VERTICALNET INC
Form PREM14A
November 20, 2007

Table of Contents

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 þ

Filed by a Party other than the Registrant o

Check the appropriate box:

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

VERTICALNET, INC.
(Name of Registrant as Specified in Its Charter)

N/A
(Name of Person(s) Filing Proxy Statement, if other than Registrant)

Payment of Filing Fee (Check the appropriate box):

o No fee required.

þ Fee computed below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

Common stock, par value $0.01 per share

Series B preferred stock, par value $0.01 per share

Series C preferred stock, par value $0.01 per share

2) Aggregate number of securities to which transaction applies:

1,695,358 shares of Common Stock (includes 1,610,845 shares outstanding, 77,733 shares of Common Stock underlying options, and restricted stock grants and restricted stock units with respect to 6,780 shares of Common Stock).

8,700,000 shares of Series B Preferred Stock

322,007 shares of Series C Preferred Stock

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):

The filing fee was determined based upon the sum of (A) 1,610,845 shares of Common Stock, multiplied by $2.56 per share; (B) 7,300,000 shares of Series B Preferred Stock, multiplied by $0.38750 per share; (C) 1,400,000 shares of Series B Preferred Stock, multiplied by $0.26875 per share; and (D) 6,780 shares of Common Stock underlying restricted stock grants and restricted stock units multiplied by $2.11 per share (which is the difference between $2.56 and the weighted average exercise price of $0.45 per share). In accordance with Section 14(g) of the Securities Exchange Act of 1934, as amended, the filing fee was determined by multiplying 0.00003070 by the sum of the preceding sentence. Shares of Series C Preferred Stock and options to purchase shares of Common Stock will be cancelled in the merger and will not receive any consideration.

4) Proposed maximum aggregate value of transaction:

$7,343,069

5) Total fee paid:

$226

o Fee paid previously with preliminary materials.

o 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.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

Table of Contents

SUBJECT TO COMPLETION, NOVEMBER 20, 2007

Preliminary Copy

400 CHESTER FIELD PARKWAY
MALVERN, PENNSYLVANIA 19355

[ ], 2007

To our Shareholders:

You are cordially invited to attend a special meeting of the shareholders of Verticalnet, Inc., a Pennsylvania corporation, which we refer to as Verticalnet or the Company , to be held at the offices of Morgan, Lewis & Bockius LLP located at 1701 Market Street, Philadelphia, Pennsylvania 19103 on [ ], [ ], 2007, beginning at 10:00 a.m. local time. Our Board of Directors has fixed the close of business on [ ], 2007, as the record date for the purpose of determining shareholders entitled to receive notice of and vote at the special meeting. Notice of the special meeting and the related proxy statement are enclosed.

At the special meeting, you will be asked to consider and vote upon a proposal to adopt the Agreement and Plan of Merger (the Merger Agreement), dated as of October 25, 2007 among the Company, BravoSolution, S.p.A., a corporation organized under the laws of Italy (Parent), and BravoSolution U.S.A., Inc., a Pennsylvania corporation and wholly-owned subsidiary of BravoSolution (Merger Sub) and the related Plan of Merger, and to approve the merger contemplated thereby.

The Merger Agreement and the related Plan of Merger provide for, among other things, the merger of Merger Sub with and into the Company, with the Company as the surviving corporation (the Merger). As a result of the Merger, the Company will become a wholly-owned subsidiary of Parent. If the Merger is completed, you will be entitled to receive: (i) $2.56 in cash, without interest and less any required withholding tax, for each share of our common stock you own; and (ii) $0.38750 or $0.26875 in cash, without interest and less any required withholding tax, for each share of our Series B Preferred Stock you own (determined in accordance with the terms of the Merger Agreement and the related Plan of Merger). Merger Sub is the sole owner of our Series C Preferred Stock and, if the Merger is completed, each such share of Series C Preferred Stock shall be cancelled and retired and shall not be entitled to receive any consideration.

If the Merger is completed, Verticalnet will continue its operations as a privately-held company owned by BravoSolution S.p.A. As a result of the Merger, Verticalnet shares will no longer be quoted on NASDAQ.

Our Board of Directors has unanimously approved and adopted the Merger Agreement, the related Plan of Merger, and the transactions contemplated thereby and has determined that the Merger, the Merger Agreement, the related Plan of Merger, and the transactions contemplated by the Merger Agreement are fair to, and in the best interests of, the Company. **Accordingly, our Board of Directors recommends that you vote FOR the adoption of the Merger Agreement and the related Plan of Merger, and the approval of the Merger.**

The proxy statement attached to this letter provides you with information about the proposed merger and the special meeting. We encourage you to read the entire proxy statement carefully because it explains the Merger and related matters, including the conditions to the completion of the Merger. You may also obtain more information about the

Company from documents we have filed with the Securities and Exchange Commission.

