

CMGI INC
Form PRE 14A
October 23, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

CMGI, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

Edgar Filing: CMGI INC - Form PRE 14A

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(6) Amount Previously Paid:

(7) Form, Schedule or Registration Statement No.:

(8) Filing Party:

(9) Date Filed:

CMGI, INC.

1100 WINTER STREET

WALTHAM, MASSACHUSETTS 02451

November __, 2006

Dear CMGI Stockholder:

You are cordially invited to attend the 2006 Annual Meeting of Stockholders (the 2006 Meeting) of CMGI, Inc., which will be held at the State Room, 60 State Street, Boston, Massachusetts 02109, on Wednesday, December 6, 2006, at 9:00 a.m. Eastern time. Details of the business to be conducted at the 2006 Meeting are given in the attached Notice of Annual Meeting and Proxy Statement.

Whether or not you plan to attend the 2006 Meeting, it is important that your shares be represented and voted at the 2006 Meeting. Therefore, I urge you to sign and date the enclosed proxy card and promptly return it in the enclosed envelope so that your shares will be represented at the 2006 Meeting. If you so desire, you may withdraw your proxy and vote in person at the 2006 Meeting.

I look forward to greeting those of you who will be able to attend the 2006 Meeting.

Sincerely,

Joseph C. Lawler

Chairman, President and Chief Executive Officer

YOUR VOTE IS IMPORTANT.

**TO VOTE YOUR SHARES, PLEASE SIGN, DATE AND COMPLETE THE ENCLOSED PROXY
CARD AND MAIL IT PROMPTLY IN THE ENCLOSED RETURN ENVELOPE. NO POSTAGE
NEED BE AFFIXED IF THE PROXY CARD IS MAILED IN THE UNITED STATES.**

CMGI, INC.

1100 WINTER STREET

WALTHAM, MASSACHUSETTS 02451

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD WEDNESDAY, DECEMBER 6, 2006

To the Stockholders of CMGI, Inc.:

NOTICE IS HEREBY GIVEN that the 2006 Annual Meeting of Stockholders (the "2006 Meeting") of CMGI, Inc. (the "Company") will be held at the State Room, 60 State Street, Boston, Massachusetts 02109, on Wednesday, December 6, 2006, at 9:00 a.m. Eastern time, for the following purposes:

1. To elect three Class I Directors;
2. To authorize the Board of Directors, in its discretion, should it deem it to be appropriate and in the best interests of the Company and its stockholders, to amend the Company's Restated Certificate of Incorporation, as amended, to effect a reverse stock split of the Company's issued and outstanding shares of Common Stock by a ratio of 1-for-5, without further approval or authorization of the Company's stockholders;
3. To authorize the Board of Directors, in its discretion, should it deem it to be appropriate and in the best interests of the Company and its stockholders, to amend the Company's Restated Certificate of Incorporation, as amended, to effect a reverse stock split of the Company's issued and outstanding shares of Common Stock by a ratio of 1-for-10, without further approval or authorization of the Company's stockholders;
4. To authorize the Board of Directors, in its discretion, should it deem it to be appropriate and in the best interests of the Company and its stockholders, to amend the Company's Restated Certificate of Incorporation, as amended, to effect a reverse stock split of the Company's issued and outstanding shares of Common Stock by a ratio of 1-for-15, without further approval or authorization of the Company's stockholders;
5. To authorize the Board of Directors, in its discretion, should it deem it to be appropriate and in the best interests of the Company and its stockholders, to amend the Company's Restated Certificate of Incorporation, as amended, to effect a reverse stock split of the Company's issued and outstanding shares of Common Stock by a ratio of 1-for-20, without further approval or authorization of the Company's stockholders;
6. To ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for the current fiscal year; and
7. To transact such other business as may properly come before the 2006 Meeting or any adjournments thereof.

The Board of Directors has no knowledge of any other business to be transacted at the 2006 Meeting. Only stockholders of record at the close of business on Wednesday, October 18, 2006 are entitled to notice of, and to vote at, the 2006 Meeting and any adjournments thereof. A copy of the Company's Annual Report to Stockholders for the fiscal year ended July 31, 2006, which contains consolidated financial statements and other information of interest to stockholders, accompanies this Notice and Proxy Statement. All stockholders are cordially invited to attend the 2006 Meeting.

Waltham, Massachusetts

November __, 2006

By Order of the Board of Directors,

Peter L. Gray, *Executive Vice President*,

Edgar Filing: CMGI INC - Form PRE 14A

General Counsel and Secretary

An admission ticket and picture identification will be required to enter the 2006 Meeting. Each stockholder will be entitled to bring a guest to the 2006 Meeting. For stockholders of record, an admission ticket is attached to the proxy card sent with this Notice and Proxy Statement. Stockholders holding stock in bank or brokerage accounts can obtain an admission ticket in advance by sending a written request, along with proof of ownership of shares (such as a brokerage statement), to the Company's Office of Investor Relations at CMGI, Inc., 1100 Winter Street, Waltham, Massachusetts 02451. An individual arriving without an admission ticket will not be admitted unless it can be verified that the individual is a CMGI stockholder. Cameras, cell phones, recording equipment and other electronic devices will not be permitted at the 2006 Meeting. The Company reserves the right to inspect any persons or items prior to their admission to the 2006 Meeting.

CMGI, INC.

1100 WINTER STREET

WALTHAM, MASSACHUSETTS 02451

PROXY STATEMENT

For the Annual Meeting of Stockholders

To Be Held December 6, 2006

General

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of CMGI, Inc., a Delaware corporation (the Company), for use at the Company's 2006 Annual Meeting of Stockholders (the 2006 Meeting), which will be held at the State Room, 60 State Street, Boston, Massachusetts 02109, on Wednesday, December 6, 2006, at 9:00 a.m. Eastern time, and at any adjournments thereof. The Notice of Annual Meeting, this Proxy Statement, the accompanying proxy card and the Company's Annual Report to Stockholders for the fiscal year ended July 31, 2006 are being mailed to stockholders on or about November __, 2006. The Company's principal executive offices are located at 1100 Winter Street, Waltham, Massachusetts 02451 and its telephone number is (781) 663-5001.

Solicitation

The cost of soliciting proxies, including expenses in connection with preparing, printing and mailing this Proxy Statement, will be borne by the Company. Copies of solicitation materials will be furnished to brokerage houses, nominees, fiduciaries and custodians to forward to beneficial owners of the Company's Common Stock, \$0.01 par value per share (the Common Stock), held in their names. In addition, the Company will reimburse brokerage firms and other persons representing beneficial owners of stock for their reasonable expenses in forwarding solicitation materials to such beneficial owners. In addition to the solicitation of proxies by mail, the Company's directors, officers and other employees may, without additional compensation, solicit proxies by telephone, facsimile, electronic communication and personal interviews.

Record Date, Outstanding Shares and Voting Rights

The Board of Directors has fixed Wednesday, October 18, 2006 as the record date for determining holders of Common Stock who are entitled to vote at the 2006 Meeting. As of October 18, 2006, the Company had approximately 486,940,574 shares of Common Stock outstanding and entitled to be voted. Each share of Common Stock entitles the record holder to one vote on each matter to be voted upon at the 2006 Meeting. A majority of the shares of Common Stock issued and outstanding and entitled to vote at the 2006 Meeting will constitute a quorum at the 2006 Meeting. Votes withheld, abstentions and broker non-votes shall be counted for purposes of determining the presence or absence of a quorum for the transaction of business at the 2006 Meeting.

