares of common stock in the amount of $428 from terminated employees in accordance with a formula contained in the then existing Shareholders' Agreement.

In February 1999, the Company retired all treasury shares outstanding.

In September 1999, the Company sold 3.4 million shares of common stock at $11 per share in an initial public offering.

Common stock warrants

In August 1999, the Company issued a warrant to a financing company in conjunction with a lease agreement. The warrant to purchase 7,601 shares of common stock at $2.67 per share was exercisable immediately and expires on August 24, 2004. In December this warrant was exercised.

In September 1999, the Company issued a warrant to a recruiting firm in conjunction with the hiring of one of the Company's executives. The warrant to purchase 17,969 shares of common stock at $8.99 per share was exercisable immediately and expires on September 12, 2006.

In October 1999, the Company issued a warrant to a marketing firm for marketing related services. The warrant to purchase 100,000 shares of common stock at $11 per share and expires in September 2005. Subsequent to year-end the warrant was exercised.

Bridge loan & warrant

On December 28, 1998, the Company agreed to issue a warrant to a shareholder in connection with a loan of $1.0 million ("Bridge Loan"), which was to be converted into Series A convertible preferred stock at the option of the holder. The warrant was only exercisable upon an event of default. The bridge loan which accrued interest at the prime rate (7.5%) matured upon the closing of the private equity placement. No value was ascribed to the warrant. The proceeds from the loan were received and the warrant was issued in January 1999. On May 18, 1999, the loan was converted into 572,727 shares of Series A convertible preferred stock in connection with the Company's private equity placement and the warrant was canceled.

Restricted common stock

In May, 1999, the Company issued an aggregate of 2,394,546 shares of restricted common stock to officers for $1.60 per share. In the event of a change of control (as defined in the Restricted Stock Purchase Agreement), 25% of the shares purchased vest (in addition to any shares vested at such time). In connection with such issuance, the officers paid for the stock by issuing notes payable to the Company that are secured by the shares of the Company's common stock purchased. The secured notes receivable bear interest at 5.22% per annum with the entire principal balance of the note, together with all accrued and unpaid interest, due and payable on the earlier of (a) the sale of the underlying common stock, (b) May 10, 2008, or (c) termination of employment. The Company has recourse against the signers of the notes for 75% of the principal and all accrued interest. The notes receivable from the stockholders has been classified as a reduction of equity. The shares generally vest over a four-year period; however, 900,000 shares vest in April 2000, seven months from the occurrence of the initial public offering. The stock is restricted in that any unvested shares are subject to repurchase rights by the Company upon the occurrence of certain events or conditions, such as employment termination, at the original purchase price.

Stock option plan

On April 1, 1999, the Company adopted the 1999 Stock Plan (the "Stock Plan") provides for the grant of up to 3,225,000 incentive or non-qualified stock options or shares of restricted stock to employees, directors and consultants ("Optionee") of the Company. On May 17, 1999, the Board of Directors increased the number of authorized options to 3,675,000 and on July 13, 1999, the Board of Directors increased the number of authorized options to 4,425,000. Options granted under the Stock Plan generally vest ratably over a period of four years and expire ten years from the date of grant. If an Optionee ceases employment with or service to the Company ("Termination"), the Optionee may exercise any vested option at the time of Termination within such period of time specified in the option agreement. In the absence of a specified time in the option agreement, the option remains exercisable for three months following the Optionee's Termination. Unvested options revert to the Stock Plan at the date of the Termination. If, after Termination, the Optionee does not exercise the options within the time specified, the Option shall terminate and the shares revert to the stock plan.

Stock option activity

During 1999, the Company granted approximately 460,000 of incentive stock options and approximately 1,579,000 of non-qualified stock options. The stock options vest over a two to four year period. Of these options issued, 30,000 options were issued to consultants in consideration for services rendered and 18,750 options were issued as consideration for the purchase of the minority interest in Starting Point, as discussed in Note 12. These options vest on the date of grant. In addition, the Company issued options to an employee which is subject to performance and is forfeited if certain performance measures are not met. The Company recorded an expense of approximately $245,000 for the issuance of the performance options to the employee and the issuance of options to the consultants. The performance options were valued using the intrinsic value method at December 31, 1999. The options issued to consultants and options issued as consideration for the purchase of minority interest were valued using the Black-Scholes option pricing model at the date of grant as is described in the additional stock plan information below.

Deferred stock compensation

During 1999, certain employees were granted options to purchase an aggregate of approximately 970,000 shares of common stock. Giving effect to the Company's proposed initial public offering, the deemed fair market value of the Company's common stock exceeded the exercise price of the options granted. Total non-cash compensation of approximately $1,120,000 related to these grants will be charged to operations over the four-year vesting period. Non cash compensation expense totaling approximately $119,000 has been recorded for the year ended December 31, 1999 related to these employee options.