Regardless of the number of shares you own, your vote is very important. The Merger cannot be completed unless the Merger Agreement and the related Plan of Merger are adopted and the Merger is approved by the affirmative vote of a majority of the votes cast by the holders of the outstanding shares of our capital stock that are entitled to vote at the special meeting (assuming a quorum is present), and the affirmative vote of a majority of the votes cast by the holders of outstanding shares of Series B Preferred Stock that are entitled to vote at the special meeting, voting as a separate class (assuming a quorum is present).

Whether or not you plan to attend the special meeting, it is important that your shares be represented. Accordingly, we urge you to vote, by completing, signing, dating and promptly returning the enclosed proxy card in the envelope provided, which requires no postage if mailed in the United States. Alternatively, you may vote through the Internet or by telephone as directed on the enclosed proxy card. If you receive more than one proxy card because you own shares that are registered differently, please vote all of your shares shown on all of your proxy cards.

Voting by proxy will not prevent you from voting your shares in person if you subsequently choose to attend the special meeting. If you have any questions or need assistance voting your shares, please call Georgeson, Inc., which is assisting us, toll free at 888-605-7614.

We look forward to seeing you at the special meeting.

Sincerely,

Nathanael V. Lentz
President and Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved of the Merger, passed upon the fairness or merits of the Merger or the Merger Agreement or passed upon the adequacy or accuracy of the information contained in the accompanying proxy statement. Any representation to the contrary is a criminal offense.

THIS PROXY STATEMENT IS DATED [ ], 2007, AND IS BEING FIRST MAILED TO SHAREHOLDERS ON OR ABOUT [ ], 2007.

Table of Contents

400 CHESTER FIELD PARKWAY
MALVERN, PENNSYLVANIA 19355

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
To Be Held [ ], 2007

DEAR SHAREHOLDER:

We will hold a special meeting of shareholders of Verticalnet, Inc., a Pennsylvania corporation, which we refer to as Verticalnet or the Company , on [ ], [ ], 2007 at 10:00 a.m. at the offices of Morgan, Lewis & Bockius LLP located at 1701 Market Street, Philadelphia, Pennsylvania 19103 for the following purposes:

1. To consider and vote upon a proposal to adopt the Merger Agreement (the Merger Agreement), dated as of October 25, 2007 among the Company, BravoSolution, S.p.A., a corporation organized under the laws of Italy (Parent), and BravoSolution U.S.A., Inc., a Pennsylvania corporation and wholly-owned subsidiary of BravoSolution (Merger Sub), and the related Plan of Merger, and to approve the merger of Merger Sub with and into the Company (the Merger). Copies of the Merger Agreement and the related Plan of Merger are attached as **Annex A** and **Annex A-1**, respectively, to the accompanying proxy statement.

2. To approve any motion to adjourn the special meeting to a later date to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the foregoing proposal.

3. To transact such other business as may properly come before the special meeting.

Only holders of record of shares of our common and preferred stock at the close of business on [ ], 2007, the record date for the special meeting, are entitled to notice of the meeting and to vote at the meeting and at any postponement of the meeting. A list of shareholders will be available for inspection at the special meeting. All shareholders of record are cordially invited to attend the special meeting in person.

Our Board of Directors has unanimously approved and adopted the Merger Agreement, the related Plan of Merger, and the transactions contemplated thereby, and has determined that the Merger, the Merger Agreement, the related Plan of Merger, and the transactions contemplated by the Merger Agreement are fair to, and in the best interests of, the Company. **Accordingly, our Board of Directors recommends that you vote FOR the adoption of the Merger Agreement and the related Plan of Merger, and the approval of the Merger and FOR the adjournment proposal.**

Regardless of the number of shares you own, your vote is very important. The approval and adoption of the Merger Agreement, the related Plan of Merger, and the Merger require the affirmative vote of a majority of the votes cast by the holders of the outstanding shares of our common stock that are entitled to vote at the special meeting (assuming a quorum is present), and by a majority of the votes cast by the holders of the outstanding shares of our Series B Preferred Stock that are entitled to vote at the special meeting (assuming a quorum is present), voting as a separate class.

We hope you will be able to attend the meeting, but whether or not you plan to attend, please vote your shares by:

signing and returning the enclosed proxy card as soon as possible,

calling the toll-free number listed on the proxy card, or

accessing the Internet as instructed on the proxy card.

Voting by proxy will not prevent you from voting your shares in person in the manner described in the attached proxy statement if you subsequently choose to attend the special meeting. If you attend the special meeting, you may revoke your proxy and vote in person if you wish, even if you have previously returned your proxy card. If you hold your shares through a bank, broker or other custodian, you must obtain a legal proxy from such custodian in order to vote in person at the special meeting. Properly executed proxy cards with no instructions indicated on the proxy card will be voted FOR the adoption the Merger Agreement and the related Plan of Merger and the approval of the Merger.

