CMGI INC
Form S-4/A
June 28, 2004
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As filed with the Securities and Exchange Commission on June 28, 2004

Registration No. 333-116417

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1

TO

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

CMGI, INC.

(Exact name of registrant as specified in its charter)

Delaware	**7389**	**04-2921333**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification No.)**

425 Medford Street

Charlestown, Massachusetts 02129

(617) 886-4500

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

PETER L. GRAY, ESQ.

Executive Vice President and General Counsel

CMGI, INC.

425 Medford Street

Charlestown, Massachusetts 02129

(617) 886-4500

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

MARK D. GERSTEIN, ESQ.

DAVID M. HERNAND, ESQ.

Latham & Watkins, LLP

233 South Wacker Drive

Chicago, Illinois 60606-6401

(312) 876-7700

MARK G. BORDEN, ESQ.

PHILIP P. ROSSETTI, ESQ.

Wilmer Cutler Pickering

Hale and Dorr LLP

60 State Street

Boston, Massachusetts 02109

(617) 526-6000

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effectiveness of this registration statement and the satisfaction of all other conditions under the merger agreement described herein.

If the securities being registered on this form are to be offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ¨

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment that specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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Modus Media, Inc.

690 Canton Street

Westwood, Massachusetts 02090

A MERGER PROPOSAL   YOUR VOTE IS VERY IMPORTANT

To Our Stockholders:

You are cordially invited to attend a special stockholders   meeting of Modus Media, Inc. to be held on Monday, August 2, 2004 at 9:00 a.m. local time at the offices of Wilmer Cutler Pickering Hale and Dorr LLP, 60 State Street, 26th Floor, Boston, Massachusetts, at which time we will ask you to consider and vote upon a proposal to adopt the merger agreement among Modus, CMGI, Inc. and a wholly-owned subsidiary of CMGI. The Modus Board of Directors has already approved the merger agreement.

If the merger agreement is adopted, Modus will become a wholly-owned subsidiary of CMGI and you will receive a certain number of shares of CMGI common stock for each share of common stock, non-voting common stock or series B common stock of Modus (which we refer to collectively as Modus common stock) that you own at the time of the merger. The exchange ratio for the merger is variable, based upon an aggregate purchase price of $157.5 million (subject to reduction if Modus   net indebtedness exceeds a targeted amount), the average closing price of CMGI common stock for the 20-day period ending immediately prior to the second trading day preceding the date of closing (but not less than $2.028 or greater than $2.478) and the total number of shares of Modus common stock deemed outstanding immediately prior to closing (including shares issuable upon exercise of in-the-money options and warrants to purchase Modus common stock calculated as if exercised on a cashless basis). The specific mechanics for calculating the exchange ratio are described in more detail in the accompanying proxy statement/prospectus. 10.6% of the aggregate number of shares of CMGI common stock issuable to Modus stockholders in the merger will be deposited into an escrow account to secure the indemnification obligations of Modus stockholders to CMGI and to satisfy any post-closing adjustments for increases in Modus   net indebtedness under the terms of the merger agreement.

CMGI common stock is quoted on the Nasdaq National Market under the trading symbol   CMGI,   and on June 25, 2004 its closing price was $1.84 per share.

After careful consideration, your Board of Directors approved the merger and the merger agreement and deemed it advisable. Your Board of Directors recommends that you vote   FOR   the adoption of the merger agreement.

Please consider carefully all of the information in the enclosed proxy statement/prospectus about CMGI, Modus and the proposed merger. In particular, you should carefully consider the discussion in the section entitled   **RISK FACTORS   Risks Related to the Merger**   beginning on page 15.

The affirmative vote of the holders of a majority of the outstanding voting shares of Modus common stock is required to approve the merger agreement and the merger. **Concurrently with executing the merger agreement, holders of shares of Modus representing approximately 58% of the voting power of Modus shares entered into agreements to vote their shares in favor of the merger, subject to limited exceptions**. Accordingly, unless the merger agreement is terminated by CMGI or Modus, approval of the proposal to adopt the merger agreement is assured.

Whether or not you plan to attend the special meeting, please complete, sign, date and return your proxy in the enclosed envelope to ensure that your shares will be voted at the special meeting. Failure to return a properly executed proxy card at the special meeting will have the same effect as a vote against approval of the merger agreement and the merger.

Sincerely,

R. Scott Murray

Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the merger described in this proxy statement/prospectus or the CMGI common stock to be issued in connection with the merger or determined if this proxy statement/prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

This proxy statement/prospectus is dated June 30, 2004 and is first being mailed to stockholders on or about June 30, 2004.

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MODUS MEDIA, INC.

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON AUGUST 2, 2004

To the Stockholders of Modus Media, Inc.:

A special meeting of the stockholders of Modus Media, Inc. will be held on August 2, 2004, at 9:00 a.m. local time, at the offices of Wilmer Cutler Pickering Hale and Dorr LLP, 60 State Street, 26th Floor, Boston, Massachusetts, for the following purposes:

1. To consider and vote upon a proposal to adopt the merger agreement among Modus, CMGI, Inc. and a wholly-owned subsidiary of CMGI, and

2. To transact any other business which properly comes before the special meeting or any adjournment of it.

These items of business are described in the attached proxy statement/prospectus. Holders of record of common stock or series B common stock of Modus at the close of business on June 24, 2004, the record date for the special meeting, will be entitled to notice of and to vote at the annual meeting and any adjournment or postponement of the special meeting.

The Modus Board of Directors has approved the adoption of the merger agreement and recommends that you vote FOR the adoption of the merger agreement. We cannot complete the merger unless a majority of the outstanding shares of common stock and series B common stock of Modus, voting together as a single class, vote to adopt the merger agreement.

Under Delaware law, holders of Modus common stock, non-voting common stock and series B common stock are entitled to dissenters rights of appraisal if the merger agreement is adopted. Any holder of Modus common stock, non-voting common stock and series B common stock who:

files with Modus, before the vote is taken to adopt the merger agreement, a written objection to the merger stating that he, she or it intends to demand payment for his, her or its shares if the merger is effected; and

does not vote in favor of the merger or for adoption of the merger agreement

has the right to demand in writing from Modus, within 20 days after receiving notice from Modus that the merger has become effective, payment for his, her or its shares and appraisal of their value. Dissenting stockholders must follow the procedures regarding appraisal elements contained in Section 262 of the Delaware General Corporation Law, a copy of which is attached as Annex 5 to this proxy statement/prospectus.

For more information about the merger, please review the accompanying proxy statement/prospectus and the merger agreement attached thereto as Annex 1. You may vote by completing and mailing the enclosed proxy card. Please review the instructions in this proxy statement/prospectus and the proxy card before sending in your proxy.

By Order of the Board of Directors,

R. Scott Murray

Chief Executive Officer

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QUESTIONS AND ANSWERS ABOUT

THE MERGER AND THE SPECIAL MEETING

Q: What is the proposed transaction?

A: A merger in which Westwood Acquisition Corp., a newly-formed company that is a wholly-owned subsidiary of CMGI, Inc., will merge with and into Modus. After the merger, you will own shares of CMGI common stock and will no longer own shares of common stock, non-voting common stock or series B common stock of Modus, which we refer to collectively as Modus common stock.

Q: What am I being asked to approve?

A: You are being asked to approve the merger.

This joint proxy statement/prospectus contains important information about the merger and the special meeting of stockholders of Modus, and you should read it carefully. The enclosed voting materials allow you to vote your shares without attending the special meeting.

Your vote is important. We encourage you to vote as soon as possible.

Q: What will I receive in the merger?