The affirmative vote of the holders of a plurality of the votes cast at the 2006 Meeting is required for the election of directors (Proposal No. 1). The affirmative vote of the holders of a majority of the shares of the Company's Common Stock present or represented by proxy and voting on the matter is required to ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for the current fiscal year (Proposal No. 6). The affirmative vote of the holders of a majority of the outstanding shares of the Company's Common Stock is required to authorize the Board of Directors, in its discretion, should it deem it to be appropriate and in the best interests of the Company and its stockholders, to amend the Company's Restated Certificate of Incorporation, as amended (the Certificate of Incorporation), to effect a reverse stock split of the

Company's issued and outstanding shares of Common Stock by a ratio of 1-for-5, without further approval or authorization of the Company's stockholders (Proposal No. 2), to authorize the Board of Directors, in its discretion, should it deem it to be appropriate and in the best interests of the Company and its stockholders, to amend the Certificate of Incorporation to effect a reverse stock split of the Company's issued and outstanding shares of Common Stock by a ratio of 1-for-10, without further approval or authorization of the Company's stockholders (Proposal No. 3), to authorize the Board of Directors, in its discretion, should it deem it to be appropriate and in the best interests of the Company and its stockholders, to amend the Certificate of Incorporation to effect a reverse stock split of the Company's issued and outstanding shares of Common Stock by a ratio of 1-for-15, without further approval or authorization of the Company's stockholders (Proposal No. 4) and to authorize the Board of Directors, in its discretion, should it deem it to be appropriate and in the best interests of the Company and its stockholders, to amend the Certificate of Incorporation to effect a reverse stock split of the Company's issued and outstanding shares of Common Stock by a ratio of 1-for-20, without further approval or authorization of the Company's stockholders (Proposal No. 5).

Shares which abstain from voting on a particular matter and shares held in street name by brokers or nominees who indicate on their proxies that they do not have discretionary authority to vote such shares as to a particular matter (broker non-votes) will not be counted as votes in favor of such matter, and will also not be counted as votes cast or shares voting on such matter. Accordingly, abstentions and broker non-votes will have no effect on the voting for the election of directors, which requires the affirmative vote of a plurality of the votes cast or shares voting on the matter. Similarly, abstentions and broker non-votes will have no effect on the voting to ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for the current fiscal year, which requires the affirmative vote of a majority of the votes cast or shares voting on the matter. Abstentions and broker non-votes, however, will have the same effect as a vote against each of the four reverse stock split proposals because approval of each of these proposals requires the affirmative vote of a majority of all outstanding shares of the Company's Common Stock.

To vote by mail, please sign, date and complete the enclosed proxy card and return it in the enclosed envelope. No postage is necessary if the proxy card is mailed in the United States. If you hold your shares through a bank, broker or other nominee, they will give you separate instructions for voting your shares.

Revocability of Proxy and Voting of Shares

Any stockholder giving a proxy has the power to revoke it at any time before it is exercised. The proxy may be revoked by filing with the Secretary of the Company, at the principal executive offices of the Company, 1100 Winter Street, Waltham, Massachusetts 02451, an instrument of revocation or a duly executed proxy bearing a later date. The proxy may also be revoked by attending the 2006 Meeting and voting in person. If not revoked, the proxy will be voted at the 2006 Meeting in accordance with the stockholder's instructions indicated on the proxy card. If no instructions are indicated, the proxy will be voted:

FOR the election of the three Class I Director nominees named herein;

FOR the approval of the proposal to authorize the Board of Directors, in its discretion, should it deem it to be appropriate and in the best interests of the Company and its stockholders, to amend the Certificate of Incorporation to effect a reverse stock split of the Company's Common Stock by a ratio of 1-for-5, without further approval or authorization of the Company's stockholders;

FOR the approval of the proposal to authorize the Board of Directors, in its discretion, should it deem it to be appropriate and in the best interests of the Company and its stockholders, to amend the Certificate of Incorporation to effect a reverse stock split of the Company's Common Stock by a ratio of 1-for-10, without further approval or authorization of the Company's stockholders;

FOR the approval of the proposal to authorize the Board of Directors, in its discretion, should it deem it to be appropriate and in the best interests of the Company and its stockholders, to amend the Certificate of Incorporation to effect a reverse stock split of the Company's Common Stock by a ratio of 1-for-15, without further approval or authorization of the Company's stockholders;

FOR the approval of the proposal to authorize the Board of Directors, in its discretion, should it deem it to be appropriate and in the best interests of the Company and its stockholders, to amend the Certificate of Incorporation to effect a reverse stock split of the Company's Common Stock by a ratio of 1-for-20, without further approval or authorization of the Company's stockholders;

FOR the ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for the current fiscal year; and

In accordance with the judgment of the proxy holders as to any other matter that may be properly brought before the 2006 Meeting or any adjournments thereof.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information, as of September 30, 2006, with respect to the beneficial ownership of shares of Common Stock by (i) each stockholder known to the Company to beneficially own more than 5% of the outstanding shares of Common Stock, (ii) the directors of the Company, including the Company's Chief Executive Officer, (iii) the Company's four other most highly compensated executive officers who were serving as executive officers on July 31, 2006 as well as two additional former executive officers who would have been among the four other most highly compensated executive officers if they had been serving as executive officers on July 31, 2006 (together with the Chief Executive Officer, the Named Executive Officers) and (iv) all current executive officers and directors of the Company, as a group.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	
	Number of Shares	Percent of Class(2)
5% Stockholders		
David S. Wetherell(3)	29,863,238	6.1%
Directors		
Anthony J. Bay(4)	218,444	*
Virginia G. Breen(5)	287,331	*
Thomas H. Johnson(6)	38,888	*
Francis J. Jules(7)	207,333	*
Joseph C. Lawler(8)	3,914,275	*
Edward E. Lucente(9)	58,888	*
Michael J. Mardy(10)	207,333	*
Named Executive Officers (other than CEO)		
William R. McLennan(11)	586,166	*
Mark J. Kelly(12)	93,140	*
Peter L. Gray(13)	797,403	*
David J. Riley(14)	132,853	*
Thomas Oberdorf(15)		
W. Kendale Southerland(16)	87,958	*
All current executive officers and directors, as a group (11 persons)(17)	6,542,054	1.3%

* Less than 1%

- (1) The number of shares beneficially owned by each director, executive officer and stockholder is determined under rules promulgated by the Securities and Exchange Commission, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which the individual has sole or shared voting power or investment power and also any shares which the individual has the right to acquire within 60 days after September 30, 2006, through the exercise of any stock option or other right (Presently Exercisable Options). The inclusion herein of such shares, however, does not constitute an admission that the named stockholder is a direct or indirect beneficial owner of such shares. Unless otherwise indicated, each person or entity named in the table has sole voting power and investment power (or shares such power with his or her spouse) with respect to all shares of capital stock listed as owned by such person or entity.
- (2) Number of shares deemed outstanding includes 486,936,751 shares of Common Stock as of September 30, 2006, plus any shares subject to Presently Exercisable Options held by the person in question.
- (3) Includes 2,500,000 shares which may be acquired by Mr. Wetherell pursuant to Presently Exercisable Options. Also includes (i) 16,812,672 shares held by a limited liability company of which Mr. Wetherell owns direct and indirect membership interests and which is managed by a limited liability company of which Mr. Wetherell is a manager and (ii) 7,588,500 shares held by a limited partnership of which Mr. Wetherell indirectly owns the limited partnership interests. Mr. Wetherell disclaims beneficial ownership of the 16,812,672 shares held by the limited liability company and the 7,588,500 shares held by

the limited partnership described in the foregoing sentence. Mr. Wetherell's address is c/o CMGI, Inc., 1100 Winter Street, Waltham, MA 02451. Mr. Wetherell served as Chairman of the Board until August 31, 2006 and currently serves as a consultant to the Company.