PLEASE DO NOT SEND YOUR STOCK CERTIFICATES AT THIS TIME. IF THE MERGER IS COMPLETED, YOU WILL BE SENT INSTRUCTIONS REGARDING THE SURRENDER OF YOUR STOCK CERTIFICATES.

By Order of the Board of Directors of the Company

Christopher G. Kuhn
Vice President and General Counsel

Dated: November [ ], 2007

Table of Contents

TABLE OF CONTENTS

	Page No.
SUMMARY	1
Parties to the Merger	1
The Merger	2
The Special Meeting	2
Record Date, Quorum and Voting Power	2
Vote Required for Approval	2
Share Ownership of Directors and Executive Officers	3
Voting and Proxies	3
Revocability of Proxy	3
Recommendation of Our Board of Directors	4
Restrictions on Solicitation of Other Offers	4
Completion of the Merger	4
Termination of the Merger Agreement	5
Termination Fee	5
Material U.S. Federal Income Tax Consequences of the Merger to Our Shareholders	6
Interests of Verticalnet s Directors and Officers in the Merger	6
Procedure for Receiving Merger Consideration	6
Market Price of Verticalnet Common Stock	6
Dissenters Rights of Appraisal	6
Delisting and Deregistration of Common Stock	6
QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER	7
CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION	11
THE PARTIES TO THE MERGER	12
THE SPECIAL MEETING	13
Time, Place and Purpose of the Special Meeting	13
Verticalnet Board Recommendation	13
Record Date, Quorum and Voting Power	13
Vote Required for Approval	14
Voting by Directors and Executive Officers	14
Proxies; Revocation	15
The Proxy Solicitation	15
Attending the Special Meeting	16
Questions and Additional Information	16
THE MERGER	17
Background of the Merger	17
Reasons for the Merger; Recommendation of Our Board of Directors	25
Purposes, Reasons and Plans for Verticalnet after the Merger	28
Certain Effects of the Merger	28
Interests of Verticalnet s Directors and Executive Officers in the Merger	30
Material U.S. Federal Income Tax Consequences of the Merger to Our Shareholders	34
Regulatory and Other Governmental Approvals	35

Table of Contents

	Page No.
TERMS OF THE MERGER AGREEMENT	35
General; The Merger	35
When the Merger Becomes Effective	36
Merger Consideration	36
Treatment of Our Stock Options, Warrants and Restricted Stock Units	36
Representations and Warranties	37
Conduct of Our Business Pending the Merger	39
Other Covenants	42
Conditions to the Completion of the Merger	43
Employee Benefit Matters	44
Termination of the Merger Agreement	45
Fees and Expenses	46
Amendments; Waivers	47
Exchange and Payment Procedures	47
Lost Certificates	47
Unclaimed Amounts	47
VOTING AGREEMENT	48
Termination	49
PAST CONTACTS, TRANSACTIONS OR NEGOTIATIONS	49
MARKET PRICES OF COMMON STOCK	50
DISSENTERS RIGHTS	50
BENEFICIAL OWNERSHIP OF COMMON STOCK	51
Beneficial Ownership Table	51
FUTURE SHAREHOLDER PROPOSALS	52
OTHER MATTERS	52
Other Business at Special Meeting	52
WHERE YOU CAN FIND ADDITIONAL INFORMATION	52
ANNEX A	A-1
ANNEX A-1	A-1-1
ANNEX B	B-1

Table of Contents

SUMMARY

The following summary, together with the Questions and Answers about the Special Meeting and the Merger , highlights selected information from this proxy statement and may not contain all of the information that is important to you. Accordingly, we encourage you to read carefully this entire proxy statement, its annexes and the documents we have incorporated by reference into this proxy statement, before voting. See Where You Can Find Additional Information beginning on page [ ]. Each item in this summary includes a page reference directing you to a more complete description of that item in this document.

Unless we otherwise indicate or unless the context requires otherwise: all references in this document to Company, Verticalnet, we, our, and us refer to Verticalnet, Inc. and its subsidiaries; all references to Parent refer to BravoSolution, S.p.A.; all references to Merger Sub refer to BravoSolution, U.S.A., Inc.; all references to Merger Agreement refer to the Agreement and Plan of Merger, dated as of October 25, 2007, among the Company, Parent and Merger Sub, as it may be amended from time to time, a copy of which is attached as Annex A to this document; all references to Plan of Merger refer to the Plan of Merger among the Company, Parent and Merger Sub, as it may be amended from time to time, a copy of which is attached as Annex A-1 to this document; all references to the Merger refer to the merger contemplated by the Merger Agreement; all references to Merger Consideration refer to the per share merger consideration of (i) $2.56 in cash without interest and less any required withholding tax, to be received by the holders of our common stock in accordance with the terms of the Merger Agreement; and (ii) $0.38750 or $0.26875 in cash without interest and less any required withholding tax, to be received by the holders of our Series B Preferred Stock in accordance with the terms of the Merger Agreement.