A: If we complete the merger, unless you exercise appraisal rights (discussed below), you will receive a certain number of shares of CMGI common stock for each share of Modus common stock that you own at the time of the merger. The exchange ratio for the merger is variable, based upon an aggregate purchase price of $157.5 million (subject to reduction if Modus net indebtedness exceeds a targeted amount), the average closing price of CMGI common stock for the 20-day period ending immediately prior to the second trading day preceding the date of closing (but not less than $2.028 or greater than $2.478) and the total number of shares of Modus common stock deemed outstanding immediately prior to closing (including shares issuable upon exercise of in-the-money options and warrants to purchase Modus common stock calculated as if exercised on a cashless basis). The specific mechanics for calculating the exchange ratio are described in more detail below in this proxy statement/prospectus; however the exchange ratio will not be greater than 2.232998 or less than 1.827490 (based upon the assumptions set forth in the table below). 10.6% of the aggregate number of shares of CMGI common stock issuable to Modus stockholders in the merger will be deposited into an escrow account to secure the indemnification obligations of Modus to CMGI and to satisfy any post-closing adjustments for increases in Modus net indebtedness under the terms of the merger agreement.

The merger consideration will be allocated pro rata among the stockholders of Modus, based on the total number of shares of common stock deemed outstanding immediately prior to the effective time. The number of shares of CMGI common stock any Modus stockholder will be entitled to receive in exchange for each share of Modus common stock owned immediately prior to the effective time of the merger will not be calculable until the second trading day immediately prior to the completion of the merger.

Set forth below is a table that shows (i) the exchange ratio used to determine how many shares of CMGI common stock one share of Modus common will be converted into in the merger at various average closing prices of CMGI common stock, (ii) the aggregate number of whole shares of CMGI common stock that holders of Modus common stock would receive in the merger at various average closing prices of CMGI common stock, and (iii) the number of shares of CMGI common stock a holder of 100 shares of

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Modus common stock would receive at different average closing prices of CMGI common stock. The table is based on the following assumptions:

that 29,572,033 shares of Modus common stock will be issued and outstanding on the effective date;

that the aggregate number of shares of Modus common stock that would be outstanding if all in-the-money options and warrants to purchase Modus common stock were exercised on a cashless basis is 34,779,581; and

that there has been no adjustment of the purchase price based upon the net indebtedness of Modus prior to closing.

	Average Closing Price of CMGI Common Stock	Applicable Exchange Ratio	Aggregate Number of Shares of CMGI Common Stock to be Issued in the Merger (Excluding Options and Warrants)	Number of Shares of CMGI Common Stock a Modus Stockholder Would Receive for Each 100 Shares of Modus Common Stock
	$ 1.500 or lower	2.232998	66,034,279	223
	$ 1.750	2.232998	66,034,279	223
	$ 2.000	2.232998	66,034,279	223
Lower Collar Limit	$ 2.028	2.232998	66,034,279	223
	$ 2.100	2.156438	63,770,247	215
	$ 2.150	2.106288	62,287,218	210
	$ 2.250	2.012675	59,518,897	201
	$ 2.350	1.927029	56,986,178	192
	$ 2.450	1.848375	54,660,211	184
Higher Collar Limit	$ 2.478	1.827490	54,042,582	182
	$ 2.500	1.827490	54,042,582	182
	$ 2.600	1.827490	54,042,582	182
	$ 2.650 or higher	1.827490	54,042,582	182

If the average trading price of CMGI common stock had been determined on June 9, 2004, it would have been $1.911, which would have resulted in an exchange ratio of 2.232998, based upon the assumptions above. The average trading price of CMGI common stock does not represent the actual value of the shares of CMGI common stock you will receive in the merger. The value of those shares will depend on market conditions at the time you receive those shares.

CMGI has the right to terminate the merger agreement and abandon the merger if, on any date 20 days or more after the date on which this registration statement (which includes this proxy/prospectus) is declared effective, the average closing price per share of CMGI common stock for the period of 20 trading days ending immediately prior to such date is more than $3.60480 per share. Similarly, Modus has the right to terminate the merger agreement and abandon the merger if, on any date 20 days or more after the date on which this registration statement (which includes this proxy/prospectus) is declared effective, the average closing price per share of CMGI common stock for the period of 20 trading days ending immediately prior to such date is less than $0.90120 per share.

Q: Will Modus stockholders be able to trade the CMGI stock that they receive pursuant to the merger agreement?

A: Yes. The CMGI common stock issued pursuant to the merger will be registered under the Securities Act of 1933 and will be listed on the Nasdaq National Market under the symbol CMGI. All shares of CMGI common stock that you receive pursuant to the merger or upon exercise of Modus options or warrants assumed or replaced by CMGI in the merger will be freely transferable unless you are deemed to be an affiliate of Modus at the time of the Modus special meeting or your CMGI common stock is subject to contractual transfer restrictions. Affiliates of Modus may, however, be able to transfer their shares of CMGI common stock subject to the terms of the stock transfer agreement with CMGI and the existence of an effective registration statement. For more information, see OTHER AGREEMENTS Stock Transfer Agreement and SELLING STOCKHOLDERS.

Q: Why are CMGI and Modus proposing to merge?

A: We believe that the merger will provide strategic and financial benefits to the stockholders of both companies. We believe that the merger will allow stockholders of both companies to participate in a larger, more diversified company.

Q: What happens if the merger is not completed?

A: It is possible that the merger will not be completed. If the merger is not completed, Modus will continue to operate as an independent company. None of CMGI, Modus or any third party is under any obligation to make or consider any alternative proposals regarding the purchase of your shares of Modus stock. Modus may be required to pay CMGI a termination fee under the merger agreement if the merger is not completed for specified reasons. See THE MERGER AGREEMENT Termination Fees to be Paid by Modus for a more complete description of the termination fees. In addition, either CMGI or Modus may be required to pay the other s expenses incurred in connection with the proposed merger up to a maximum of $1,750,000 if the merger is not completed for specified reasons.

Q: Where and when is the Modus Special Stockholder meeting?

A: The Modus special meeting will be held on August 2, 2004 at 9:00 a.m. local time at the offices of Wilmer Cutler Pickering Hale and Dorr LLP, 60 State Street, 26th Floor, Boston, Massachusetts.

Q: Does the Modus Board of Directors recommend voting in favor of the merger agreement?

A: Yes. After careful consideration, your Board of Directors determined the merger to be advisable and in your best interests as a stockholder of Modus. The Modus Board of Directors approved the merger agreement and recommends that you vote in favor of the merger agreement.

For a more complete description of the recommendation of and factors considered by the Modus Board of Directors, see the sections entitled THE MERGER Modus Reasons for the Merger and Recommendation of the Modus Board of Directors.

Q: Will I be taxed on the CMGI common stock I receive in the merger?

A: We expect the merger to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. If the merger qualifies as a reorganization, you will not recognize any gain or loss on your receipt of CMGI common stock in the merger for U.S. federal income tax purposes, except for gain or loss resulting from the receipt of cash in lieu of a fractional share of CMGI common stock. However, tax matters are very complicated, and the tax consequences of the merger to you will depend on the facts of your own situation. You are urged to read carefully the discussion in the section entitled THE MERGER Material United States Federal Income Tax Consequences and to consult your tax advisor for a full understanding of the tax consequences of your participation in the merger.

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Q: Will I have appraisal rights?

A: Yes. Holders of Modus common stock are entitled to exercise appraisal rights in connection with the merger, subject to compliance with applicable procedures under the Delaware General Corporation Law, which are set forth on Annex 5 of this proxy statement/prospectus.

Q: Are there risks I should consider in deciding whether to vote for the merger?

A: Yes. For example, because Modus is not a publicly traded company, it will be difficult for you to determine whether the consideration that you will receive for your Modus common stock fairly represents the value of your Modus common stock. In addition, the average trading price of CMGI common stock used to determine the exchange ratio at closing will not be the value of CMGI common stock on the closing date, and the aggregate number of shares of CMGI common stock issuable in the merger is capped. We urge you to obtain current market quotations of CMGI common stock (Nasdaq: CMGI). In evaluating the merger, you should carefully consider the factors discussed in the section entitled RISK FACTORS Risks Related to the Merger.