- (4) Consists of shares which may be acquired by Mr. Bay pursuant to Presently Exercisable Options.
- (5) Consists of shares which may be acquired by Ms. Breen pursuant to Presently Exercisable Options.
- (6) Consists of shares which may be acquired by Mr. Johnson pursuant to Presently Exercisable Options.
- (7) Consists of shares which may be acquired by Mr. Jules pursuant to Presently Exercisable Options.
- (8) Includes 1,214,905 shares which may be acquired by Mr. Lawler pursuant to Presently Exercisable Options.
- (9) Includes 38,888 shares which may be acquired by Mr. Lucente pursuant to Presently Exercisable Options.
- (10) Consists of shares which may be acquired by Mr. Mardy pursuant to Presently Exercisable Options.
- (11) Includes 156,166 shares which may be acquired by Mr. McLennan pursuant to Presently Exercisable Options.
- (12) Consists of shares which may be acquired by Mr. Kelly pursuant to Presently Exercisable Options.
- (13) Includes 672,289 shares which may be acquired by Mr. Gray pursuant to Presently Exercisable Options.
- (14) Includes 104,770 shares which may be acquired by Mr. Riley pursuant to Presently Exercisable Options.
- (15) Mr. Oberdorf was employed by the Company until June 2006.
- (16) Mr. Southerland was employed by the Company until May 2006.
- (17) Includes 3,239,487 shares which may be acquired pursuant to Presently Exercisable Options.

PROPOSAL I

ELECTION OF DIRECTORS

The current Board of Directors has seven members and is divided into three classes. A class of directors is elected each year for a three-year term. The current term of the Company's Class I Directors will expire at the 2006 Meeting. The nominees for Class I Directors are Francis J. Jules, Joseph C. Lawler and Michael J. Mardy, each of whom currently serves as a Class I Director and is available for re-election. Each of the Class I Directors elected at the 2006 Meeting will each serve for a term of three years that will expire at the Company's 2009 Annual Meeting of Stockholders and until his successor is elected and qualified. The persons named as proxies will vote for each of Messrs. Jules, Lawler and Mardy for election to the Board as a Class I Director unless the proxy card is marked otherwise.

Each of Messrs. Jules, Lawler and Mardy has indicated his willingness to serve, if elected; however, if any nominee should be unable to serve, the persons named as proxies may vote the proxy for a substitute nominee. The Board has no reason to believe that any nominee will be unable to serve if elected.

The Board of Directors recommends that the stockholders vote FOR the Nominees listed below.

Biographical and certain other information concerning the directors of the Company and the nominees for election as a director is set forth below:

Class I Director Nominees for Election for a Three-Year Term Expiring at the 2009 Annual Meeting

Francis J. Jules, age 49. Mr. Jules has served as a director of the Company since February 2003 and as presiding director since August 2006. Since November 2005, following the acquisition by SBC of AT&T, Mr. Jules has served as Senior Vice President, Network Integration, ATT Operations, Inc., a subsidiary of AT&T, a local telephone and access provider. From February 2003 to November 2005, Mr. Jules served as President, SBC Global Markets. From December 2001 to October 2002, Mr. Jules served as Chief Executive Officer of US LEC Corp., a provider of voice, data and Internet services. From August 2000 to November 2001, Mr. Jules served as President and Chief Operating Officer, and then as acting Chief Executive Officer, of Winstar Communications, Inc., a provider of telephone and data services (Winstar). In April 2001, Winstar, along with certain of its subsidiaries, voluntarily filed for protection under Chapter 11 of the U.S. Bankruptcy Code. Thereafter, in December 2001, substantially all of the assets of Winstar were acquired by IDT Corporation. From 1994 to 2000, Mr. Jules served in various executive positions at Ameritech Corporation and SBC Communications Inc., last serving as President of Business Communications Services.

Joseph C. Lawler, age 56. Mr. Lawler has served as a director of the Company since August 2004. Mr. Lawler has served as President and Chief Executive Officer of the Company since August 2004, and also became Chairman in September 2006. Mr. Lawler is also President and Chief Executive Officer of ModusLink Corporation, a subsidiary of the Company (ModusLink). From 1995 to March 2004, Mr. Lawler served in various positions with R.R. Donnelley & Sons Company, a provider of full-service global print solutions, most recently as Executive Vice President. While at R.R. Donnelley, Mr. Lawler had management responsibilities for logistics, financial, direct mail and international operations.

Michael J. Mardy, age 57. Mr. Mardy has served as a director of the Company since May 2003. Since July 2003, Mr. Mardy has served as Senior Vice President and Chief Financial Officer of Tumi, Inc., a retailer of prestige luggage and business accessories. From 1996 to 2002, Mr. Mardy served as Executive Vice President and Chief Financial Officer of Keystone Foods LLC, a global manufacturer of food products. From 1980 to 1996, Mr. Mardy served in various positions with Nabisco, Inc., last serving as Senior Vice President and Chief Financial Officer of Nabisco Biscuit Company, a manufacturer of various food products.

Class II Directors Continuing in Office until the 2007 Annual Meeting

Anthony J. Bay, age 51. Mr. Bay has served as a director of the Company since September 2002. Mr. Bay is a private venture capital investor and advisor to technology companies. From 1994 to 2000, Mr. Bay worked for Microsoft Corporation, last serving as Vice President and General Manager of Microsoft's Digital Media Division and a member of Microsoft's executive staff. From 2000 to 2006, Mr. Bay served on the Board of Directors of Loudeye Corporation, including the role of Chairman of the Board from 2003 to 2006. Loudeye was listed on Nasdaq until acquired by Nokia Corporation in October 2006. Mr. Bay currently serves as a director of two privately held technology companies: MOD Systems, which provides Digital Media on Demand systems for retailers; and 21st Century Music, a music and technology company.

Virginia G. Breen, age 42. Ms. Breen has served as a director of the Company since April 2001. Since August 1995, Ms. Breen has been General Partner of Blue Rock Capital, L.P., a venture capital firm that invests in information technology and service businesses and which she co-founded. Ms. Breen has also been a partner with Sienna Ventures, a venture capital firm that invests in information technology and service businesses since 2002. Ms. Breen also serves as a Manager of Excelsior Absolute Return Fund of Funds, L.L.C., a registered investment company and also as Manager of Excelsior Absolute Return Fund of Funds Master Fund, L.L.C., a registered investment company.

Edward E. Lucente, age 66. Mr. Lucente has served as a director of the Company since April 2006. From January 1998 to December 2000, Mr. Lucente served as President, Chief Executive Officer and Chairman of the Board of QMS, Inc., a developer, manufacturer, and supplier of document printing solutions. From 1991 to 1993, Mr. Lucente served as Executive Vice President of Northern Telecom (Nortel), a designer and manufacturer of telephone and IP-optimized networks. From 1961 to 1991, Mr. Lucente served in various senior management positions with International Business Machines Corporation (IBM), including President of the Information Products Division; Group Executive, Marketing, Services and Sales; and President and Chairman of IBM's Asia-Pacific operations.