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

	Shares	Weighted Average Exercise Price
Balance, January 1, 1999..............	--	--
Granted..............................	2,040,518	$ 6.48
Forfeited............................	(73,594)	4.09
Balance, December 31, 1999............	1,966,924	$ 6.40
Available for grant at December 31, 1999....................	2,458,076	

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

Range of Exercise Price	Options Outstanding: Outstanding at December 31, 1999	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Vested: Vested at December 31, 1999	Weighted Average Exercise Price
$ 1.60	667,734	9.75	$ 1.60	132,422	$ 1.60
1.79	--	--	--	18,750	1.79
3.20	52,500	9.75	3.20	7,500	3.20
8.99	215,625	9.75	8.99	--	--
9.87	730,224	9.75	9.87	4,219	9.87
$10.25 - $20	137,950	9.75	14.93	--	--
	1,804,033		$ 6.90	162,891	$ 1.91

Additional stock plan information

As discussed in Note 2, the Company accounts for its stock-based awards to employees using the intrinsic value method in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees" and its related interpretations.

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

The Company's calculations for employee grants were made using the Black-Scholes option pricing model with the following weighted average assumptions:

	Year Ended December 31, 1999
Dividend yield..............	None
Expected volatility..........	90%
Risk free interest rate......	5.0%
Expected term, in years......	9.75

The weighted average fair value per option as of the date of grant for options granted during 1999 was $ 6.48.

Had the Company determined compensation cost based on the fair value at the grant date for its stock options under SFAS No. 123, the Company's net loss would have been reduced to the pro forma amounts indicated below:

	Year Ended December 31, 1999
Loss attributable to common stockholders (in thousands):	
As reported..	$(14,730)
Pro forma..	$(16,152)
Basic and diluted net loss per share:	
As reported..	$ (1.15)
Pro forma..	$ (1.26)

Convertible preferred stock

On May 18, 1999, the Company issued the 5,154,548 shares of $.0001 par value series A convertible preferred stock at $1.75 per share ("Subscription Price") for gross proceeds of approximately $9.0 million, including the $1 million Bridge Loan and the $600,000 of stockholder advances previously received. The Bridge Loan and stockholder advances were converted to approximately 916,000 shares of preferred stock.

Upon closing of the initial public offering, 5,154,548 preferred shares were converted to common stock.

Employee stock purchase plan

In July 1999, the Company adopted an employee stock purchase plan (the "Purchase Plan") which provides employees with an opportunity to purchase common stock through accumulated payroll deductions up to a maximum of $25,000 for all purchases within the same calendar year and up to a maximum of 2,000 shares for the first purchase period and a maximum of 1,000 shares for each purchase period thereafter. Under the Purchase Plan, employees may purchase the common stock at a price equal to 85% of the fair market value of the common stock on the first or last day of the offering period, whichever is lower. This Plan became effective on September 22, 1999. 200,000 shares of common stock have been reserved for issuance under the Purchase Plan (subject to an annual increase), of which approximately 30,000 shares were issued subsequent to year end (See Note 14).

12. Acquisition and sale of minority interest

In June 1999, the Company purchased the 30% ownership interest of Starting Point from the minority interest shareholder for $477,000. The purchase price included an initial cash payment of $150,000, an issuance of an $150,000 note which accrues interest at a rate of 10% and is to be repaid one year from the anniversary of the acquisition date and a grant of 18,750 options at an exercise price of $1.79 which are fully vested on the date of grant. In addition, the Company is required to make a contingency payment of a maximum of $200,000 in the event that the options do not have a value of an amount specified per the LLC Interest Purchase Agreement, no later than 180 days from the acquisition date or upon sale of the Company. The Company recorded goodwill of approximately $450,000 for the acquisition based on the difference between the purchase price and the value of the 30% interest in the net assets acquired at the time of the acquisition. The goodwill is being amortized over three years. If a contingency payment becomes due, the Company intends to increase goodwill for this amount and amortize it over the balance of the original amortization period.

On December 8, 1999, the Company sold certain assets of Starting Point to Techlabs, Inc. ("Techlabs") in exchange for 250,000 shares of common stock in Techlabs. The Company has recorded $720,000 as a long term investment and as a long term deferred gain to account for this transaction. Techlabs' stock is thinly traded over the counter . Techlabs is also a development stage company that was incorporated in May 1998. Techlabs has guaranteed value of the shares would be $1.5 million on December 8, 2000. If the shares are not worth $1.5 million on December 8, 2000, then Techlabs has agreed to deliver additional shares of Techlabs common stock so that the Company receives $1.5 million in value (as defined).