Q: What do I need to do now?

A: We urge you to read this proxy statement/prospectus carefully, including its annexes, and to consider how the merger affects you as a stockholder. After reading this proxy statement/prospectus in its entirety, we ask that you vote on the merger.

Q: What vote is required to approve the merger?

A: Holders of shares of Modus common stock (other than Modus non-voting common stock) on the record date will be entitled to one vote for each share of common stock and series B common stock held on each matter submitted to a vote at the special meeting. The affirmative votes of holders of a majority of the common stock and series B common stock of Modus outstanding and entitled to vote, voting together as a single class, is required for the adoption of the merger.

Q: How do I vote?

A: Simply indicate on your proxy card how you want to vote, and sign and mail your proxy card in the enclosed return envelope as soon as possible so that your shares may be represented at the special meeting. If you sign and return a proxy card, but do not include instructions on how to vote your proxy, we will vote your shares FOR approval and adoption of the merger agreement. If you fail to return your proxy card or to vote in person, the effect will be a vote against the adoption of the merger agreement.

For a more complete description of voting at the meeting, see the section entitled SPECIAL MEETING OF MODUS STOCKHOLDERS.

Q: What do I do if I want to change my vote?

A: If you want to change your vote, either send the secretary of Modus, Sheila M. Flaherty, at 690 Canton Street, Westwood, MA, 02090, a later-dated, signed proxy card before the special meeting with enough time for it to be delivered prior to the special meeting or attend the meeting and vote in person. You may also revoke your proxy by sending written notice to the secretary of Modus before the meeting. Attendance at the special meeting will not itself constitute a revocation of a proxy.

For a more complete description of how to change your vote, see the section entitled SPECIAL MEETING OF MODUS STOCKHOLDERS Voting, Revocation and Solicitation of Proxies.

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Q: Should I send in my stock certificates now?

A: No. If the merger is completed, we will send written instructions for exchanging Modus common stock certificates for CMGI common stock certificates and the cash portion of the merger consideration paid on account of fractional shares, if any, which will be paid by check.

Q: When do you expect to complete the merger?

A: We are working toward completing the merger as quickly as possible. We hope to complete the merger during the third calendar quarter of 2004.

For a description of the conditions to completing the merger, see the section entitled THE MERGER AGREEMENT Conditions to Completion of the Merger.

Q: Whom should I call with questions?

A: You should call Christine Caunt in the Modus Office of the General Counsel at (781) 407-2025 with any questions about the merger.

You may also obtain additional information about CMGI from documents filed with the Securities and Exchange Commission, which can be accessed via the internet at www.sec.gov. See WHERE YOU CAN FIND MORE INFORMATION.

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SUMMARY

This summary highlights selected information from this proxy statement/prospectus and may not contain all the information that is important to you. To better understand the merger, you should read this entire document carefully, including the Agreement and Plan of Merger (which we refer to as the merger agreement) attached as Annex 1 and the other documents to which we refer you.

The Companies

CMGI, Inc.

425 Medford Street

Charlestown, MA 02129

(617) 886-4500

CMGI s operating subsidiaries provide technology and e-commerce solutions that help businesses market, sell and distribute their products and services. These solutions include industry-leading global supply chain management and web-based distribution and fulfillment. In addition, CMGI s affiliated venture capital arm is comprised of venture capital funds that focus on investing in technology companies. CMGI expects to continue to refine its product and service offerings, and continue to pursue developing, acquiring or investing in additional companies and technologies.

Westwood Acquisition Corp. is a newly formed, wholly-owned subsidiary of CMGI that was solely formed for the purpose of effecting the merger. Westwood Acquisition Corp. has not conducted and will not conduct any business during any period of its existence.

Modus Media, Inc.

690 Canton Street

Westwood, MA 02090

(781) 407-2000

Modus is a global outsource provider of supply chain management services to the technology industry. Modus offers a full range of services including demand planning, product assembly and fulfillment, after sales services, customer support services and financial management services. Modus primary North American operations are located in Utah, Texas, Tennessee, North Carolina and Guadalajara, Mexico. Modus also has European operations in Ireland, the United Kingdom, The Netherlands, Hungary and France, and Asian operations in Singapore, Taiwan, China and Malaysia. In addition, Modus holds minority interests in joint ventures in Korea and Japan.

The Merger (see page 28)

Modus has agreed to be acquired by CMGI under the terms of the merger agreement that is described in this proxy statement/prospectus and attached hereto as Annex 1. We encourage you to read the merger agreement in its entirety.

To accomplish this acquisition, Westwood Acquisition Corp., a newly-formed, wholly-owned subsidiary of CMGI will merge with and into Modus. As a result of the merger, Modus will become a wholly-owned subsidiary of CMGI. Upon completion of the Modus merger, each Modus stockholder (other than those who exercise dissenters rights) will receive a certain number of shares of CMGI common stock for each share of Modus common stock that he or she owns at the time of the merger. The exchange ratio for the merger is variable, based upon an aggregate purchase price of $157.5 million (subject to reduction if Modus net indebtedness exceeds a targeted amount), the average closing price of CMGI common stock for the 20-day period ending immediately prior to the second trading day preceding the date of closing (but not less than $2.028 or greater than $2.478) and the total number of shares of Modus common stock deemed outstanding immediately prior to closing (including shares issuable upon exercise of in-the-money options and warrants to purchase Modus common stock calculated as if exercised on a cashless basis). The specific mechanics for calculating the exchange ratio are described in more detail below in this proxy statement/prospectus; however the exchange ratio will not be greater than 2.232998 or less than 1.827490 (assuming no adjustment to the aggregate purchase price based upon the net indebtedness of Modus at the time of the closing and based on other assumptions concerning the number of shares of Modus stock, options and warrants outstanding at the effective time of the merger, as further described in this proxy statement/prospectus). 10.6% of the aggregate number of shares of CMGI common stock issuable to Modus stockholders in the merger will be deposited into an escrow account to secure the indemnification obligations of Modus stockholders to CMGI and to satisfy any post-closing adjustments for increases in Modus net indebtedness under the terms of the merger agreement. See THE MERGER Merger Consideration.

The shares of common stock received by Modus stockholders (excluding options and warrants) are expected to represent between approximately 11.9% and 14.1% of the outstanding common stock of CMGI immediately following the closing.

Under the merger agreement, CMGI has agreed that, at the effective time of the merger, all unexercised and unexpired options to purchase shares of Modus common stock then outstanding under any Modus stock option plan, whether or not then exercisable, either will be (a) assumed and converted into options to purchase shares of CMGI common stock or (b) terminated and substituted with options to purchase shares of CMGI common stock. These stock options will continue to be exercisable and vest subject to the terms and conditions applicable to them before the merger, except that prior to the effective time of the merger, (1) Modus will accelerate the vesting of one-third of the remaining unvested portion of all Modus stock options and (2) Modus will waive any liquidity thresholds to exercise contained in option agreements under Modus stock option plans. See THE MERGER Treatment of Stock Options. The merger agreement does not expressly provide for the assumption of Modus warrants, but the terms of such warrants provide that they will remain as outstanding obligations of Modus following the effective time of the merger. Modus warrants exercised after the effective time of the merger will be entitled to receive the same consideration as if such warrants had been exercised immediately prior to the effective time of the merger. See THE MERGER Treatment of Warrants.

Modus Reasons for the Merger (see page 31)

In reaching its decision to approve the merger agreement and the merger, the Modus Board of Directors considered a number of factors, including the value of the per share merger consideration, the opportunity to provide Modus stockholders with greater future liquidity, the complementary nature of the businesses and other strategic considerations, the long term prospects of Modus, CMGI s agreement to pay off Modus outstanding senior credit facility and its mezzanine debt at the effective time of the merger, general economic conditions and the condition of the supply chain management industry as a whole. The Modus Board of Directors also considered a number of risks, including integration risks, the risk that the market price for CMGI common stock might decline and other risks. See THE MERGER Modus Reasons for the Merger.