Class III Director Continuing in Office until the 2008 Annual Meeting

Thomas H. Johnson, age 57. Mr. Johnson has served as a director of the Company since April 2006. Mr. Johnson served as Chairman and Chief Executive Officer of Chesapeake Corporation, a specialty packaging manufacturer, from 1997 to 2005. He is also a director of Mirant Corporation, Universal Corporation and Superior Essex Inc.

Independence of Members of Board of Directors

The Board of Directors has determined that each of Anthony J. Bay, Virginia G. Breen, Thomas H. Johnson, Francis J. Jules, Edward E. Lucente and Michael J. Mardy, constituting a majority of the directors of the Company, satisfies the criteria for being an independent director under the standards of the Nasdaq Stock Market LLC (Nasdaq) and has no material relationship with the Company other than by virtue of service on the Board of Directors.

Corporate Governance and Board and Committee Meetings

During the fiscal year ended July 31, 2006 (fiscal 2006), the Board of Directors held 9 meetings (including by telephone conference). During fiscal 2006, each incumbent director attended at least 75% of the meetings of the Board and of the committees on which he or she served. During fiscal 2006, all of the independent directors of the Company met regularly, either in an executive session of a regularly scheduled Board meeting or as the Nominating and Corporate Governance Committee, outside of the presence of non-independent directors and executive officers of the Company. The Company's directors are strongly encouraged to attend the Company's Annual Meeting of Stockholders. All of the Company's directors serving at the time of the 2005 Annual Meeting of Stockholders attended such meeting.

The Board has four standing committees: an Audit Committee, a Human Resources and Compensation Committee, a Nominating and Corporate Governance Committee and a Technology Committee. In addition, in August 2006 the Company established the position of presiding director. The duties of the presiding director, as set forth in the Company's Corporate Governance Guidelines, as amended to date, include (i) chairing any meeting of the independent directors in executive session, (ii) facilitating communications between other members of the Board and the Chairman and Chief Executive Officer (however, each director is free to communicate directly with the Chairman and Chief Executive Officer), (iii) in the event a stockholder seeks to communicate with the Board of Directors, accepting and responding to such communications in conjunction with the Chairman and Chief Executive Officer, and (iv) working with the Chairman and Chief Executive Officer in the preparation of the agenda for each Board meeting and in scheduling the time devoted to matters at each Board meeting and, as required, in determining the need for special meetings of the Board. The designation as presiding director shall rotate among the independent directors every two years. Mr. Jules has been appointed presiding director for a term expiring at the conclusion of fiscal 2008.

Audit Committee

The Board of Directors has an Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended, which assists the Board of Directors in fulfilling its responsibilities to stockholders concerning the Company's financial reporting and internal controls and facilitates open communication among the Audit Committee, Board of Directors, outside auditors and management. The Audit Committee discusses with management and the Company's outside auditors the financial information developed by the Company, the Company's systems of internal controls and the Company's audit process. The Audit Committee is solely and directly responsible for appointing, evaluating, retaining and, when necessary, terminating the engagement of the independent auditor. The independent auditors meet with the Audit Committee (both with and without the presence of the Company's management) to review and discuss various matters pertaining to the audit, including the Company's financial statements, the report of the independent auditors on the results, scope and terms of their work and their recommendations concerning the financial practices, controls, procedures and policies employed by the Company. The Audit Committee pre-approves all audit services to be provided to the Company, whether provided by the principal auditor or other firms, and all other services (review, attest and non-audit) to be provided to the Company by the independent auditor. The Audit Committee coordinates the Board of Directors' oversight of the Company's internal control over financial reporting, disclosure controls and procedures and code of conduct. The Audit Committee is charged with establishing procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. The Audit Committee reviews all related party transactions on an ongoing basis and all such transactions must be approved by the Audit Committee. The Audit Committee is authorized, without further action by the Board of Directors, to engage such independent legal, accounting and other advisors as it deems necessary or appropriate to carry out its responsibilities. The Board of Directors has adopted a written charter for the Audit Committee, a copy of which can be found under the Investor Center section of the Company's website at www.cmgi.com. The Audit Committee consists of Anthony J. Bay, Thomas H. Johnson, Francis J. Jules and Michael J. Mardy (Chair), each of whom is independent as defined in applicable Nasdaq listing standards. The Board of Directors has determined that Michael J. Mardy is an audit committee financial expert as defined in Item 401(h) of Regulation S-K. The Audit Committee met 11 times during fiscal 2006.

Human Resources and Compensation Committee

The Board of Directors has a Human Resources and Compensation Committee, which administers the Company's 2004 Stock Incentive Plan, 2002 Non-Officer Employee Stock Incentive Plan, 2000 Stock Incentive Plan, 1986 Stock Option Plan and Amended and Restated 1995 Employee Stock Purchase Plan, as well as the Company's cash incentive plans, performance-based stock options and other equity-based awards. The Human Resources and Compensation Committee approves salaries, bonuses and other compensation arrangements and

policies for the Company's executive officers, including the Chief Executive Officer. The Human Resources and Compensation Committee is authorized, without further action by the Board of Directors, to engage such independent legal, accounting and other advisors as it deems necessary or appropriate to carry out its responsibilities. The Board of Directors has adopted a written charter for the Human Resources and Compensation Committee, a copy of which can be found under the Investor Center section of the Company's website at www.cmgi.com. The Human Resources and Compensation Committee consists of Virginia G. Breen, Francis J. Jules (Chair), Edward E. Lucente and Michael J. Mardy. The Human Resources and Compensation Committee met 10 times during fiscal 2006.

Nominating and Corporate Governance Committee

The Board of Directors has a Nominating and Corporate Governance Committee, which makes recommendations to the Board of Directors concerning all facets of the director-nominee selection process, develops and recommends to the Board corporate governance principles applicable to the Company and oversees the evaluation of the Board and management. The Nominating and Corporate Governance Committee has the authority to engage such independent legal and other advisors as it deems necessary or appropriate to carry out its responsibilities. The Nominating and Corporate Governance Committee is responsible for overseeing an annual self-evaluation of the Board of Directors to determine whether it and its committees are functioning effectively and determines the nature of the evaluation, supervises the conduct of the evaluation and prepares an assessment of the performance of the Board of Directors, which is discussed with the Board of Directors. The Nominating and Corporate Governance Committee, at the request of the Board of Directors, periodically reviews and makes recommendations to the Board of Directors relating to management succession planning, including policies and principles for Chief Executive Officer selection and performance review, as well as policies regarding succession in the event of an emergency or the retirement of the Chief Executive Officer. The Nominating and Corporate Governance Committee presents an annual report to the Board of Directors on succession planning. The Board of Directors has adopted a written charter for the Nominating and Corporate Governance Committee, a copy of which can be found under the Investor Center section of the Company's website at www.cmgi.com.