13. Merger Agreement

On December 14, 1999, the Company announced that it had signed a definitive agreement to be acquired by CMGI, Inc. ("CMGI"), in a stock -for-stock merger. Under the terms of the agreement, CMGI will issue .2504 (post CMGI's 2-for-1 common stock split on January 12, 2000) CMGI common stock shares for every common stock share of the Company. Closing of the merger is subject to customary conditions, including formal approval by the Company's shareholders. It is anticipated that the transaction will close in March 2000. A significant percentage of the Company's shareholders have agreed to the vote in favor of the merger. The Company expects to incur additional financial advisor accounting and legal fees estimated to be between $500,000 and $800,000 contingent upon completion of the acquisition. The Company will also be responsible for paying a transaction fee to Deutsche Banc Alex. Brown of 1% of closing price which is estimated to be approximately $5,000,000. These estimates are preliminary and are therefore, subject to change.

14. Subsequent Events

The Company completed its SEC and Hart-Scott-Rodino filings in February 2000 related to the CMGI and yesmail.com, inc. merger. A special shareholders meeting to vote on the merger is scheduled for March 10, 2000.

In February 2000, the Company issued approximately 30,000 shares of common stock that were purchased by eligible employees under the Company's employee stock purchase plan. These shares were purchased at $11.10 per share which represented to 85% of the fair market value of the common stock on September 22, 1999, which was the first day of the offering period.

EXHIBIT 99.2

Tallan, Inc.
Index to Financial Statements

Report of Independent Accountants

To the Board of Directors and
Stockholders of Tallan, Inc.

In our opinion, the accompanying balance sheets and the related statements of operations, changes in stockholders' equity (deficit) and of cash flows present fairly, in all material respects, the financial position of Tallan, Inc. at December 31, 1999 and 1998, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP
January 25, 2000
Hartford, Connecticut

Tallan, Inc.
Balance Sheets
December 31, 1999 and 1998

	1999	1998
Assets		
Current assets		
Cash and cash equivalents	$ 9,788,891	$ 39,015
Investments	302,681	100,000
Accounts receivable (net of allowance for doubtful accounts of $300,000 and $100,000, respectively)	10,602,380	3,479,776
Prepaid expenses and other current assets	463,907	130,148
Total current assets	21,157,859	3,748,939
Property and equipment, net (Note 4)	2,332,485	749,211
Other assets	661,016	72,867
Total assets	$24,151,360	$4,571,017
Liabilities, Mandatorily Redeemable Preferred Stock and Stockholders' Equity		
Current liabilities		
Line of credit	$ -	$ 881,566
Accounts payable	385,496	182,709
Current taxes payable	780,299	16,702
Accrued payroll	1,257,518	861,272
Deferred revenue	484,608	-
Accrued other expenses	1,359,330	484,369
Deferred income taxes	-	114,910
Total current liabilities	4,267,251	2,541,528
Long-term liabilities		
Deferred income taxes (Note 6)	181,457	345,643
Deferred compensation	154,282	-
Commitments and Contingencies (Note 5)		
Mandatorily Redeemable Preferred Stock (Note 8)		
Series A Redeemable Preferred Stock, $0.01 par value, 3,412,969 shares authorized; 3,412,969 and 0 shares issued and outstanding, respectively	10,479,354	-
Series B Convertible Preferred Stock, $0.01 par value, 1,706,485 shares authorized; 1,706,485 and 0 shares issued and outstanding, respectively	6,183,676	-
Stockholders' equity (Note 9)		
Common stock, $0.01 par value, 32,000,000 and 21,000,000 shares authorized; 19,240,555 and 15,820,000 shares issued; 16,321,568 and 15,820,000 shares outstanding, respectively	192,406	-
Additional paid-in capital	16,038,638	266,600
Treasury stock at cost (2,918,987 shares)	(17,105,264)	-
Retained earnings	3,666,879	1,417,246
Other comprehensive income	92,681	-
Total stockholders' equity	2,885,340	1,683,846
Total liabilities, mandatorily redeemable preferred stock and stockholders' equity	$24,151,360	$4,571,017

The accompanying notes are an integral part of these financial statements.

Tallan, Inc.
Statements of Operations
For the Years Ended December 31, 1999, 1998 and 1997

	1999	1998	1997
Revenues	$ 53,940,686	$ 22,869,596	$ 13,453,472
Operating expenses			
Project personnel costs	30,573,791	13,150,562	8,514,755
General and administrative	8,559,155	5,020,290	3,442,982
Selling and marketing	1,785,313	918,854	909,489
Research and development	-	222,599	623,024
Depreciation and amortization	795,772	297,952	187,415
	41,714,031	19,610,257	13,677,665
Income (loss) from operations	12,226,655	3,259,339	(224,193)
Other income (expense)			
Interest income	144,164	20,689	20
Loss on disposal of assets	(39,478)	(19,889)	(83,057)
Interest expense	(135,920)	(157,736)	(205,943)
	(31,234)	(156,936)	(288,980)
Income (loss) before provision (benefit) for income taxes	12,195,421	3,102,403	(513,173)
Provision (benefit) for income taxes (Note 6)	5,122,981	1,396,026	(96,506)
Net income (loss)	7,072,440	1,706,377	(416,667)
Deemed preferred dividends and accretion (Note 8)	(4,822,807)	-	-
Net income (loss) available for common shareholders	$ 2,249,633	$ 1,706,377	$ (416,667)

The accompanying notes are an integral part of these financial statements.