Parties to the Merger (page [ ])

Verticalnet, Inc., is a provider of On-Demand Supply Management solutions to companies ranging in size from mid-market to Global 2000. We provide a full scope of Supply Management software, services, and domain expertise in areas that include: Program Management, Spend Analysis, eSourcing, Contract Management, and Supplier Performance Management. Our solutions help our customers save money on the goods and services they buy. In addition to traditional software installation and application service provider hosting, we offer the majority of our software products in an on-demand delivery model. On-demand delivery enables our customers to pay a single annual fee that includes software license, maintenance, application hosting, customer/community support, and training. We believe that our on-demand delivery model mitigates the software implementation costs for our customers, and reduces the obstacles to a successful supply management initiative. In addition to implementation services, we also provide customers with supply management business process consulting, primarily in the areas of Spend Analysis and Advanced Sourcing, and offer custom software development for customers that desire to build additional supply management capabilities.

BravoSolution S.p.A., or Parent, is a leading international provider of eSourcing solutions. Its mission is to generate value by supporting its clients in the improvement of procurement processes through innovative web-based technologies and services. Founded in Italy in June 2000 by the Italcementi Group, BravoSolution combines professional expertise and technological excellence in the area of sourcing in order to deliver valuable results to its numerous customers worldwide. BravoSolution has offices in London, Madrid, Milan, Paris, Rome and Shanghai. In the United Kingdom, BravoSolution is the sole approved provider of eSourcing Services under the Framework Agreement managed by an Executive Agency of the UK Treasury (OGC). BravoSolution has a team of more than 250 professionals and has now managed over 70,000 online negotiations, totaling over $50 billion of spend.

BravoSolution U.S.A., Inc. which we refer to as Merger Sub, is a Pennsylvania corporation formed for the sole purpose of completing the Merger with the Company. Merger Sub is a wholly-owned subsidiary of Parent. Merger

Sub has not conducted any activities to date other than activities incidental to its formation and activities undertaken in connection with the transactions contemplated by the Merger Agreement. Upon consummation of the proposed Merger, Merger Sub will merge with and into Verticalnet and will cease to exist, with Verticalnet continuing as the surviving corporation.

The Merger (page [ ])

On October 25, 2007, the Company entered into the Merger Agreement. Upon the terms and subject to the conditions of the Merger Agreement and the related Plan of Merger, Merger Sub will merge with and into the Company, with the Company as the surviving corporation. We will become a wholly-owned subsidiary of Parent. You will have no equity interest in the Company or Parent after the effective time of the Merger and will not participate in any future earnings or growth of the Company.

At the effective time of the Merger:

each outstanding share of our common stock, par value $0.01 per share (the Common Stock), other than those held by the Company, Parent or Merger Sub, will be cancelled and converted automatically into the right to receive $2.56 in cash, without interest less any applicable withholding tax;

each outstanding share of our Series B Preferred Stock, par value $0.01 per share (the Series B Preferred Stock) will be cancelled and converted automatically into the right to receive $0.38750 or $0.26875 in cash, without interest less any applicable withholding tax, in accordance with the Merger Agreement. See The Merger Certain Effects of the Merger beginning on page [ ];

each outstanding share of our Series C Preferred Stock, par value $0.01 per share (the Series C Preferred Stock) will be cancelled and no payment will be made with respect to the Series C Preferred Stock. As of the date of this proxy statement, all shares of Series C Preferred Stock are owned by Merger Sub; and

each outstanding option, warrant or restricted stock unit to purchase our Common Stock outstanding immediately prior to the effective time of the Merger will be cancelled, and each holder of such option, warrant or restricted stock unit will be entitled to receive, in full settlement of such security, a cash payment equal to the product of the number of shares subject to such option, warrant or restricted stock unit, multiplied by the excess of (a) $2.56 per share less (b) the exercise price of such option, without interest less any applicable withholding tax.

The Special Meeting (page [ ])

The special meeting will be held on [ ], 2007 starting at 10:00 a.m. local time at the offices of Morgan, Lewis & Bockius LLP located at 1701 Market Street, Philadelphia, Pennsylvania 19103.

Record Date, Quorum and Voting Power (page [ ])

You are entitled to vote at the special meeting if you owned shares of the Company s common stock, Series B Preferred Stock or Series C Preferred Stock at the close of business on [ ], 2007, the record date for the special meeting. As of the record date, there were [ ] shares of the Company s capital stock entitled to be voted, consisting of [ ] shares of common stock, [ ] shares of Series B Preferred Stock and [ ] shares of Series C Preferred Stock. The presence at the meeting, in person or by proxy, of the holders of a majority of the outstanding shares of Common Stock and a majority of the outstanding shares of Preferred Stock entitled to vote at the special meeting will constitute a quorum.