In recommending candidates for election to the Board of Directors, the Nominating and Governance Committee considers nominees recommended by directors, officers, employees, stockholders and others, using the same criteria to evaluate all candidates. The Nominating and Governance Committee reviews each candidate's qualifications, including whether a candidate possesses any of the specific qualities and skills desirable in certain members of the Board of Directors. Evaluations of candidates generally involve a review of background materials, internal discussions and interviews with selected candidates as appropriate. Upon selection of a qualified candidate, the Nominating and Governance Committee would recommend the candidate for consideration by the full Board of Directors. The Nominating and Governance Committee may engage consultants or third-party search firms to assist in identifying and evaluating potential nominees. The Board of Directors requires that all nominees for the Board of Directors have a reputation for integrity, honesty and adherence to high ethical standards. In addition, nominees should also have demonstrated business acumen, experience and ability to exercise sound judgment in matters that relate to the current and long-term objectives of the Company and should be willing and able to contribute positively to the decision-making process of the Company. The Nominating and Corporate Governance Committee will consider nominees for the Board of Directors recommended by stockholders.

Stockholders wishing to propose director candidates for consideration by the Nominating and Corporate Governance Committee may do so by writing to the Secretary of the Company and providing information specified in the Company's By-Laws, including the candidate's name, biographical data and qualifications. The Company's By-Laws set forth further requirements for stockholders wishing to nominate director candidates for consideration by stockholders including, among other things, that a stockholder must give timely written notice of an intent to make such a nomination to the Secretary of the Company. See *Proposals of Stockholders for 2007 Annual Meeting*. The Nominating and Corporate Governance Committee consists of Anthony J. Bay, Virginia G. Breen (Chair), Thomas H. Johnson, Francis J. Jules, Edward E. Lucente and Michael J. Mardy, each

of whom is independent as defined in applicable Nasdaq listing standards. The Nominating and Corporate Governance Committee met 8 times during fiscal 2006.

Technology Committee

The Board of Directors has a Technology Committee, which provides strategic guidance and oversight to the Company on use of technology in its core businesses and evaluates and approves investment proposals for the Company's venture capital business which invest funds on the Company's behalf. The Technology Committee consists of Anthony J. Bay (Chair), Virginia G. Breen and Joseph C. Lawler. The Technology Committee met 6 times during fiscal 2006.

Stockholder Communications with the Board of Directors

Stockholders may send written communications to the Board of Directors, the presiding director or any individual member of the Board to the following address: c/o Secretary, CMGI, Inc., 1100 Winter Street, Waltham, MA 02451. The Company will forward all such correspondence accordingly, except for mass mailings, job inquiries, surveys, business solicitations or advertisements, or patently offensive or otherwise inappropriate material.

PROPOSAL 2

TO AUTHORIZE THE BOARD OF DIRECTORS, IN ITS DISCRETION, SHOULD IT DEEM IT TO BE APPROPRIATE AND IN THE BEST INTERESTS OF THE COMPANY AND ITS STOCKHOLDERS, TO AMEND THE COMPANY'S CERTIFICATE OF INCORPORATION TO EFFECT A REVERSE STOCK SPLIT OF THE COMPANY'S ISSUED AND OUTSTANDING SHARES OF COMMON STOCK BY A RATIO OF 1-FOR-5, WITHOUT FURTHER APPROVAL OR AUTHORIZATION OF THE COMPANY'S STOCKHOLDERS

Overview

The Company may consider effecting a reverse split of its issued and outstanding shares of Common Stock (reverse stock split or reverse split) on or prior to the date of the Company's next annual meeting of stockholders following the 2006 Meeting if such action is deemed appropriate and in the best interests of the Company and its stockholders. Such action may be taken, among other reasons, in order to preserve the listing of the Company's Common Stock on the Nasdaq Global Market, to meet listing requirements for other trading markets or exchanges, or for reasons related to capital markets generally, including attracting institutional investors. Given the time and expense associated with convening a special meeting of stockholders, which would be required to consider this issue at a later time, the Board of Directors has determined that it is most efficient and in the best interests of the Company's stockholders to seek approval and authorization of a reverse stock split at the 2006 Meeting.

At the Company's 2005 Annual Meeting of Stockholders (the 2005 Meeting), the stockholders approved proposals authorizing the Board of Directors, in its discretion, should it deem it to be appropriate and in the best interests of the Company and its stockholders, to effect a reverse stock split of the Company's issued and outstanding shares of Common Stock by a ratio of 1-for-5, 1-for-10, 1-for-15 and 1-for-20, without further approval or authorization of the Company's stockholders. The Board has not determined to effect a reverse stock split pursuant to the authority conferred on it by the stockholders at the 2005 Meeting. Accordingly, as of December 6, 2006, the date of the 2006 Meeting, that authority will expire and be without any further effect.

The Company has determined once again to submit a series of proposals, none of which is conditioned on any other submitted proposal, that would grant authority to the Board of Directors to effect a reverse split, with

such authority to be exercised, if at all, in accordance with the parameters of such proposals, at any time prior to the Company's next annual meeting of stockholders following the 2006 Meeting. As with the proposals approved at the 2005 Meeting, if some or all of such proposals are approved by the Company's stockholders at the 2006 Meeting or at an adjournment thereof, the Board of Directors would then have the discretion to implement a reverse stock split, within the parameters of the authority granted at the 2006 Meeting, at any time on or prior to the date of the Company's next annual meeting of stockholders following the 2006 Meeting, without seeking further approval or authorization of the Company's stockholders. If the Company effects one of the proposed reverse stock splits, the Board's authority to then effect an additional reverse stock split that is approved by the Company's stockholders at the 2006 Meeting shall automatically terminate.

General

The Company's stockholders are being asked to approve four different reverse stock split proposals at the ratios of 1-for-5, 1-for-10, 1-for-15 and 1-for-20. If any or all of such proposals are approved, the Board of Directors may subsequently effect, in its discretion, one of the reverse stock splits in the event that it determines that such reverse stock split is appropriate and in the best interests of the Company and its stockholders. The Board of Directors has adopted resolutions, (i) declaring the advisability of each reverse stock split, subject to stockholder approval, (ii) in connection therewith, amending the Company's Certificate of Incorporation (the Amendment), to effect each reverse stock split, subject to stockholder approval, and (iii) authorizing any other action it deems necessary or appropriate to effect each reverse stock split, without further approval or authorization of the Company's stockholders, at any time on or prior to the date of the Company's next annual meeting of stockholders following the 2006 Meeting.

In Proposal No. 2, the Company's stockholders are being asked to authorize the Board of Directors, in its discretion, to amend the Company's Certificate of Incorporation to effect a 1-for-5 reverse stock split, without further approval or authorization of the Company's stockholders, at any time prior to the next annual meeting of stockholders.

If approved by the Company's stockholders, and the Board of Directors determines that a reverse stock split is appropriate and in the best interests of the Company and its stockholders, one of the four proposed reverse stock splits could become effective on any date selected by the Board of Directors on or prior to the date of the Company's next annual meeting of stockholders following the 2006 Meeting. The Board of Directors may only effect one of the proposed reverse stock splits. At the effective time of the Amendment, the other Amendment or Amendments approved by the stockholders would be deemed abandoned, without any further effect. Moreover, the Board of Directors reserves the right, even after stockholder approval, to forego effecting a reverse stock split if such action is determined not to be appropriate and in the best interests of the Company and its stockholders. If none of the reverse stock splits approved by the stockholders is subsequently implemented by the Board of Directors and effected by the date of the next annual meeting of stockholders following the 2006 Meeting, all such proposals will be deemed abandoned, without any further effect. In such case, the Board of Directors may again seek stockholder approval at a future date for a reverse stock split if it deems a reverse stock split to be advisable at that time.