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Tallan Inc.

Statements of Changes in Stockholders Equity (Deficit)
For the Years Ended December 31, 1999, 1998 and 1997.

	Common Stock		Class B Common Stock		Additional Paid-In Capital	Retained Earnings (Deficit)
	Shares	Amount	Shares	Amount		
Balance at December 31, 1996	12,600,000	$ -	3,500,000	$ -	$ 1,000	$ 127,536
Net loss	-	-	-	-	-	(416,667)
Balance at December 31, 1997	12,600,000	-	3,500,000	-	1,000	(289,131)
Conversion of shares	2,100,000	-	(3,500,000)	-	-	-
Issuance of common stock	1,120,000	-	-	-	265,600	-
Net income	-	-	-	-	-	1,706,377
Balance at December 31, 1998	15,820,000	-	-	-	266,600	1,417,246
Exchange of shares	-	158,200	-	-	(158,200)	-
Issuance of common stock	3,412,969	34,130	-	-	12,206,591	-
Purchase of treasury shares	-	-	-	-	-	-
Exercise of options	7,586	76	-	-	9,710	-
Unrealized gain	-	-	-	-	-	-
Deemed preferred dividends and accretion	-	-	-	-	3,713,937	(4,822,807)
Net income	-	-	-	-	-	7,072,440
Balance at December 31, 1999	19,240,555	$ 192,406	$ -	$ -	$16,038,638	$ 3,666,879

	Treasury Stock		Other Comprehensive Income	Total Stockholders' Equity (Deficit)
	Number of Shares	Amount		
Balance at December 31, 1996	-	$ -	$ -	$ 128,536
Net loss	-	-	-	(416,667)
Balance at December 31, 1997	-	-	-	(288,131)
Conversion of shares	-	-	-	-
Issuance of common stock	-	-	-	265,600
Net income	-	-	-	1,706,377
Balance at December 31, 1998	-	-	-	1,683,846
Exchange of shares	-	-	-	-
Issuance of common stock	-	-	-	12,240,721
Purchase of treasury shares	2,918,987	(17,105,264)	-	(17,105,264)
Exercise of options	-	-	-	9,786
Unrealized gain	-	-	92,681	92,681
Deemed preferred dividends and accretion	-	-	-	(1,108,870)
Net income	-	-	-	7,072,440
Balance at December 31, 1999	2,918,987	$(17,105,264)	$ 92,681	$ 2,885,340

The accompanying notes are an integral part of these financial statements.

Tallan, Inc.
Statements of Cash Flows
For the Years Ended December 31, 1999, 1998 and 1997

	1999	1998	1997
Cash flows from operating activities			
Net income (loss)	$ 7,072,440	$ 1,706,377	$ (416,667)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities			
Depreciation and amortization	795,772	297,952	187,415
Provision for doubtful accounts	200,000	-	100,000
Loss on disposition of assets	39,478	19,889	83,057
Deferred income taxes	(390,683)	416,000	(99,567)
Change in assets and liabilities			
Accounts receivable	(7,322,604)	(695,987)	(1,871,553)
Prepaid expenses and other assets	(118,075)	(114,290)	55,605
Accounts payable	202,787	(352,077)	246,247
Current taxes payable	763,597	16,702	-
Other assets	(588,149)	12,187	(28,621)
Deferred revenue	484,608	-	-
Accrued expenses	874,961	(120,112)	622,155
Deferred compensation	154,282		
Accrued payroll	396,246	598,115	-
Net cash provided by (used in) operating activities	2,564,660	1,784,756	(1,121,929)
Cash flows from investing activities			
Purchase of assets	(2,450,775)	(562,243)	(107,037)
Proceeds from disposal of assets	32,251	19,125	-
Purchase of investment	(110,000)	(100,000)	-
Net cash used in investing activities	(2,528,524)	(643,118)	(107,037)
Cash flows from financing activities			
(Repayments) proceeds from line of credit, net	(881,566)	(933,538)	1,285,064
Proceeds from note payable	-	250,000	-
Repayment of note payable	-	(250,000)	-
Proceeds from employee and stockholder loans	-	-	188,272
Repayment of loans to employees and stockholders	-	(177,896)	-
Deferred financing costs	(104,097)	(42,563)	-
Proceeds from exercise of options	9,786	-	-
Proceeds from issuance of stock, net	27,794,881	265,600	-
Repayment of capital lease obligations	-	(342,933)	(118,913)
Purchase of treasury stock	(17,105,264)	-	-
Net cash provided by (used in) financing activities	9,713,740	(1,231,330)	1,354,423
Net increase (decrease) in cash	9,749,876	(89,692)	125,457
Cash at beginning of year	39,015	128,707	3,250
Cash at end of year	$ 9,788,891	$ 39,015	$ 128,707
Supplemental disclosures of cash flow information			
Cash paid during the year for:			
Interest	$ 150,751	$ 171,971	$ 189,401
Income taxes	4,760,146	963,323	508

Additional non-cash transactions disclosed in Notes 2, 4 and 8.