CMGI Reasons for the Merger (see page 29)

In reaching its decision to approve the merger agreement and the merger, CMGI s Board of Directors considered a number of factors, including CMGI management s view of the financial performance of CMGI and Modus, the consideration to be paid in the merger and the terms of the merger agreement and ancillary agreements, current market conditions for CMGI stock and the results of CMGI s diligence investigation of

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Modus. The CMGI Board of Directors determined to proceed based on the potential benefits of the merger it believes will contribute to the success of CMGI s supply chain management business. The CMGI Board of Directors also took into consideration risks associated with the merger. See THE MERGER CMGI s Reasons for the Merger.

Recommendation of the Modus Board of Directors (see page 32)

The Modus Board of Directors believes that the merger agreement and the transactions contemplated by the merger agreement, including the merger of a wholly-owned subsidiary of CMGI with and into Modus, are advisable and in the best interests of Modus and its stockholders and recommends that Modus stockholders vote FOR approval of the merger agreement.

Modus Stockholders Entitled to Vote; Vote Required (see page 25)

You can vote at the Modus special meeting if you owned voting shares of Modus common stock at the close of business on June 24, 2004, the record date for the Modus special meeting. On that date, there were 25,295,506 shares of common stock and 830,245 shares of series B common stock of Modus outstanding and entitled to vote. You can cast one vote for each such share of common stock or series B common stock of Modus that you owned on that date. Stockholder approval of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of common stock and series B common stock entitled to vote, voting together as a single class.

The Merger Agreement and Other Agreements (see pages 43-68)

The Merger Agreement

The parties have entered into an Agreement and Plan of Merger, dated as of March 23, 2004, which sets forth the terms and conditions of the merger. Among other things, the merger agreement:

- restricts the business conduct of the parties before the closing of the merger;
- contains representations and warranties of the parties to the agreement;
- provides for an adjustment to the aggregate purchase price of $157.5 million and accordingly, the exchange ratio, if Modus net indebtedness exceeds a targeted amount ($76 million) at closing;
- provides that CMGI will, at the effective time of the merger, repay or cause to be repaid certain of Modus outstanding indebtedness, estimated to be $101 million (including principal, interest and prepayment penalties) as of June 1, 2004;

- provides for placing 10.6% of the shares of CMGI common stock issuable in connection with the merger into an escrow account to secure the indemnification obligations of Modus stockholders to CMGI and to satisfy any post-closing adjustments for increases in Modus net indebtedness;

- prohibits Modus from soliciting competing offers;

- permits the termination of the merger agreement by the parties under certain circumstances; and

- provides for the payment of a termination fee and reimbursement of certain expenses if the merger agreement is terminated for certain reasons.

You are urged to read the section entitled THE MERGER AGREEMENT and the copy of the merger agreement attached hereto as Annex 1.

The Stockholder Support Agreements (see page 64)

Concurrently with the execution of the merger agreement, CMGI entered into stockholder support agreements with certain significant Modus stockholders which together beneficially held approximately 58% of

Modus common stock outstanding as of June 24, 2004, the record date for the Modus special meeting. Each agreement provides that the respective stockholder will vote for the merger, subject to limited exceptions, and will not dispose of his, her or its stock prior to the merger. You are urged to read the section entitled OTHER AGREEMENTS Stockholder Support Agreements and the copy of the form of stockholder support agreement attached hereto as Annex 2.

Escrow Agreement (see page 65)

Pursuant to the terms of the merger agreement and concurrently with the consummation of the merger, CMGI will enter into an escrow agreement with Nicholas Nomicos and R. Scott Murray, jointly as stockholder representative of all of the Modus stockholders receiving shares of CMGI common stock as merger consideration in the merger and an escrow agent to be determined. Under the escrow agreement, certificates representing 10.6% of the aggregate number of shares of CMGI common stock issuable to Modus stockholders in the merger will be deposited into an escrow account to secure the indemnification obligations of Modus stockholders to CMGI and to satisfy any post-closing adjustments for increases in Modus net indebtedness under the terms of the merger agreement. Except with respect to ongoing claims for indemnification under the merger agreement, all shares and cash held in escrow will be released to former Modus stockholders on the 12 month anniversary of the closing date of the merger. The stockholder representative is entitled, subject to restrictions contained in the stock transfer agreement, to cause the shares in the escrow account to be sold for cash provided that the net proceeds of such sale are placed in the escrow account. You are urged to read the section entitled OTHER AGREEMENTS Escrow Agreement and the copy of the form of escrow agreement attached hereto as Annex 4.

The Stock Transfer Agreement (see page 66)

Concurrently with the execution and delivery of the merger agreement, CMGI entered into a stock transfer agreement with Modus stockholders who beneficially held approximately 75% of the outstanding shares of Modus common stock and, as to the shares deposited in the escrow account, with Nicholas G. Nomicos and R. Scott Murray, jointly as stockholder representative. The stock transfer agreement sets forth certain sale and transfer restrictions on the shares of CMGI common stock delivered to such stockholders in the merger and those shares of CMGI common stock deposited into the escrow account. The Modus stockholders who are signatories to this agreement also agreed to certain standstill obligations for two years following the date of the merger agreement with respect to solicitations of CMGI stockholders and nominations of its directors. In exchange for the foregoing, CMGI agreed to effect the registration of the resale of the shares and the listing of the shares of CMGI common stock subject to this agreement. You are urged to read the section entitled OTHER AGREEMENTS Stock Transfer Agreement and the copy of the stock transfer agreement attached hereto as Annex 3.

Listing of CMGI Common Stock on the Nasdaq National Market

CMGI s common stock is listed on the Nasdaq National Market. It is a condition to the completion of the merger that the CMGI common stock issuable to the Modus stockholders pursuant to the merger agreement be approved for listing on the Nasdaq National Market, subject to official notice of issuance. Neither CMGI nor Modus will waive the condition that the CMGI common stock to be issued pursuant to the merger be approved for listing on the Nasdaq National Market.

Ownership of CMGI after the Merger

CMGI will issue between 54,042,582 and 66,034,279 shares of CMGI common stock to Modus stockholders (excluding options and warrants) in the merger. Based on the number of shares of CMGI and

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Modus common stock outstanding on the record date, after completion of the merger, former Modus stockholders are expected to own between 11.9% and 14.1% of the then-outstanding shares of CMGI common stock (excluding options and warrants). In addition, between approximately 10,383,630 and 12,687,689 additional shares of CMGI common stock will be subject to Modus stock options assumed in the merger, or subject to stock options granted under CMGI stock incentive plans to Modus employees in replacement of existing Modus options. All figures in this paragraph are based on the following assumptions:

- that 29,572,033 shares of Modus common stock will be issued and outstanding on the effective date;

- that the aggregate number of shares of Modus common stock that would be outstanding if all in-the-money options and warrants to purchase Modus common stock were exercised on a cashless basis is 34,779,581; and

- that there has been no adjustment of the purchase price based upon the net indebtedness of Modus prior to the closing.

CMGI has also agreed to adopt, prior to the effective time, an employee retention incentive policy to grant restricted shares of CMGI common stock to certain employees of Modus who continue to be employed by Modus or CMGI on the first anniversary of the effective time. CMGI will issue the shares of CMGI common stock pursuant to such grants promptly following the effective time of the merger. The number of shares of CMGI common stock issuable will be equal to (i) $3,500,000 divided by (ii) the closing price of CMGI common stock on the first trading day following the effective time. In addition, CMGI will issue between 3,692,983 and 4,512,431 shares of CMGI common stock to Modus warrant holders, assuming such holders do not exercise such warrants on a cashless basis and assuming that all Modus warrantholders who have an option to receive further warrants pursuant to existing contractual arrangements elect to receive such warrants prior to the effective time of the merger.