Contingent on approval of this proposal by the requisite vote of the Company's stockholders and thereafter implementation by the Board of Directors and filing of the Amendment with the Secretary of State of the State of Delaware, the 1-for-5 reverse stock split would be effective in accordance with the Amendment.

Reasons for the Proposed Reverse Split

The primary reason for implementing a reverse stock split would be to attempt to increase the per share market price of the Common Stock. In recent years, the closing bid price for the Company's Common Stock has remained below \$1.00 per share for extended periods. As a result, on November 1, 2002, the listing of the Company's Common Stock transferred from the Nasdaq National Market to the Nasdaq SmallCap Market (now

known as the Nasdaq Capital Market). On June 26, 2003, following maintenance of the minimum closing bid price requirement for 30 consecutive days and compliance with all other continued listing requirements of the Nasdaq National Market, the listing of the Company's Common Stock transferred back to the Nasdaq National Market (now known as the Nasdaq Global Market). The Nasdaq National Market, the market where the Company's Common Stock is currently listed, requires a minimum bid price per share of \$1.00 for continued listing. The Board of Directors anticipates that a reverse stock split, if implemented, would have the effect of increasing, proportionately, the per share trading price of the Company's Common Stock, which could result in a share price high enough to maintain compliance with the Nasdaq Global Market's minimum price requirement should the closing bid price for the Company's Common Stock drop below \$1.00 per share for extended periods. There can be no assurance, however, that the Company would be able to maintain the listing of the Company's Common Stock on the Nasdaq Global Market or the Nasdaq Capital Market even if a reverse split results in a bid price for the Company's Common Stock that exceeds \$1.00 per share.

The Board of Directors believes that the current low price of the Company's Common Stock has had a negative effect on the marketability of the issued and outstanding shares, the amount and percentage of transaction costs paid by individual stockholders and the potential ability of the Company to raise capital by issuing additional shares of its Common Stock. The Board of Directors believes there are several reasons for these effects. First, certain institutional investors have internal policies preventing the purchase of low-priced stocks. Moreover, a variety of policies and practices of broker-dealers discourage individual brokers within those firms from dealing in low-priced stocks. Second, because brokers' commissions on low-priced stocks generally represent a higher percentage of the stock price than commissions on higher-priced stocks, the current share price of the Company's Common Stock can result in individual stockholders paying transaction costs (commissions, markups or markdowns) which are a higher percentage of their total share value than would be the case if the Company's share price were substantially higher. This factor is also believed to limit the willingness of institutions to purchase the Company's Common Stock.

The Board of Directors anticipates that a reverse stock split would result in an increased per share bid price for the Company's Common Stock. The Board of Directors also believes that the decrease in the number of shares of the Company's Common Stock outstanding as a consequence of a reverse stock split, and the anticipated related increase in the price of the Company's Common Stock, could encourage interest in the Company's Common Stock and possibly promote greater liquidity for the Company's stockholders, although such liquidity could be adversely affected by the reduced number of shares outstanding after a reverse stock split. In addition, although any increase in the market price of the Company's Common Stock resulting from a reverse stock split may be proportionately less than the decrease in the number of outstanding shares, a reverse stock split could result in a market price for the shares that would be high enough to overcome the reluctance, policies and practices of brokers and investors referred to above and to diminish the adverse impact of trading commissions on the market for the shares.

There can be no assurances, however, that if a reverse stock split were implemented, the foregoing events would occur, or that the market price of the Company's Common Stock immediately after such a reverse stock split would be maintained for any period of time. Moreover, there can be no assurance that the market price of the Company's Common Stock after a reverse stock split would adjust to reflect the conversion ratio (e.g., if the market price is \$1.50 before a reverse stock split and the ratio is one (1) share for every five (5) shares outstanding there can be no assurance that the market price for such share immediately after the reverse stock split would be \$7.50 (5 x \$1.50)); or that the market price following a reverse stock split would either exceed or remain in excess of the then current market price.

Principal Effects of the Proposed 1-for-5 Reverse Stock Split

If the proposed 1-for-5 reverse stock split is approved at the 2006 Meeting and the Board of Directors subsequently determines that a reverse stock split is appropriate and in the best interests of the Company and its stockholders, and elects to effect the 1-for-5 reverse stock split, each outstanding share of the Company's

Common Stock would immediately and automatically be changed, as of the effective date of the Amendment, into one fifth of a share of the Company's Common Stock and the number of shares of the Company's Common Stock subject to outstanding options issued by the Company would be reduced by a factor of five and the respective exercise prices would be increased by a factor of five.

No fractional shares of the Company's Common Stock would be issued by the Company in connection with a reverse stock split. Holders of the Company's Common Stock who would otherwise receive a fractional share of the Company's Common Stock pursuant to the reverse stock split would receive cash in lieu of the fractional share as explained more fully below. Such cash payments will reduce the number of post-split stockholders to the extent there are stockholders presently holding fewer than the number of shares to be converted into one share as a result of the reverse stock split. This, however, is not the purpose for which the Company would be effecting the reverse stock split. Our Common Stock is currently registered under Section 12(b) of the Securities Exchange Act of 1934. As a result, we are subject to the periodic reporting and other requirements of the Securities Exchange Act of 1934. The proposed reverse stock split would not affect the registration of our Common Stock under the Securities Exchange Act of 1934.

The par value of the Company's Common Stock would remain unchanged at \$0.01 per share, and the number of authorized shares of the Company's Common Stock would remain unchanged.

If the reverse stock split is approved at the 2006 Meeting and subsequently effected by the Board of Directors, the Board of Directors would fix a record date for the determination of shares subject to the reverse stock split. As of October 18, 2006, the record date for the 2006 Meeting, there were 486,940,574 shares of the Company's Common Stock issued and outstanding. If additional shares of the Company's Common Stock are issued or redeemed prior to the effective date of the reverse stock split, the actual number of shares issued and outstanding before and after the reverse stock split would increase or decrease accordingly.

Because the reverse stock split would apply to all issued and outstanding shares of the Company's Common Stock and outstanding rights to purchase the Company's Common Stock or to convert other securities into the Company's Common Stock, the proposed reverse stock split would not alter the relative rights and preferences of existing stockholders. The reverse stock split would, however, effectively increase the number of shares of the Company's Common Stock available for future issuances by the Board of Directors.

If the proposed reverse stock split is approved at the 2006 Meeting and subsequently effected by the Board of Directors, some stockholders may consequently own less than one hundred shares of the Company's Common Stock. A purchase or sale of less than one hundred shares (an odd lot transaction) may result in incrementally higher trading costs through certain brokers, particularly full service brokers. Therefore, those stockholders who own less than one hundred shares following implementation of a reverse stock split may be required to pay higher transaction costs should they subsequently determine to sell their shares of Common Stock.

If a reverse stock split is approved by the requisite vote of the stockholders, stockholders have no right under Delaware law or the Company's Certificate of Incorporation or By-Laws to dissent from a reverse stock split or to dissent from the payment of cash in lieu of issuing fractional shares.