The accompanying notes are an integral part of these financial statements.

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1. Organization and Nature of Operations

Business

Tallan, Inc. ("Tallan" or the "Company") was initially incorporated in Connecticut in 1985 under the name BDS Business Center, Inc. ("BDS"). In August 1999, BDS completed a migratory merger to reincorporate in Delaware. In December 1999, BDS changed its name to Tallan.

Tallan is an Internet professional services firm that creates technically advanced Internet and e-Business solutions that improve commerce between businesses and consumers as well as among businesses and their trading partners. The Company focuses on providing solutions for their customers that will allow them to maximize the opportunities presented by the Internet, particularly projects that create new revenue opportunities. The Company's customers are located primarily in the United States.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and Cash Equivalents include cash on deposit with banks, as well as short-term investments with original maturities of 90 days or less.

Investments

The Company's investment balance consists of equity securities and are categorized as available-for-sale securities. Unrealized holding gains and losses are reflected as a net amount in accumulated other comprehensive income until realized. For the purpose of computing realized gains and losses, cost is identified on a specific identification basis. Additionally, during 1999, the Company received a warrant to purchase 666,667 shares of common stock of one of its customers in exchange for services rendered to that customer. Also in 1999, the Company received 252,227 unregistered equity securities of another customer in exchange for services rendered to that customer. The combined carrying value of the warrants and unregistered securities of $415,657 approximates the value of the services performed and is included within other assets at December 31, 1999.

Property and Equipment

Property and equipment is recorded at cost, less accumulated depreciation. Expenditures for repairs and maintenance are charged to expense as incurred while those relating to major improvements are treated as capital additions and depreciated over the remaining useful life of the related asset. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period.

Depreciation is computed using an accelerated method over the following estimated useful lives:

Computer software	3 years
Computer equipment	5 years
Office equipment and furniture	7 years

Income Taxes

An asset and liability approach is used to recognize deferred tax assets and liabilities for the future tax consequences of items that have already been recognized in its financial statements and tax return. A valuation allowance is established against net deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the net deferred tax assets will not be realized.

Revenue Recognition

The Company provides services on a time and materials basis. Revenues are recognized at agreed-upon rates as services are performed. The Company records an allowance for doubtful accounts based on individual customer analyses. The Company did not write-off any material accounts receivable balances during the years ended December 31, 1999, 1998 and 1997. Deferred revenue reflects amounts received in advance of providing services.

Project Personnel Costs

Project personnel costs consists primarily of salaries and employee benefits for personnel dedicated to client projects, and non-reimbursed direct expenses incurred to complete projects.

Research and Development Costs

Research and development costs are charged to expense when incurred. There were no research and development projects ongoing during 1999.

Concentrations of Credit Risk

Concentrations of credit risk exist with respect to cash and cash equivalents and accounts receivable. The Company maintains its cash and cash equivalents with one financial institution. A significant portion of the Company's receivables are attributable to a limited number of clients.

At December 31, 1999, two clients accounted for 16% and 13%, respectively, of the accounts receivable balance. Revenues for the year ended December 31, 1999 from three clients were approximately $8.6 million, $6.5 million and $5.5 million, respectively. At December 31, 1998, two clients accounted for 26% and 12%, respectively, of the accounts receivable balance. Revenues for the year ended December 31, 1998 from three clients were approximately $6.8 million, $2.8 million and $2.3 million, respectively. For the year ended December 31, 1997, two customers accounted for 43% and 16%, respectively, of total revenues.

Comprehensive Income

The Company adopted Statement of Financial Accounting Standards No.130, "Reporting Comprehensive Income" ("SFAS 130"), effective January 1, 1998. SFAS 130 requires that items defined as comprehensive income, such as foreign currency translation adjustments and unrealized gains (losses) on marketable securities, be separately classified in the financial statements and that the accumulated balance of other comprehensive income be reported separately from retained earnings and additional paid-in capital in the equity section of the balance sheet. Total comprehensive income is comprised of net income and other accumulated comprehensive income disclosed in the equity section of the balance sheet.

For the year ended December 31, 1999, total comprehensive income was $2,342,314, which was not materially different from net income. There were no differences between net income and comprehensive income for the years ended December 31, 1998 and 1997.