Interests of Certain Persons in the Merger (see page 35)

When considering the Modus Board of Directors recommendation that the Modus stockholders vote in favor of the approval of the merger agreement, Modus stockholders should be aware that some directors and executive officers of Modus have interests in the merger that may be different from, or in addition to, the interests of Modus stockholders. These interests include the continued indemnification of current directors and officers of Modus, the accelerated vesting, and removal of liquidity thresholds, of options to purchase Modus common stock or restricted common stock of Modus prior to or upon the effective time of the merger, severance arrangements with officers, the repayment of certain indebtedness of Modus held by directors or affiliates of directors, the ability of R. Scott Murray and Terence Leahy to repay their indebtedness to Modus in shares of Modus common stock and the potential employment of certain current officers of Modus by CMGI following the consummation of the merger.

The Modus Board of Directors knew about these additional interests, and considered them when it adopted the merger agreement.

Accounting Treatment (see page 39)

CMGI will account for the merger under the purchase method of accounting for business combinations under United States generally accepted accounting principles.

Dissenters Rights of Appraisal (see page 35)

Modus stockholders who do not vote in favor of the merger and follow the appropriate procedures under the General Corporation Law of the State of Delaware will be entitled, instead of receiving the shares of CMGI common stock pursuant to the merger agreement, to have the fair value of their shares of Modus common stock be determined by a Delaware court.

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Summary of Selected Historical Consolidated Financial Information of Modus

The table below presents summary financial information of Modus for each of the years in the five-year period ended December 31, 2003 and for the three months ended March 31, 2004 and 2003. This information has been derived from the selected historical consolidated financial data of Modus included in this proxy statement/prospectus. This information is only a summary, and you should read it in conjunction with the selected historical consolidated financial information of Modus included below under INFORMATION ABOUT MODUS Selected Historical Financial Information of Modus and the historical consolidated financial statements and related notes of Modus included in this proxy statement/prospectus.

	Three Months Ended March 31,		Years Ended December 31,				
	2004	2003	2003	2002 Restated(1)	2001 Restated(1)	2000	1999 Restated(2)
				(in thousands)			
STATEMENT OF OPERATIONS DATA:							
Revenue	$ 140,184	$ 133,131	$ 543,351	$ 595,703	$ 641,529	$ 688,102	$ 692,021
Gross profit	25,262	27,042	111,672	121,862	99,936	151,725	145,423
Selling, general and administrative expenses	21,422	22,903	86,653	99,169	117,929	120,254	117,263
Operating income (loss)	1,506	841	17,964	20,333	(24,459)	14,206	27,542
Income (loss) before income taxes	(3,343)	(3,310)	(3,923)	1,028	(36,427)	5,719	15,385
Provision (benefit) for income taxes	169	33	2,956	(1,359)	1,872	1,445	7,550
Net income (loss)	(3,512)	(3,343)	(6,879)	2,387	(38,299)	2,126	8,232

	As of March 31, 2004		As of December 31, 2003
BALANCE SHEET DATA:		(in thousands)	
Cash and cash equivalents	$ 35,408		$ 43,186
Working capital	45,595		42,197
Total assets	222,196		248,001
Long-term debt, net of current portion	96,818		93,512
Total stockholders equity	3,798		5,157

(1) See Note 3 to Modus consolidated financial statements for a discussion on the restatement.
(2) Restated to reverse excess deferred tax asset valuation allowance of $3.7 million.

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Summary of Selected Historical Consolidated Financial Information of CMGI

The table below presents summary financial information of CMGI for each of the years in the five-year period ended July 31, 2003 and the nine months ended April 30, 2004 and 2003. This information has been derived from the selected financial data of CMGI included in this proxy statement/prospectus. This information is only a summary, and you should read it in conjunction with the historical financial statements and related notes of CMGI incorporated by reference in this proxy statement/prospectus.

	Nine Months Ended April 30,		Year Ended July 31,				
	2004	2003	2003	2002	2001	2000	1999
				(in thousands, except per share data)			
Consolidated Statement of Operations Data:							
Net revenue	$ 300,956	$ 339,105	$ 436,987	$ 168,476	$ 280,840	$ 313,469	$ 154,460
Cost of revenue	281,901	313,494	403,883	152,140	351,015	356,189	141,595
Research and development			332	4,732	25,347	48,477	12,888
In-process research and development					762	6,266	1,561
Selling	3,572	5,346	6,792	28,357	62,590	86,715	19,021
General and administrative	28,063	48,927	62,336	54,598	138,805	123,678	32,562
Amortization of intangible assets and stock-based compensation	262	164	218	4,941	182,704	171,683	6,255
Impairment of long lived-assets		456	456	2,482	170,659	20,873	
Restructuring, net	5,566	29,144	55,348	(3,118)	109,207		
Operating loss	(18,408)	(58,426)	(92,378)	(75,656)	(760,249)	(500,412)	(59,422)
Interest income (expense), net	1,594	3,392	3,717	36,416	(187)	(22,312)	243
Gains on issuance of stock by subsidiaries and affiliates					121,794	80,387	130,729
Other gains (losses), net	43,483	(45,680)	(41,317)	(67,983)	(322,033)	524,863	758,312
Other income (expense), net	(2,089)	(1,687)	(1,455)	(15,408)	(759)	(28,339)	(14,305)
Income tax benefit (expense)	70,181	(2,667)	(3,249)	7,096	(12,171)	(88,621)	(346,426)
Income (loss) from continuing operations	94,761	(105,068)	(134,682)	(115,535)	(973,605)	(34,434)	469,131
Extraordinary gain on retirement of debt, net of income taxes				131,281			
Gain (loss) from discontinued operations, net of income taxes	(984)	(94,850)	(81,626)	(540,664)	(4,514,315)	(1,330,259)	7,109
Net income (loss)	93,777	(199,918)	(216,308)	(524,918)	(5,487,920)	(1,364,693)	476,240
Preferred stock accretion and amortization of discount				(2,301)	(7,499)	(11,223)	(1,662)
Gain on repurchase of Series C convertible preferred stock				63,505			
Net income (loss) available to common stockholders	$ 93,777	$ (199,918)	$ (216,308)	$ (463,714)	$ (5,495,419)	$ (1,375,916)	$ 474,578
Diluted earnings (loss) per share:							
Earnings (loss) from continuing operations before extraordinary item	$ 0.23	$ (0.27)	$ (0.34)	$ (0.14)	$ (2.97)	$ (0.17)	$ 2.27
Income (loss) from discontinued operations, net of income taxes		(0.24)	(0.21)	(1.43)	(13.70)	(5.09)	0.03
Extraordinary gain on retirement of debt, net of income taxes				0.35			

Net earnings (loss)	$ 0.23	$ (0.51)	$ (0.55)	$ (1.22)	$ (16.67)	$ (5.26)	$ 2.30
Shares used in computing diluted net earnings (loss) per share	404,291	393,106	393,455	379,800	329,623	261,555	206,832
Consolidated Balance Sheet Data:							
Working capital	$ 270,807	$ 173,072	$ 204,733	$ 203,879	$ 580,824	$ 1,110,105	$ 1,381,005
Total assets	445,693	448,339	455,341	910,267	2,054,375	8,557,107	2,404.594
Long-term obligations	20,259	31,785	26,816	122,697	319,043	654,417	68,090
Redeemable preferred stock					390,640	383,140	411,283
Stockholders equity	299,267	217,602	247,012	416,696	805,072	5,783,083	1,060,664

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CMGI Summary Unaudited Pro Forma Combined Financial Information

The table below presents selected financial data from the unaudited pro forma condensed combined financial statements of CMGI included in this proxy statement/prospectus. The pro forma condensed combined financial statements give effect to the proposed merger with Modus as if the merger had been completed on August 1, 2002 for income statement purposes and on April 30, 2004 for balance sheet purposes. The unaudited pro forma condensed combined financial data is based on the estimates and assumptions set forth in the notes to such statements, which are preliminary and have been made solely for the purposes of developing such pro forma information. Modus and CMGI do not claim or represent that the following summary unaudited pro forma financial information is indicative of the results that would have been reported had the transactions actually occurred on the dates indicated above, nor is it indicative of future results. The unaudited pro forma condensed combined financial information should be read in conjunction with the unaudited pro forma condensed combined financial statements and related notes of CMGI included in this proxy statement/prospectus, as well as the audited and unaudited historical consolidated financial statements and related notes of CMGI incorporated by reference in this proxy statement/prospectus and of Modus included in this proxy statement/prospectus.