Cash Payment in Lieu of Fractional Shares

If the proposed reverse stock split is approved at the 2006 Meeting and subsequently effected by the Board of Directors, in lieu of any fractional shares to which a holder of the Company's Common Stock would otherwise be entitled as a result of such reverse stock split, the Company would pay cash equal to the fair value of the Company's Common Stock at the effective time of the reverse split. Fair value of the Company's Common Stock will be determined by multiplying the fractional share by the average of the closing trading prices of the Common Stock (as adjusted to reflect the reverse stock split) during regular trading hours for the five trading days immediately preceding the effective time of the reverse stock split.

Federal Income Tax Consequences

The following description of the material federal income tax consequences of a reverse stock split is based on the Internal Revenue Code of 1986, as amended (the Code), applicable Treasury Regulations promulgated thereunder, judicial authority and current administrative rulings and practices as in effect on the date of this Proxy Statement. Changes to the laws could alter the tax consequences described below, possibly with retroactive effect. The Company has not sought and will not seek an opinion of counsel or a ruling from the Internal Revenue Service regarding the federal income tax consequences of a reverse stock split. This discussion is for general information only and does not discuss the tax consequences which may apply to special classes of taxpayers (e.g., non-resident aliens, broker/dealers or insurance companies). The state and local tax consequences of a reverse stock split may vary significantly as to each stockholder, depending upon the jurisdiction in which such stockholder resides. Stockholders are urged to consult their own tax advisors to determine the particular consequences to them.

In general, the federal income tax consequences of a reverse stock split will vary among stockholders depending upon whether they receive cash for fractional shares or solely a reduced number of shares of the Company's Common Stock in exchange for their old shares of the Company's Common Stock. The Company believes that because a reverse stock split would not be part of a plan to increase periodically a stockholder's proportionate interest in the Company's assets or earnings and profits, the reverse stock split would likely have the following federal income tax effects:

A stockholder who receives solely a reduced number of shares of the Company's Common Stock would not recognize gain or loss. In the aggregate, such a stockholder's basis in the reduced number of shares of the Company's Common Stock would equal the stockholder's basis in its old shares of the Company's Common Stock.

A stockholder who receives cash in lieu of a fractional share as a result of the reverse stock split would generally be treated as having received the payment as a distribution in redemption of the fractional share, as provided in Section 302(a) of the Code, which distribution would be taxed as either a distribution under Section 301 of the Code or an exchange to such stockholder, depending on that stockholder's particular facts and circumstances. Generally, a stockholder receiving such a payment should recognize gain or loss equal to the difference, if any, between the amount of cash received and the stockholder's basis in the fractional share. In the aggregate, such a stockholder's basis in the reduced number of shares of the Company's Common Stock will equal the stockholder's basis in its old shares of the Company's Common Stock decreased by the basis allocated to the fractional share for which such stockholder is entitled to receive cash.

The Company would not recognize any gain or loss as a result of a reverse stock split.

Board Discretion to Implement the 1-for-5 Reverse Stock Split

If the proposed 1-for-5 reverse split is approved at the 2006 Meeting, the Board of Directors may, in its discretion, should it deem it to be appropriate and in the best interests of the Company and its stockholders, at any time prior to the date of the Company's next annual meeting of stockholders following the 2006 Meeting, authorize the reverse stock split and file the Amendment with the Secretary of State of the State of Delaware. The form of Amendment is attached as Appendix I to this Proxy Statement. The determination by the Board of Directors to implement a reverse stock split of the Company's Common Stock would be based on a number of factors, including continuing to preserve the listing of the Company's Common Stock on the Nasdaq Global Market, meeting listing requirements for other trading markets or exchanges, or for other reasons related to the Company's capital markets needs generally, including attracting institutional investors. If the Board of Directors determines to implement a reverse stock split of the Company's Common Stock, the ratio chosen by the Board of Directors from among those approved by the stockholders at the 2006 Meeting will depend on a number of factors, including market conditions, existing and expected trading prices for the Company's Common Stock and the likely effect of business developments on the market price for the Company's Common Stock.

Notwithstanding approval of the reverse stock split at the 2006 Meeting, the Board of Directors may, in its discretion, determine not to implement the reverse stock split.

The Board of Directors recommends a vote FOR the proposal to authorize the Board of Directors, in its discretion, should it deem it to be appropriate and in the best interests of the Company and its stockholders, to effect a reverse stock split of the Company's Common Stock by a ratio of 1-for-5 at any time on or prior to the date of the Company's next annual meeting of stockholders following the 2006 Meeting, without further approval or authorization of the Company's stockholders.

PROPOSAL 3

TO AUTHORIZE THE BOARD OF DIRECTORS, IN ITS DISCRETION, SHOULD IT DEEM IT TO BE APPROPRIATE AND IN THE BEST INTERESTS OF THE COMPANY AND ITS STOCKHOLDERS, TO AMEND THE COMPANY'S CERTIFICATE OF INCORPORATION TO EFFECT A REVERSE STOCK SPLIT OF THE COMPANY'S ISSUED AND OUTSTANDING SHARES OF COMMON STOCK BY A RATIO OF 1-FOR-10, WITHOUT FURTHER APPROVAL OR AUTHORIZATION OF THE COMPANY'S STOCKHOLDERS

Overview

For an overview of the reverse stock split proposals, see the caption entitled "Overview" in Proposal No. 2 above.

General

The Company's stockholders are being asked to approve four different reverse stock split proposals at the ratios of 1-for-5, 1-for-10, 1-for-15 and 1-for-20. If any or all of such proposals are approved, the Board of Directors may subsequently effect, in its discretion, one of the reverse stock splits in the event that it determines that such reverse stock split is appropriate and in the best interests of the Company and its stockholders. The Board of Directors has adopted resolutions, (i) declaring the advisability of each reverse stock split, subject to stockholder approval, (ii) in connection therewith, amending the Company's Certificate of Incorporation (the "Amendment"), to effect each reverse stock split, subject to stockholder approval, and (iii) authorizing any other action it deems necessary or appropriate to effect each reverse stock split, without further approval or authorization of the Company's stockholders, at any time on or prior to the date of the Company's next annual meeting of stockholders following the 2006 Meeting.

In Proposal No. 3, the Company's stockholders are being asked to authorize the Board of Directors, in its discretion, to amend the Company's Certificate of Incorporation to effect a 1-for-10 reverse stock split, without further approval or authorization of the Company's stockholders, at any time prior to the next annual meeting of stockholders.

If approved by the Company's stockholders, and the Board of Directors determines that a reverse stock split is appropriate and in the best interests of the Company and its stockholders, one of the four proposed reverse stock splits could become effective on any date selected by the Board of Directors on or prior to the date of the Company's next annual meeting of stockholders following the 2006 Meeting. The Board of Directors may only effect one of the proposed reverse stock splits. At the effective time of the Amendment, the other Amendment or Amendments approved by the stockholders would be deemed abandoned, without any further effect. Moreover, the Board of Directors reserves the right, even after stockholder approval, to forego effecting a reverse stock split if such action is determined not to be appropriate and in the best interests of the Company and its stockholders. If none of the reverse stock splits approved by the stockholders is subsequently implemented by the Board of Directors and effected by the date of the next annual meeting of stockholders following the 2006 Meeting, all

such proposals will be deemed abandoned, without any further effect. In such case, the Board of Directors may again seek stockholder approval at a future date for a reverse stock split if it deems a reverse stock split to be advisable at that time.