Recent Accounting Pronouncements

In November 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") No. 100, Restructuring and Impairment Charges ("SAB 100"). In December 1999, the SEC issued SAB No. 101, Revenue Recognition in Financial Statements ("SAB 101"). SAB No. 100 expresses the views of the SEC staff regarding the accounting for and disclosure of certain expenses not commonly reported in connection with exit activities and business combinations. The Company does not expect the provisions of SAB No. 100 to have a material impact on its financial statements. SAB No. 101 expresses the views of the SEC staff in applying generally accepted accounting principles to certain revenue recognition issues. The Company does not expect the provisions of SAB No. 101 to have a material impact on its financial statements.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities. This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. As issued, this statement is effective for all fiscal quarters of all fiscal years beginning after June 15, 1999, with earlier application encouraged. In May 1999, the Financial Accounting Standards Board delayed the effective date of this statement for one year, to all fiscal quarters of all fiscal years beginning after June 15, 2000. The Company does not currently, nor do they intend in the future to, use derivative instruments and therefore do not expect that the adoption of Statement of Accounting Standards No. 133 will have any impact on their financial position or results of operations.

3. Stock Splits

During 1999, in connection with the migratory merger and reincorporation in Delaware, each share of no par value Common Stock converted into seven shares of $0.01 par value per share Common Stock. During 1998, the Company executed a 1,000-for-1 stock split of the Common Stock with no par value.

All shares, options and par values have been restated in the financial statements and footnotes to reflect the effects of these splits of the Company's Common Stock.

4. Property and Equipment

	1999	1998
Computer equipment	$2,906,657	$ 844,554
Computer software	271,658	139,535
Office equipment and furniture	405,774	282,725
	3,584,089	1,266,814
Less - accumulated depreciation and amortization	(1,251,604)	(517,603)
Property and equipment, net	$2,332,485	$ 749,211

Depreciation expense for the years ended December 31, 1999, 1998 and 1997 was $795,772, $251,860 and $187,415, respectively.

In 1997, the Company acquired certain equipment through capital leases totaling $296,175. Obligations under all capital leases were paid in full in 1998.

5. Commitments and Contingencies

Operating Leases
The Company leases office space, apartments for use by employees who work on client assignments away from their homes, equipment and vehicles under various noncancelable operating lease agreements.

Future minimum lease payments required over the next five years under operating lease agreements are as follows:

2000	$1,191,311
2001	364,544
2002	350,589
2003	339,762
2004 and thereafter	311,449
	$2,557,655

Rent expense for the years ended December 31, 1999, 1998 and 1997 was approximately $3,267,000, $1,282,000 and $670,000, respectively.

6. Income Taxes

The income tax provision for the years ended December 31, 1999, 1998 and 1997 is as follows:

	1999	1998	1997
Current			
Federal	$ 4,151,002	$ 661,597	$ -
State	1,362,662	318,429	3,061
Total	5,513,664	980,026	3,061
Deferred			
Federal	(273,392)	297,053	(67,316)
State	(117,291)	118,947	(32,251)
Total	(390,683)	416,000	(99,567)
Total income tax provision (benefit)	$ 5,122,981	$ 1,396,026	$(96,506)

The difference between the statutory U.S. federal income tax rate at 34% and the Company's effective tax rate is as follows:

	1999	1998	1997
Provision (benefit) at statutory rate	$ 4,146,443	$ 1,054,817	$ (174,479)
State and city income tax, net	821,944	288,667	(19,265)
Other	154,594	52,542	97,238
Provision (benefit) for income taxes	$ 5,122,981	$ 1,396,026	$ (96,506)

The significant components of the Company's deferred income tax assets and liabilities are as follows:

	December 31, 1999	1998
Gross deferred tax assets:		
Reserves	$ 208,213	$ 42,172
Accrued expenses	64,266	-
Other	-	5,381
	272,479	47,553
Gross deferred tax liabilities:		
Change from cash to accrual	320,651	487,392
Other	21,698	20,714
	342,349	508,106
Net deferred tax liability	$ 69,870	$ 460,553

7. Debt

At December 31, 1998, the Company had $881,566 outstanding under a revolving line of credit. Interest was at the bank's prime rate plus 1% (8.75% at December 31, 1998). The line of credit was terminated during 1999.

8. Mandatorily Redeemable Preferred Stock

Pursuant to a private placement in August 1999, the Company sold (i) 3,412,969 shares of Series A Redeemable Preferred Stock ("Series A Preferred Stock") for $5.86 per share, (ii) 1,706,485 shares of Series B Convertible Preferred Stock ("Series B Preferred Stock") for $5.86 per share, and (iii) 3,412,969 shares of Common Stock at $.01 per share. Gross proceeds from the private placement were approximately $30.0 million. The per share proceeds were allocated to the Series A Preferred Stock, Series B Preferred Stock and the Common Stock based on the fair value of the individual securities.

Series A Redeemable and Series B Convertible Preferred Stock

The Series A Preferred Stock may be redeemed at the option of the Company, in whole or in part, at any time after August 20, 1999. The redemption is mandatory (i) upon the closing of an underwritten public offering in which the aggregate gross proceeds to the Company are at least $30 million and the pre-public market capitalization of the Company is at least $250 million, or (ii) on August 20, 2006. Upon redemption, the Company shall redeem all remaining shares of the Series A Preferred Stock by paying in cash a sum equal to $5.86 per share plus any accrued and unpaid dividends.