Vote Required for Approval (page [ ])

The adoption of the Merger Agreement and the related Plan of Merger and the approval of the Merger requires the affirmative vote of a majority of the votes cast by the holders of the outstanding shares of our capital stock, including shares of Series B Preferred Stock and Series C Preferred Stock (together, the Preferred Stock) and shares of Common Stock, that are entitled to vote at the special meeting (assuming a quorum is present) and by a majority of the votes cast by the holders of the outstanding shares of our Series B Preferred Stock entitled to vote at the special meeting, voting as a separate class (assuming a quorum is present).

Holders of all outstanding shares of Series B Preferred Stock have entered into a Voting Agreement with Parent and the Company, as amended (the Voting Agreement), pursuant to which holders of our Series B Preferred Stock that as of the record date represent [ ] of the voting power of the outstanding shares of our capital stock entitled to vote at the special meeting have agreed to vote all of their Common Stock and Series B Preferred Stock FOR the

adoption of the Merger Agreement and the related Plan of Merger and the approval of the Merger, and holders of our Series B Preferred Stock that as of the record date represent [ ] of the voting power of the outstanding shares of our capital stock entitled to vote at the special meeting have agreed to grant an irrevocable proxy to the Company to vote their Common Stock and Series B Preferred Stock, in connection with the Merger and any other extraordinary corporate transaction, in a manner that the Company, acting through our Board of Directors, determines in its sole discretion. The Voting Agreement will terminate on the earliest to occur of (i) the termination of the Merger Agreement in accordance with its terms, (ii) the mutual written consent of Parent, the Company and each of the shareholders party to the Voting Agreement, and (iii) by each such shareholder upon certain circumstances related to modification of the Merger Agreement. The full text of the Voting Agreement is attached to this proxy statement as Annex B. We encourage you to read the full text of the Voting Agreement in its entirety.

Also, as of the date of this proxy statement, all shares of Series C Preferred Stock are owned by Merger Sub and it is anticipated that Merger Sub will vote in favor of the adoption of the Merger Agreement and the approval of the Merger. As a result of the Voting Agreement, the separate class vote involving only shares of our Series B Preferred Stock is assured.

Share Ownership of Directors and Executive Officers (page [ ])

As of the record date, the directors and current executive officers of Verticalnet beneficially owned in the aggregate (excluding shares issuable pursuant to options or warrants and shares of common stock issuable upon conversion of the Series B Preferred Stock subject to the Voting Agreement) approximately [ ]% of the shares of our capital stock outstanding and entitled to vote at the special meeting. As of the record date, Nathanael V. Lentz, Michael J. Hagan and Mark L. Walsh own shares of Series B Preferred Stock subject to the Voting Agreement which represent approximately [ ]% of the Company s outstanding voting stock. Subject to the Voting Agreement, each of the directors and executive officers either agreed to vote, or has advised us that he plans to vote, all of his shares in favor of the adoption of the Merger Agreement.

Voting and Proxies (page [ ])

Any Verticalnet shareholder of record entitled to vote may submit a proxy by telephone, the Internet or returning the enclosed proxy card by mail, or may vote by ballot by appearing at the special meeting. If your shares are held in street name by your broker, you should instruct your broker on how to vote your shares using the instructions provided by your broker. If you do not provide your broker with instructions, your shares will not be voted.

Revocability of Proxy (page [ ])

Any Verticalnet shareholder of record who executes and returns a proxy card (or submits a proxy via telephone or the Internet) may revoke the proxy at any time before it is voted in any one of the following ways:

- filing with the Company s corporate secretary, at or before the special meeting, a written notice of revocation that is dated a later date than the proxy;
- sending a later-dated proxy relating to the same shares to the Company s corporate secretary, at or before the special meeting;
- submitting a later-dated proxy by the Internet or by telephone, at or before the special meeting; or
- attending the special meeting and voting in person by ballot.

Simply attending the special meeting will not constitute revocation of a proxy. *If you have instructed your broker to vote your shares, the above-described options for revoking your proxy do not apply and instead you must follow the directions provided by your broker to change these instructions.*

Recommendation of Our Board of Directors (page [ ])

Our Board of Directors has unanimously:

approved, adopted and declared advisable the Merger Agreement, the related Plan of Merger and the Merger,

determined that the Merger Agreement, the related Plan of Merger, the Merger and the transactions contemplated thereby are fair to, and in the best interests of the Company, and

recommended that our shareholders vote FOR adoption of the Merger Agreement and the related Plan of Merger and the approval of the Merger.