	Nine Months Ended April 30, 2004	Year Ended July 31, 2003
	(In thousands, except per share data)	
Pro Forma Condensed Combined Statement of Operations Data		
Net revenue	$ 728,430	$ 1,001,039
Operating income (loss)	739	(83,889)
Income (loss) from continuing operations	106,574	(133,971)
Basic earnings (loss) from continuing operations per share	0.23	(0.29)
Diluted earnings (loss) from continuing operations per share	0.22	(0.29)

	April 30, 2004
	(in thousands)
Pro Forma Condensed Combined Balance Sheet Data	
Working capital	$ 216,724
Total assets	728,287
Non-current liabilities	28,323
Stockholders' equity	455,402

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Comparative Historical and Pro Forma Combined Per Share Data

The following table presents audited and unaudited basic and diluted earnings per share and book value per share data for CMGI and Modus separately on a historical basis and unaudited basic and diluted earnings per share and book value per share data for CMGI and Modus on a pro forma combined basis giving effect to the merger using the purchase method of accounting. The unaudited pro forma combined financial data presented below are not necessarily indicative of the results that would have occurred had the merger occurred at the beginning of the periods presented, and such data should not be construed as representative of the future financial position or operating results of CMGI. The pro forma combined net income (loss), pro forma stockholders equity and the pro forma number of shares of common stock outstanding used in determining the amounts presented below have been derived from unaudited pro forma financial statements included in this proxy statement/prospectus. This information is only a summary and should be read in conjunction with the selected historical consolidated financial data of Modus, the separate historical consolidated financial statements of Modus and related notes included in this proxy statement/prospectus, the selected historical consolidated financial data of CMGI, the separate historical consolidated financial statements of CMGI and related notes incorporated by reference in this proxy statement/prospectus, and the unaudited pro forma combined financial statements of CMGI included in this proxy statement/prospectus. The historical book value per share is computed by dividing total stockholders equity by the number of common shares outstanding at the end of the period. The pro forma per share earnings (loss) from continuing operations is computed by dividing the pro forma earnings (loss) from continuing operations by the pro forma weighted average number of shares outstanding. The pro forma combined book value per share is computed by dividing total pro forma stockholder s equity by the pro forma number of common shares outstanding at the end of the period. The Modus equivalent pro forma combined per share amounts are calculated by multiplying the CMGI pro forma combined per share amounts by an assumed common stock exchange ratio of 2.228.

Comparative Per Share Data

CMGI	**Nine Months Ended April 30, 2004**	**Fiscal Year Ended July 31, 2003**
Historical Per Common Share Data:		
Earnings (loss) from continuing operations basic	$ 0.24	$ (0.34)
Earnings (loss) from continuing operations diluted	0.23	(0.34)
Book value	0.75	0.62

Modus	**Nine Months Ended March 31, 2004**	**Twelve Months Ended June 30, 2003**
Historical Per Common Share Data:		
Earnings (loss) from continuing operations basic and diluted	$ (0.06)	$ (0.24)
Book value	0.13	

CMGI and Modus	**Nine Months Ended April 30, 2004**	**Fiscal Year Ended July 31, 2003**
Pro Forma Combined Per Common Share Data:		
Earnings (loss) from continuing operations basic	$ 0.23	$ (0.29)
Earnings (loss) from continuing operations diluted	0.22	(0.29)
Book value	0.97	

Equivalent Pro Forma Combined Per Common Share Data:				
Earnings (loss) from continuing operations basic	$	0.51	$	(0.65)
Earnings (loss) from continuing operations diluted		0.49		(0.65)
Book value		2.16		

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RISK FACTORS

The merger involves a number of risks. In addition to the other information included in this proxy statement/prospectus, including the matters addressed in CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS, you should carefully consider the following risks before deciding whether to vote for approval of the merger agreement.

Risks Related to the Merger

The number of shares of CMGI common stock issuable in the merger is subject to a collar and other adjustments, which could result in Modus stockholders receiving less value than anticipated if the market price of CMGI common stock decreases.

The number and market price of the shares of CMGI common stock that Modus stockholders and option holders will receive or be entitled to receive in connection with the merger is subject to fluctuation. Modus stockholders will receive or be entitled to receive an aggregate of between approximately 54,000,000 and 66,000,000 shares of CMGI common stock (excluding options and warrants) based upon the average closing price of CMGI common stock during the 20 trading days ending immediately prior to the second trading day preceding the completion of the merger. The merger agreement provides, however, that the average closing price of CMGI common stock used to calculate the merger consideration will not be more than $2.478 or less than $2.028. See THE MERGER AGREEMENT Terms of the Merger on page 43. Although the number of CMGI shares that Modus stockholders will receive in the merger is based on that average trading price, the market price of CMGI common stock may fluctuate. Accordingly, on the date of the merger and on the date Modus stockholders actually receive their shares of CMGI common stock upon surrender of their Modus stock certificates, the market price of the CMGI common stock may be more or less than the average trading price of CMGI common stock used to determine the merger consideration. Furthermore, pursuant to the terms of the merger agreement, the merger consideration could decrease if Modus net indebtedness at closing exceeds a targeted amount of $76 million.

CMGI could make claims against your escrowed shares of CMGI common stock if CMGI has a claim for indemnification under the merger agreement after the merger or if there is an additional adjustment to the merger consideration because Modus net indebtedness at closing exceeds the targeted amount of $76 million.

In making its decision to acquire Modus, CMGI has relied on its management s knowledge of the industry, due diligence conducted on Modus business and representations and warranties made by Modus concerning its business contained in the merger agreement. There can be no assurance that the representations and warranties made by Modus in the merger agreement are or will be true and complete. If these representations and warranties are inaccurate, CMGI may be able to make claims against the shares of CMGI common stock issued to Modus stockholders in the merger that are being held in escrow pursuant to the escrow agreement. See THE MERGER AGREEMENT Escrow and Indemnification and Other Agreements Escrow Agreement. If CMGI makes and prevails on any of these claims, you will not receive all or a portion of your shares of CMGI common stock being held in escrow. In addition, the merger agreement provides for a further adjustment of the merger consideration if Modus closing date net indebtedness, as definitely determined after the closing date, exceeds the targeted amount of $76 million and such adjustment was not fully made by the estimated adjustment made prior to closing (which is to be reflected in the exchange ratio calculation). To the extent there is to be a reduction of the merger consideration based on such adjustment, some shares of CMGI common stock subject to escrow will be returned to CMGI to reflect the adjustment of the merger consideration, and you will not receive a portion of your shares of CMGI common stock being held in escrow. See THE MERGER AGREEMENT Terms of the Merger.

The price of CMGI common stock may be affected by factors different from those affecting the value of Modus common stock.

Upon completion of the merger, holders of Modus common stock will become holders of CMGI common stock. CMGI s business differs from that of Modus, and CMGI s results of operations, as well as the price of

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CMGI common stock, may be affected by factors different from those affecting Modus results of operations and the value of Modus common stock. For a discussion of CMGI s business and certain factors to consider in connection with its business, see CMGI s Annual Report on Form 10-K for the fiscal year ended July 31, 2003 and CMGI s Quarterly Report on Form 10-Q for the three months ended April 30, 2004, which are incorporated by reference in this proxy statement/prospectus and RISK FACTORS Risks Related to the Ownership of the Capital Stock of CMGI in this proxy statement/prospectus.

CMGI may not realize all of the anticipated benefits of the merger.