In the event the Series A Preferred Stock is not redeemed prior to August 20, 2005, a dividend shall be declared and paid on that date as a one-time, cumulative dividend with respect to the Series A Preferred Stock in an amount equivalent to the annual rate of 8% per share (as adjusted for any stock dividends, combinations or splits with respect to these shares), as if the dividend had begun to accrue on August 20, 1999. Beginning August 13, 2005 a cash dividend of 8% will accrue if the Series A Preferred Stock has not been redeemed. Management does not consider any events that would trigger a deemed liquidation of the Series B Preferred Stock to be probable events. Management has determined that a reliable estimate of when the circumstances that would result in a deemed liquidation cannot be made and, therefore, does not accrue for any accretion of the difference between the carrying and redemption values.

The difference between the Series A Preferred Stock's initial assigned carrying value of approximately $9.4 million at August 20, 1999 and the redemption value of approximately $20.0 million at August 20, 2006, plus any dividends, is being periodically adjusted to increase the carrying value to the redemption value. Accretion and dividends for 1999 totaled $1,108,870 and has been reflected as a charge to net income applicable to common shareholders.

The Series B Preferred Stock is convertible, at the option of the holder, at any time into 1,706,485 shares of Common Stock of the Company. Each share of the Series B Preferred Stock shall be automatically converted into shares of Common Stock upon the earlier of (i) the closing of a qualified underwritten public offering, as defined, or (ii) upon the approval of the holders of greater than 50% of the then outstanding shares of Series B Preferred Stock. In the event that the Company shall pay a dividend (other than a dividend payable solely in shares of Common Stock or other securities or rights convertible into, or entitling the holder thereof to receive additional shares of Common Stock) on Common Stock, it shall pay to the holders of shares of Series B Preferred Stock a dividend equal to such dividend on the Common Stock.

In the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, or a change in control which is deemed to be a liquidation, the holders of the Series A and Series B Preferred Stock shall be entitled to receive, prior and in preference to any distribution of any assets of the Company to the holders of Common Stock or any other class or series of stock ranking in liquidation junior to the Series A and Series B Preferred Stock, an amount per share equal to the sum of (i) $5.86 for each outstanding share (as adjusted for any stock dividends, combinations or splits with respect to the Series A and Series B Preferred Stock) and (ii) an amount equal to all declared but unpaid dividends, plus accrued dividends, if any.

The holder of each share of Series B Preferred Stock shall have the right to one vote for each share of Common Stock into which such Preferred Stock could then be converted, and with respect to such vote, such holder shall have full voting rights and powers equal to the voting rights and powers of the holders of Common Stock. The Series A Preferred Stock is non-voting except that the holders of the Series A Preferred Stock are entitled to a class vote with the holders of the Series B Preferred Stock with respect to certain protective provisions.

Beneficial Conversion Feature In August 1999, the Company recorded a beneficial conversion charge concurrent with the issuance of the Series B Preferred Stock. The beneficial conversion feature was calculated as the difference between the assigned value of the Series B Preferred Shares and the fair market value of the related Common Stock as of August 20, 1999, into which the Series B Preferred Shares were immediately convertible. Accordingly, a deemed preferred dividend of approximately $3.7 million as of the issuance date has been recognized as a charge to retained earnings and net income applicable to common shareholders, and as an increase to additional paid-in capital.

9. Stockholder's Equity

Common Stock
As discussed in Note 8, the Company issued 3,412,969 shares of Common Stock at $0.01 per share, pursuant to a private placement.

On March 30, 1998, the Company's stockholders approved a resolution to exchange all the outstanding shares of Class B non-voting common stock (the "Class B Common Stock") for 2,100,000 shares of Class A common stock ("Class A Common Stock"). The Class B non-voting stock was then eliminated as a class. Also on March 30, 1998, the Company's stockholders approved a resolution to sell up to 15 investment units. Each unit was comprised of 140,000 shares of Class A Common Stock, at a price per Class A Common Stock pursuant to the Company's 1998 Stock Plan at an exercise price of $0.24. In April 1998, pursuant to this resolution, the Company sold 8 units and raised $265,600 of additional capital. In January 1999, the Class A distinction was eliminated and all outstanding stock became known as Common Stock.

Treasury Stock Purchase
Concurrent with the August 1999 private placement described in Note 8, the Company repurchased 2,918,987 shares of Common Stock at $5.86 per share from various major shareholders. These shares are carried at cost within Treasury Stock.

10. Stock Option Plan

In March 1998, the Company instituted the 1998 Employee Stock Option and Performance Incentive Plan (the "1998 Plan"). The Company has reserved 8,750,000 shares of Common Stock for issuance under this plan, pursuant to nonqualified and incentive stock options, stock appreciation rights and tax offset payments, to its employees, officers, directors and consultants. In general, options granted under the 1998 Plan were granted at fair market value and vest ratably over a three or four year period. Options under the 1998 Plan expire no later than ten years from the date of grant. In addition, certain options granted under the 1998 Plan accelerate automatically upon a change in control. The 1998 Plan was terminated in May 1999 and the number of shares of Common Stock reserved under this plan was fixed at 7,672,000, the number of then outstanding options.