Contingent on approval of this proposal by the requisite vote of the Company's stockholders and thereafter implementation by the Board of Directors and filing of the Amendment with the Secretary of State of the State of Delaware, the 1-for-10 reverse stock split would be effective in accordance with the Amendment.

Reasons for the Proposed Reverse Split

For a discussion of the reasons underlying the Company's decision to seek approval for the reverse split, see the caption entitled "Reasons for the Proposed Reverse Split" in Proposal No. 2 above.

Principal Effects of the Proposed 1-for-10 Reverse Stock Split

If the proposed 1-for-10 reverse stock split is approved at the 2006 Meeting and the Board of Directors subsequently determines that a reverse stock split is appropriate and in the best interests of the Company and its stockholders, and elects to effect the 1-for-10 reverse stock split, each outstanding share of the Company's Common Stock would immediately and automatically be changed, as of the effective date of the Amendment, into one tenth of a share of the Company's Common Stock and the number of shares of the Company's Common Stock subject to outstanding options issued by the Company would be reduced by a factor of ten and the respective exercise prices would be increased by a factor of ten.

No fractional shares of the Company's Common Stock would be issued by the Company in connection with a reverse stock split. Holders of the Company's Common Stock who would otherwise receive a fractional share of the Company's Common Stock pursuant to the reverse stock split would receive cash in lieu of the fractional share as explained more fully below. Such cash payments will reduce the number of post-split stockholders to the extent there are stockholders presently holding fewer than the number of shares to be converted into one share as a result of the reverse stock split. This, however, is not the purpose for which the Company would be effecting the reverse stock split. Our Common Stock is currently registered under Section 12(b) of the Securities Exchange Act of 1934. As a result, we are subject to the periodic reporting and other requirements of the Securities Exchange Act of 1934. The proposed reverse stock split would not affect the registration of our Common Stock under the Securities Exchange Act of 1934.

The par value of the Company's Common Stock would remain unchanged at \$0.01 per share, and the number of authorized shares of the Company's Common Stock would remain unchanged.

If the reverse stock split is approved at the 2006 Meeting and subsequently effected by the Board of Directors, the Board of Directors would fix a record date for the determination of shares subject to the reverse stock split. As of October 18, 2006, the record date for the 2006 Meeting, there were 486,940,574 shares of the Company's Common Stock issued and outstanding. If additional shares of the Company's Common Stock are issued or redeemed prior to the effective date of the reverse stock split, the actual number of shares issued and outstanding before and after the reverse stock split would increase or decrease accordingly.

Because the reverse stock split would apply to all issued and outstanding shares of the Company's Common Stock and outstanding rights to purchase the Company's Common Stock or to convert other securities into the Company's Common Stock, the proposed reverse stock split would not alter the relative rights and preferences of existing stockholders. The reverse stock split would, however, effectively increase the number of shares of the Company's Common Stock available for future issuances by the Board of Directors.

If the proposed reverse stock split is approved at the 2006 Meeting and subsequently effected by the Board of Directors, some stockholders may consequently own less than one hundred shares of the Company's Common

Stock. A purchase or sale of less than one hundred shares (an odd lot transaction) may result in incrementally higher trading costs through certain brokers, particularly full service brokers. Therefore, those stockholders who own less than one hundred shares following implementation of a reverse stock split may be required to pay higher transaction costs should they subsequently determine to sell their shares of Common Stock.

If a reverse stock split is approved by the requisite vote of the stockholders, stockholders have no right under Delaware law or the Company's Certificate of Incorporation or By-Laws to dissent from a reverse stock split or to dissent from the payment of cash in lieu of issuing fractional shares.

Cash Payment in Lieu of Fractional Shares

If the proposed reverse stock split is approved at the 2006 Meeting and subsequently effected by the Board of Directors, in lieu of any fractional shares to which a holder of the Company's Common Stock would otherwise be entitled as a result of such reverse stock split, the Company would pay cash equal to the fair value of the Company's Common Stock at the effective time of the reverse stock split. Fair value of the Company's Common Stock will be determined by multiplying the fractional share by the average of the closing trading prices of the Common Stock (as adjusted to reflect the reverse stock split) during regular trading hours for the five trading days immediately preceding the effective time of the reverse stock split.

Federal Income Tax Consequences

For a discussion of the federal income tax consequences of the reverse stock split, see the caption entitled "Federal Income Tax Consequences" in Proposal No. 2 above.

Board Discretion to Implement the 1-for-10 Reverse Stock Split

If the proposed 1-for-10 reverse stock split is approved at the 2006 Meeting, the Board of Directors may, in its discretion, should it deem it to be appropriate and in the best interests of the Company and its stockholders, at any time prior to the date of the Company's next annual meeting of stockholders following the 2006 Meeting, authorize the reverse stock split and file the Amendment with the Secretary of State of the State of Delaware. The form of Amendment is attached as Appendix II to this Proxy Statement. The determination by the Board of Directors to implement a reverse stock split of the Company's Common Stock would be based on a number of factors, including continuing to preserve the listing of the Company's Common Stock on the Nasdaq Global Market, meeting listing requirements for other trading markets or exchanges, or for other reasons related to the Company's capital markets needs generally, including attracting institutional investors. If the Board of Directors determines to implement a reverse stock split of the Company's Common Stock, the ratio chosen by the Board of Directors from among those approved by the stockholders at the 2006 Meeting will depend on a number of factors, including market conditions, existing and expected trading prices for the Company's Common Stock and the likely effect of business developments on the market price for the Company's Common Stock. Notwithstanding approval of the reverse stock split at the 2006 Meeting, the Board of Directors may, in its discretion, determine not to implement the reverse stock split.

The Board of Directors recommends a vote FOR the proposal to authorize the Board of Directors, in its discretion, should it deem it to be appropriate and in the best interests of the Company and its stockholders, to effect a reverse stock split of the Company's Common Stock by a ratio of 1-for-10 at any time on or prior to the date of the Company's next annual meeting of stockholders following the 2006 Meeting, without further approval or authorization of the Company's stockholders.

PROPOSAL 4

TO AUTHORIZE THE BOARD OF DIRECTORS, IN ITS DISCRETION, SHOULD IT DEEM IT TO BE APPROPRIATE AND IN THE BEST INTERESTS OF THE COMPANY AND ITS STOCKHOLDERS, TO AMEND THE COMPANY S CERTIFICATE OF INCORPORATION TO EFFECT A REVERSE STOCK SPLIT OF THE COMPANY S ISSUED AND OUTSTANDING SHARES OF COMMON STOCK BY A RATIO OF 1-FOR-15, WITHOUT FURTHER APPROVAL OR AUTHORIZATION OF THE COMPANY S STOCKHOLDERS

Overview

For an overview of the reverse stock split proposals, see the caption entitled "Overview" in Proposal No. 2 above.

General

The Company s stockholders are being asked to approve four different reverse stock split proposals at the ratios of 1-for-5, 1-for-10, 1-for-15 and 1-for-20. If any or all of such proposals are approved, the Board of Directors may subsequently effect, in its discretion, one of the reverse stock splits in the event that it determines that such reverse stock split is appropriate and in the best interests of the Company and its stockholders. The Board of Directors has adopted resolutions, (i) declaring the advisability of each reverse stock split, subject to stockholder approval, (ii) in connection therewith, amending the Company s Certificate of Incorporation (the "Amendment"), to effect each reverse stock split, subject to stockholder approval, and (iii) authorizing any other action it