The success of the merger will depend in part on the ability of CMGI to realize the anticipated synergies and cost savings from integrating the businesses of Modus with the supply chain management businesses of CMGI. CMGI s success in realizing these benefits and the timing of this realization depend upon the successful integration of the technology, personnel and operations of Modus. 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 maintaining CMGI s and Modus supplier bases; and
- consolidating and integrating information technology systems.

We cannot assure you that the integration of Modus with CMGI s supply chain management business will result in the realization of the full benefits that the parties anticipate in a timely manner or at all.

The officers and directors of Modus have interests different from yours as a Modus stockholder.

The directors and officers of Modus have certain interests in the merger and participate in certain arrangements that are different from, or are in addition to, those of Modus stockholders generally. See THE MERGER Interests of Certain Persons in the Merger. As a result, these directors and officers could be more likely to approve and adopt the merger agreement and the merger than if they did not hold these interests.

Risks Related to the Ownership of CMGI Common Stock after the Merger

CMGI may not be profitable after the merger and risks depleting its working capital.

During the three and nine months ended April 30, 2004, CMGI had an operating loss of approximately $6.5 million and $18.4 million, respectively. CMGI anticipates that it will continue to incur significant operating expenses in the future, including significant costs of revenue and general and administrative expenses. CMGI also has significant commitments and contingencies, including real estate leases, continuing stadium sponsorship obligations, and guarantees entered into by CMGI on behalf of itself and current and former operating companies. As a result, CMGI can give no assurance that it will achieve profitability or be capable of sustaining profitable operations. CMGI may also use significant amounts of cash to fund growth and expansion of its operations, including through additional acquisitions. CMGI may also incur significant costs and expenses in

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connection with pending and future litigation. At April 30, 2004, CMGI had a consolidated cash, cash equivalents and marketable securities balance of approximately $260.2 million and fixed contractual obligations of $82.9 million. The merger agreement requires CMGI to repay certain Modus indebtedness (estimated to be approximately $101 million (including principal, interest and prepayment penalties) as of June 1, 2004) at the effective time of the merger, which will reduce CMGI s available cash reserves. If CMGI is unable to reach and sustain profitability, it risks depleting its working capital balances and its business will be materially adversely affected.

Following the merger, CMGI will continue to derive substantially all of its revenue from a small number of customers and adverse industry trends or the loss of any of those customers could significantly damage CMGI s business.

CMGI currently derives substantially all of its revenue from the supply chain management services provided by its wholly-owned subsidiary SalesLink Corporation (SalesLink). Following the merger, CMGI s 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 CMGI s supply chain management services would decline and its financial results could suffer.

In addition, both SL Supply Chain Services International Corp. (SL Supply Chain), a wholly-owned subsidiary of SalesLink, and Modus have been designated as authorized replicators for Microsoft. Such designation provides these companies with licenses to replicate Microsoft software products and documentation for their customers who want to bundle licensed software with their hardware products. These agreements typically have terms of limited duration, up to 12 months. A failure to maintain authorized replicator status could result in reduced business and revenues for SL Supply Chain or Modus in the future.

In addition, for the year ended December 31, 2003, five end customers accounted for approximately 44% of Modus net revenues. For the nine months ended April 30, 2004, one customer, Hewlett-Packard accounted for approximately 72% of CMGI s consolidated net revenue. After the merger, the loss of any one or more of these customers would cause revenues to decline, perhaps below expectations. CMGI and Modus currently do not have any agreements which obligate any customer to buy a minimum amount of products or services. CMGI does not currently have any agreements which designate CMGI as its sole supplier of any particular products or services. Following the merger, the loss of a significant amount of business with Hewlett-Packard or any other key customers of CMGI or its operating companies, including Modus, would have a material adverse effect on CMGI. After the merger, CMGI will continue to derive the vast majority of its operating revenue from sales to a small number of key customers. There can be no assurance that CMGI s revenue from key customers would not decline in future periods.

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

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

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A decline in the technology sector could reduce CMGI s revenues.

A large portion of CMGI s and Modus respective 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 CMGI s 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 the financial results of CMGI.

As a result of intense price competition in the technology products marketplace, the gross margins in both CMGI s and Modus supply chain management business are low, and both CMGI and Modus expect them to continue to be low in the future. Following the merger, increased competition arising from industry consolidation and/or low demand for certain products may hinder the ability of CMGI to maintain or improve its gross margins. In addition, there may be additional pressure following the merger with respect to overlapping customers that may seek to reduce pricing to the lower of the pre-merger pricing of CMGI and Modus. These low gross margins magnify the impact of variations in revenue and operating costs on CMGI s financial results. Portions of CMGI s and Modus 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, following the merger CMGI may not be able to reduce its operating expenses as a percentage of revenue to mitigate any further reductions in gross margins. CMGI may also be required to spend money to restructure its operations should future demand fall significantly in any one facility. Following the merger, if CMGI cannot proportionately decrease its cost structure in response to competitive price pressures, CMGI s business and operating results could suffer.

Because CMGI and Modus frequently sell to supply chain management customers on a purchase order basis, both companies are subject to uncertainties and variability in demand by customers, which, following the merger, could decrease revenue and adversely affect the financial results of CMGI.

Both CMGI and Modus frequently sell to their respective supply chain management customers on a purchase order basis rather than pursuant to long-term contracts or contracts with minimum purchase requirements. Consequently, both companies sales are subject to demand variability by their respective 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. Following the merger, if CMGI is unable to anticipate and respond to the demands of its supply chain management customers, it may lose customers because of an inadequate supply of products, or an excess inventory, either of which may harm the business, financial position and operating results of CMGI.

CMGI s and Modus respective supply chain management businesses are required to maintain adequate levels of inventory in order to meet customer needs, which presents risks to CMGI s financial position and operating results.

Each of CMGI s and Modus supply chain management businesses are often required to purchase and maintain adequate levels of inventory in order to meet customer needs rapidly and on a timely basis. CMGI and Modus are often required to finance the purchase of products or components that are necessary to fulfill customer orders. The technology sector served by the customers of CMGI and Modus 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. Most of CMGI s and some of Modus customers offer limited protection from the loss in value of inventory. In addition, customers may become unable or unwilling to fulfill such protection obligations.

Following the merger, the decrease or elimination of price protection or the inability of customers to fulfill their protection obligations

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could lower CMGI s gross margins and cause it to record inventory write-downs. If CMGI is unable to manage its inventory with its customers with a high degree of precision, it may have insufficient product supplies or it may have excess inventory, resulting in inventory write-downs, which may harm CMGI s business, financial position and operating results. In addition, CMGI may not be able to recover fully the credit costs it would face with the financing of inventory.

Following the merger, the ability of CMGI and its operating companies, including Modus, to obtain particular products or components in the required quantities and to fulfill customer orders on a timely basis is critical to CMGI s success. In most cases, CMGI and its operating companies, including Modus, will have no guaranteed price or delivery agreements with their respective suppliers. CMGI and its operating companies, including Modus, 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 CMGI is not able to secure and maintain an adequate supply of products or components to fulfill its customer orders on a timely basis, CMGI s business, financial position and operating results may be adversely affected.

A failure of CMGI to meet customer expectations could result in lost revenues, increased expenses and negative publicity.

CMGI s and Modus respective supply chain management customers face significant uncertainties in forecasting the demand for their products. Following the merger, limitations on the size of facilities, number of personnel and availability of materials could make it difficult for CMGI and its operating companies, including Modus, 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 CMGI is not able to establish customer sites where requested, or if it fails to retain key customers at established sites, customer relationships, revenue and expenses could be seriously harmed.

CMGI s and Modus respective supply chain management customers have, at times, requested that CMGI or Modus add capacity or open a facility in locations near their sites. Following the merger, if CMGI elects 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 CMGI loses a significant customer of a particular site or opens 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 its operating companies.

The likely continued expansion of the global operations of CMGI is subject to special risks and costs.