For a discussion of the material factors considered by the Board of Directors in reaching their conclusions, see The Merger Reasons for the Merger; Recommendation of Our Board of Directors beginning on page .

Restrictions on Solicitation of Other Offers (page [ ])

We have agreed that beginning at 11:59 p.m. (Eastern Time) on November 19, 2007, which we refer to as the No-Shop Period Start Date , we will not, and we will ensure that our representatives do not:

initiate, solicit or knowingly facilitate or encourage any alternate acquisition proposal;

participate in any negotiations regarding, or furnish any material nonpublic information to any person with respect to an acquisition proposal;

engage in discussions with any person with respect to an acquisition proposal;

approve or recommend any acquisition proposal; or

enter into any letter of intent or similar document, or any agreement or commitment providing for any acquisition proposal.

Notwithstanding these restrictions, under circumstances specified in the Merger Agreement, in order to comply with its fiduciary duties under applicable law, our Board of Directors may respond to certain unsolicited competing proposals or terminate the Merger Agreement and enter into an agreement with respect to a superior acquisition proposal, or withdraw its recommendation in favor of the adoption of the Merger Agreement. During the period ending on the No-Shop Period Start Date we were permitted to initiate, solicit and encourage (or go shop) for any alternative acquisition proposal for the Company (including by way of providing information pursuant to a confidentiality agreement), and enter into and maintain discussions or negotiations concerning an alternative acquisition proposal for the Company.

Completion of the Merger (page [ ])

We are working to complete the Merger as soon as possible. We anticipate completing the Merger during the first quarter of 2008. However, we cannot predict the exact timing of the Merger or whether the Merger will be completed. In order to complete the Merger, our shareholders must adopt the Merger Agreement and the other closing conditions under the Merger Agreement must be satisfied or waived.

Before we can complete the Merger, a number of conditions must be satisfied. These include:

- the receipt of the required Company shareholder approval;

- the absence of any order suspending the use of the proxy statement or any proceeding initiated by the SEC for that purpose;

- the absence of laws, executive orders, decrees, rulings, injunctions, writs, judgments or orders that prohibit, restrain or enjoin the consummation of the transactions;

- the accuracy of each of the parties representations and warranties, except to the extent the failure of such representations and warranties to be true and correct would not constitute a material adverse effect (in the case of the Company) or materially delay the ability of Parent or Merger Sub to perform their respective obligations under the Merger Agreement; and

Table of Contents

the performance and compliance by each of the parties of its covenants and obligations under the Merger Agreement in all material respects.

Other than the conditions pertaining to the Company shareholder approval and the absence of legal prohibitions, either the Company, on the one hand, or Parent and Merger Sub, on the other hand, may elect to waive conditions to their respective performance and complete the Merger.

Termination of the Merger Agreement (page [ ])

The Company, Parent and Merger Sub may agree in writing to terminate the Merger Agreement at any time without completing the Merger, even after the shareholders of Verticalnet have adopted the Merger Agreement. In addition, the Merger Agreement may also be terminated at any time prior to the effective time of the Merger:

by either the Company or Parent by written notice to the other if:

the Company shareholders do not adopt the Merger Agreement at the special meeting;

a final, non-appealable governmental order prohibits or makes illegal the completion of the Merger; or

the closing has not occurred on or before April 15, 2008, provided that the party seeking to terminate the Merger Agreement shall not have prevented the closing from occurring by that time;

by written notice from the Company to Parent if:

Parent or Merger Sub breaches or fails to perform any of its representations, warranties or covenants in the Merger Agreement such that the conditions to the Company s obligations to close would not be satisfied and such condition is incapable of being satisfied by April 15, 2008 or such breach has not been cured by Parent or Merger Sub within 30 days following the receipt of a written notice from the Company; or

prior to the special meeting, if the Company receives a superior proposal and changes its recommendation to its shareholders, but only after the Company has provided Parent a six business day period to revise the terms and conditions of the Merger Agreement and only if the Company pays the termination fee described below;

by written notice from Parent to the Company if:

the Company breaches or fails to perform any of its representations, warranties or covenants in the Merger Agreement such that the conditions to Parent s and Merger Sub s obligations to close would not be satisfied and such condition is incapable of being satisfied by April 15, 2008 or such breach has not been cured by Parent or Merger Sub within 30 days following the receipt of a written notice from Parent;

the Company s board of directors, among other things, withdraws or adversely modifies its recommendation or approval of the Merger Agreement or recommends or approves another acquisition proposal; or if any person or group (other than Parent, Merger Sub or any of their respective affiliates) shall have become the beneficial owner of at least a majority of the outstanding voting securities of the Company.