In May 1999, the Company adopted the 1999 Stock Option and Incentive Plan (the "1999 Plan"), under which employees, officers, directors and consultants may be granted various stock based awards. A total of 2,478,000 shares of Common Stock have been reserved for issuance under this plan. Generally, options that have been issued under this plan have been granted at an exercise price equal to the fair market value of the Common Stock on the date of grant, vest over a four year period and expire ten years from the date of grant.

In January 2000, the Company adopted the 2000 Non-Employee Director Stock Option Plan, which provides for non-employee directors to receive options to purchase Common Stock of the Company at an exercise price equal to the fair market value of the common stock on the date of grant. The Company has reserved a total of 250,000 shares of Common Stock for issuance under this plan. This plan is expected to be effective upon the closing of an initial public offering of the Company.

In January 2000, the Company adopted the 2000 Employee Stock Purchase Plan, which permits eligible employees of the Company to purchase shares of Common Stock pursuant to payroll deductions at a price equal to 85% of the fair market value of the Company's stock. The Company has reserved an aggregate of 600,000 shares of Common Stock for issuance under this plan. This plan is expected to be effective upon the closing of an initial public offering of the Company.

A summary of stock option activity for the years ended December 31, 1999 and 1998 is as follows:

	1999		1998	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of period	1,820,000	$ 0.24	$ -	$ -
Granted	7,164,500	2.17	1,820,000	0.24
Exercised	(7,586)	1.29	-	-
Canceled or forfeited	(161,220)	1.79	-	-
Outstanding at period end	8,815,694	1.78	1,820,000	0.24
Options exercisable at period end	1,882,845	0.95	-	-
Weighted average fair value of options granted during the period	$ 0.54		$ 0.40	

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

Range of Exercise Prices	Options Outstanding: Number Outstanding at December 31, 1999	Weighted Average Remaining Life	Weighted Average Exercise Price	Options Excercisable: Number Outstanding at December 31, 1999	Weighted Average Exercise Price
$ 0.24 - $ 0.24	1,820,000	8.25	$ .24	606,666	$ .24
0.25 - 1.29	5,697,194	9.08	1.29	1,276,179	1.29
1.30 - 5.86	1,235,500	9.68	5.86	-	-
5.87 - 10.50	63,000	9.88	10.50	-	-
	8,815,694	9.00	$ 1.78	1,882,845	$ .95

The Company follows Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", and the related Interpretations in accounting for the plans.

Had compensation expense for the plans been determined based on the fair value at the grant dates for awards under the plan consistent with the method of SFAS 123, "Accounting for Stock-Based Compensation", the Company's pro forma net income (loss) would have been as follows:

	1999	1998	1997
Net income (loss):			
As reported	$ 2,249,633	$ 1,706,377	$ (416,667)
Pro forma	1,721,971	1,680,415	(416,667)

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 1999 and 1998: dividend yield of 0%; expected volatility of 0%; weighted average risk-free interest rate of 4.78% and 5.68% in 1999 and 1998, respectively, and expected lives of 5 years.

Compensation expense of $299,250 has been attributed to those common stock options granted to employees during 1999, with an exercise price below estimated fair value. This compensation expense is being recognized over the four year vesting period and totaled $9,282 during 1999. Compensation expense of $145,000 was recognized in 1999 and was attributable to options issued to advisory board members.

11. 401(k) Profit-Sharing Plan

The Company has a defined contribution 401(k) profit sharing plan covering substantially all employees. The Plan allows eligible employees to contribute up to 15% of their eligible earnings, subject to a statutorily prescribed annual limit. The Company matches 50% of eligible employees' contributions up to a maximum of 6% of their earnings. The Company may make additional discretionary profit sharing contributions of up to 15% of participants' compensation annually. For the years ended December 31, 1999, 1998 and 1997, the Company contributed $330,237, $ 221,009 and $145,909, respectively.

12. Related Party Transactions

In February 1999, the Company made a $21,684 loan with interest at 6% per annum, to its Chief Executive Officer, who is also a member of the Board of Directors. In May 1999, the Company granted two additional loans to its Chief Executive Officer totaling $40,180. All three loans were repaid in August 1999.

In March 1999, the Company granted a $170,000 loan with interest at 6% per annum to a different member of its Board of Directors. This loan was also repaid in August 1999.

13. Subsequent Events (unaudited)

On January 31, 2000, the Company completed a group hire of substantially all of the employees of Citation Systems, Inc. for a purchase price of approximately $1.1 million in cash. In addition, options for 340,000 shares of Common Stock were issued to the employees of Citation in connection with their employment at Tallan.