CMGI and Modus both maintain operations outside of the United States, and following the merger CMGI will likely expand these operations. This international expansion will require significant management attention and financial resources. The operations of CMGI are and will continue to be subject to numerous and varied regulations worldwide, some of which may have an adverse effect on the company s ability to develop its international operations in accordance with its business plans or on a timely basis.

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CMGI is subject to risks of operating internationally.

CMGI s success depends, in part, on its ability to manage and expand its international operations. Failure to expand its international sales and fulfillment activities could limit CMGI s ability to grow.

CMGI and Modus currently conduct business in Mexico, China, Taiwan, Singapore, Ireland, France, The Netherlands and certain other foreign locations, in addition to their United States operations. Sales outside the United States accounted for 37%, 11% and 13% of CMGI s total revenue for fiscal 2003, 2002, and 2001, respectively. Sales outside the United States accounted for 68%, 66% and 60% of Modus total revenue for fiscal 2003, 2002, and 2001, respectively. There are certain risks inherent in conducting international operations, including:

- added fulfillment complexities in operations, including multiple languages, currencies, bills of materials and stock keeping units;
- exposure to currency fluctuations and repatriation complexities and delays;
- 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, following the merger a substantial portion of CMGI s business will be conducted in China, where it faces 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 CMGI and its customers; and
- difficulty retaining management personnel and skilled employees.

If CMGI is unable to manage these risks following the merger, it may face significant liability, its international sales may decline and its financial results may be adversely affected.

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

CMGI s international operations will increase its 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 CMGI s products and services or levy sales or other taxes relating to its 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 its business.

CMGI and Modus depend on third-party software, systems and services.

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

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CMGI and Modus depend on certain important employees, and the loss of any of those employees may harm CMGI s business following the merger.

CMGI s and Modus performance is substantially dependent on the performance of their executive officers and other key employees, as well as management of their operating companies. The familiarity of these individuals with technology and service related industries will make them especially critical to the success of CMGI following the merger. In addition, the success of CMGI is dependent on its ability to attract, train, retain and motivate high quality personnel, especially for its operating companies management teams. Competition for such personnel is intense. The loss of the services of any of the executive officers or key employees of CMGI or Modus may harm CMGI s business. CMGI has not yet formally concluded which Modus officers, if any, will be offered employment or the terms such offers might contain.

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

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

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

CMGI intends to continue to expand its 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 CMGI s common stock, or which may have a dilutive effect on the common stockholders.

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

CMGI s quarterly results may fluctuate significantly.

CMGI s operating results have fluctuated widely on a quarterly basis during the last several years, and it expects to experience significant fluctuations in future quarterly operating results. Many factors, some of which

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are beyond CMGI s control, have contributed to these quarterly fluctuations in the past and may continue to do so. Such factors include:

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

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

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

The market price of CMGI s common stock has been and is likely to continue to be volatile. 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 CMGI s common stock. In addition, should the market price of CMGI s common stock be below $1.00 per share for an extended period, it risks Nasdaq delisting, which would have an adverse effect on CMGI s business and on the trading of CMGI common stock. In order to maintain compliance with Nasdaq listing standards, CMGI may consider several strategies, including without limitation a reverse stock split.

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

CMGI and its operating companies will continue to be subject to intense competition.

The markets for the products and services of CMGI and Modus 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 the products and services of CMGI and Modus. The market for supply chain management products and services is very competitive, and the intensity of the competition is expected to continue to increase. Following the merger, any failure to maintain and enhance the competitive position of CMGI and its operating companies, including Modus, would limit CMGI s ability to maintain and increase market share, which would result in serious harm to its business. Increased competition may also result in price reductions, reduced gross margins and loss of market share. In addition, many of the current and potential competitors of CMGI and its operating companies, including Modus, will continue to have greater financial, technical, operational and marketing resources than those of CMGI following the merger. CMGI 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 CMGI s revenues.

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

The markets for the technology-related products and services of CMGI and Modus are characterized by:

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

Following the merger, the success of CMGI will depend on its ability to adapt to this rapidly evolving marketplace. CMGI may not be able to adequately adapt its products and services or to acquire new products and services that can compete successfully. In addition, CMGI may not be able to establish and maintain effective distribution channels.

CMGI could be subject to infringement claims and other liabilities.

From time to time, CMGI and Modus have been, and following the merger CMGI will continue to be, subject to third-party claims in the ordinary course of business, including claims of alleged infringement of intellectual property rights. Following the merger, any such claims may damage the business of CMGI by:

- subjecting it to significant liability for damages;
- resulting in invalidation of its proprietary rights;
- resulting in costly license fees in order to settle such claims;

- being time-consuming and expensive to defend even if such claims are not meritorious; and
- resulting in the diversion of management time and attention.

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

In the course of providing supply chain management services to its customers, CMGI and its 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, CMGI 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.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus contains forward-looking statements. These forward-looking statements are based on estimates and assumptions made by management of CMGI or Modus, as the case may be, and take into account only the information available at the time the forward-looking statements are made. Although we each believe our respective estimates and assumptions are and will be reasonable, forward-looking statements involve risks, uncertainties and other factors that could cause our respective actual results to differ materially from those suggested in the forward-looking statements. Forward-looking statements include the information concerning future financial performance, anticipated benefits of the merger, business strategy, projected plans and objectives of CMGI, prospective products, sales and marketing efforts, costs and expenses, liquidity, cost savings and the other forward-looking statements contained in this proxy statement/prospectus:

- the expected closing date of the merger;
- pro forma financial data for Modus and CMGI;
- information concerning the anticipated benefits of the merger;
- the expected benefits of the merger considered by CMGI;
- the expected competitive position and profitability of CMGI and its future access to capital; and
- the benefits and cost savings expected to result from the merger considered by the Modus Board of Directors;

Forward-looking statements are subject to numerous risks and uncertainties. The following are some important factors that could cause CMGI s actual results to differ materially from those in forward-looking statements:

- general volatility of the capital markets and the market price of CMGI common stock;
- CMGI s ability to successfully integrate its supply chain business with Modus (including combining systems and supplier bases, maintaining Modus customers and retaining Modus key employees following the merger);
- changes in the United States, global or regional economic conditions which may affect sales of CMGI s products and services and increase costs associated with distribution;
- the degree and nature of CMGI s competition, including continued consolidation among CMGI s competitors and customers;
- changes in laws or regulations which may adversely affect CMGI s ability to compete;
- technological changes may be more difficult or expensive than anticipated; and

other factors described in the section entitled RISK FACTORS.

This list of factors that may affect future performance and the accuracy of forward-looking statements is illustrative, but by no means exhaustive. Accordingly, all forward looking statements should be evaluated with the understanding of their inherent uncertainty.

CMGI s actual results, performance or achievement could differ materially from those expressed in, or implied by, forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what impact they will have on the results of operations and financial condition of CMGI. The forward-looking statements speak only as of the date they are made. Neither CMGI nor Modus undertake to update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements are made.

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SPECIAL MEETING OF MODUS STOCKHOLDERS

We are furnishing this proxy statement/prospectus to stockholders of Modus as part of the solicitation of proxies by the Modus Board of Directors for use at the special meeting.

Date, Time and Place

We will hold a special meeting of Modus stockholders at the offices of Wilmer Cutler Pickering Hale and Dorr LLP, located at 60 State Street, Boston, Massachusetts, at 9:00 a.m., local time, on August 2, 2004.

Purpose of the Special Meeting

At the special meeting, we will be asking holders of Modus common stock to adopt the merger agreement among CMGI, Westwood Acquisition Corp., a wholly-owned subsidiary of CMGI, and Modus.

The Modus Board of Directors has determined that the merger is advisable and in the best interests of Modus stockholders, has approved the merger agreement and the merger, and recommends that Modus stockholders vote *FOR* adoption of the merger agreement.

Record Date; Stock Entitled to Vote; Quorum