Termination Fee (page [ ])

If the Merger Agreement is terminated under certain circumstances, the Company may be required to pay a termination fee to Parent in cash equal to the sum of 5.99% of:

the Company s Enterprise Value, which we define as the sum of (i) the aggregate merger consideration offered for each outstanding share of common stock and each outstanding share of Series B Preferred Stock, and (ii) $5,310,396, the principal amount outstanding at maturity of the Radcliffe Note; and

all documented, reasonable out-of-pocket costs and expenses, including the reasonable fees and expenses of lawyers, accountants, financial advisors, consultants and other advisors, incurred by Parent and Merger Sub in connection with the Merger and the transactions contemplated by the Merger Agreement.

We encourage you to read the full text of the Merger Agreement in its entirety.

Material U.S. Federal Income Tax Consequences of the Merger to Our Shareholders (page [ ])

Generally, the Merger will be taxable to our shareholders who are U.S. holders for U.S. federal income tax purposes. A U.S. holder of Common Stock and Series B Preferred Stock receiving cash in the Merger generally will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount of cash received and the holder s adjusted tax basis in our Common Stock or Series B Preferred Stock surrendered. You should consult your own tax advisor for a full understanding of how the Merger will affect your particular tax circumstances.

Interests of Verticalnet s Directors and Officers in the Merger (page [ ])

In considering the recommendation of our Board of Directors with respect to the Merger, you should be aware that certain of our directors and executive officers may be considered to have interests in the Merger that are different from, or in addition to, your interests as a shareholder and that may present actual or potential conflicts of interest, such as the ownership of shares of Series B Preferred Stock by our directors and executive officers and the employment agreements of our executive officers. Our Board of Directors was aware of these interests and considered that the interests may be different from or in addition to the interests of our shareholders generally, among other matters, in approving the Merger Agreement and the transactions contemplated thereby, including the Merger, and in determining to recommend that our shareholders vote for adoption of the Merger Agreement and the related Plan of Merger and the approval of the Merger. You should consider these and other interests of our directors and executive officers that are described in this proxy statement.

Procedure for Receiving Merger Consideration (page [ ])

As soon as reasonably practicable after the effective time of the Merger, [ ], the exchange agent, will mail a letter of transmittal and instructions to all Company shareholders. The letter of transmittal and instructions will tell you how to surrender your stock certificates or book-entry shares in exchange for the merger consideration, without interest. **You should not return any share certificates you hold with the enclosed proxy card, and you should not forward your share certificates to the exchange agent without a letter of transmittal.**

Market Price of Verticalnet Common Stock (page [ ])

Our Common Stock is listed on The NASDAQ Capital Market under the trading symbol VERT. The closing sale price of Common Stock on October 25, 2007, which was the last trading day before the announcement of the execution of the Merger Agreement, was $5.61 per share. On [ ], 2007, which was the last trading day before the date of this proxy statement, the closing sale price of our Common Stock was $[ ] per share.

Dissenters Rights of Appraisal (page [ ])

Under the Pennsylvania Business Corporation Law of 1988, as amended (PBCL), holders of Common Stock and Series B Preferred Stock are not entitled to dissenters rights in connection with the proposed Merger. Under the PBCL, holders of shares of Series C Preferred Stock are entitled to dissenters rights in connection with the proposed Merger. As of the date of this proxy statement, all shares of Series C Preferred Stock are owned by Merger Sub and it

is anticipated that Merger Sub will vote in favor of the Merger Agreement and the Merger.

Delisting and Deregistration of Common Stock (page [ ])

If the Merger is completed, our Common Stock will be delisted from NASDAQ and deregistered under the Exchange Act and we will no longer file periodic reports with the SEC on account of our Common Stock.

6

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

The following questions and answers are intended to briefly address some commonly asked questions regarding the Merger, the Merger Agreement and the special meeting. These questions and answers may not address all questions that may be important to you as a Verticalnet shareholder. Please refer to the Summary and the more detailed information contained elsewhere in this proxy statement, the annexes to this proxy statement and the documents referred to or incorporated by reference in this proxy statement, which you should read carefully. See Where Shareholders Can Find Additional Information beginning on page [ ].

Q: What is the proposed transaction?

A: The proposed transaction is the acquisition of the Company by Parent pursuant to the Merger Agreement and the related Plan of Merger. Once the Merger Agreement has been adopted by the requisite vote of our shareholders and other closing conditions under the Merger Agreement have been satisfied or waived, Merger Sub, a wholly-owned subsidiary of Parent, will merge with and into the Company. The Company will be the surviving corporation and become a wholly-owned subsidiary of Parent and we will no longer be a publicly-held corporation, and our Common Stock, par value $0.01 per share (Common Stock) will be delisted from NASDAQ.

Q: What will a Verticalnet holder of Common Stock receive in the Merger?

A: If the Merger is completed, holders of the Common Stock will receive $2.56 in cash, without interest less any required withholding taxes, for each share of our Common Stock that you own in accordance with the Merger Agreement and the related Plan of Merger. We refer to this amount as the common stock merger consideration. You will not own any shares of the surviving corporation.

Q: What will a Verticalnet holder of Series B Preferred Stock receive in the Merger?

A: If the Merger is completed, each share of our Series B Preferred Stock will be cancelled and converted automatically into the right to receive $0.38750 or $0.26875 in cash, without interest less any required withholding taxes, in accordance with the Merger Agreement and the related Plan of Merger. We refer to this amount as the Series B merger consideration. We refer to the common stock merger consideration and the Series B merger consideration, collectively as the merger consideration. You will not own any shares of the surviving corporation.

Q: What will a Verticalnet holder of Series C Preferred Stock receive in the Merger?

A: As of the date of this proxy statement, Merged Sub is the sole holder of our Series C Preferred Stock. If the Merger is completed, each share of our Series C Preferred Stock will be cancelled and no consideration shall be paid in respect of such shares.

Q: What effects will the Merger have on Verticalnet?

A: If the Merger is approved, Verticalnet will cease to be a publicly-traded company and will become a subsidiary of Parent. Common stock of Verticalnet will no longer be listed on any stock exchange or quotation system, including NASDAQ.

Q: When and where is the special meeting?

A: The special meeting of the Company s shareholders will be held at 10:00 a.m. local time, on [ ], [ ] [ ], 2007, at the offices of Morgan, Lewis & Bockius LLP located at 1701 Market Street, Philadelphia, Pennsylvania 19103.

Q: Who is entitled to vote at the special meeting?

A: The record date for the special meeting is [ ], 2007. Only the holders of Verticalnet common stock and preferred stock at the close of business on the record date are entitled to notice of, and to vote at, the special meeting or any postponement thereof.

Table of Contents

Q: What matters will be voted on at the special meeting?

A: You will be asked to consider and vote on the following proposals:

- to adopt the Merger Agreement and the related Plan of Merger, that provide for the acquisition of the Company by Parent;
- to approve any motion to adjourn the special meeting to a later date to solicit additional proxies if there are insufficient votes at the time of the special meeting to adopt the Merger Agreement and the related Plan of Merger, and approve the Merger; and
- to transact such other business as may properly come before the special meeting.

Q: How does the Company s Board of Directors recommend that I vote on the proposals?

A: Our Board of Directors unanimously recommends that you vote:

- FOR the proposal to adopt the Merger Agreement and the related Plan of Merger, and to approve the Merger; and
- FOR the adjournment proposal.

You should read The Merger Reasons for the Merger; Recommendation of Our Board of Directors beginning on page [ ] for a discussion of the factors that our Board of Directors considered in deciding to recommend the adoption of the Merger Agreement and approval of the Merger. See also The Merger Interests of Verticalnet s Directors and Officers in the Merger beginning on page [ ] .

Q: Who is entitled to vote at the special meeting?

A: The record date for the special meeting is [ ], 2007. Only the holders of Verticalnet common stock and preferred stock at the close of business on the record date are entitled to notice of, and to vote at, the special meeting or any postponement thereof.

Q: What constitutes a quorum for the special meeting?

A: The presence, in person or by proxy, of shareholders representing a majority of the shares of Verticalnet stock outstanding on the record date will constitute a quorum for the special meeting.

Q: What vote of shareholders is required to approve the Merger Agreement?

A: The approval and adoption of the Merger Agreement, the related Plan of Merger and the Merger requires, assuming a quorum is present, the affirmative vote of a majority of the votes cast by the holders of the outstanding shares of our capital stock (including Common Stock, Series B Preferred Stock and Series C Preferred Stock) that are entitled to vote at the special meeting and the affirmative vote of a majority of the votes cast by the holders of outstanding shares of Series B Preferred Stock that are entitled to vote at the special meeting. Certain of our directors, officers and shareholders, who beneficially own approximately 18% of the outstanding capital stock and 77% our outstanding shares of Series B Preferred Stock entitled to vote at the special meeting, have agreed to vote all of their shares in favor of the approval and adoption of the Merger, the

Merger Agreement and the related Plan of Merger, which assures that the class vote of the holders of Series B Preferred Stock required for the adoption of the Merger Agreement and the approval of the Merger, will be approved at the special meeting. Furthermore, as of the date of this proxy statement, all shares of Series C Preferred Stock are owned by Merger Sub and it is anticipated that Merger Sub will vote in favor of the adoption of the Merger Agreement and the approval of the Merger.

Q: How do the directors and executive officers of Verticalnet intend to vote?

A: We believe our directors and current executive officers intend to vote all of their shares of our common stock FOR the approval of the adoption of the Merger Agreement. As of [ ], 2007, the record date, the directors and current executive officers of Verticalnet held and were entitled to vote, in the aggregate, shares of our stock representing approximately 6.4% of the outstanding shares.

Q: What does it mean if I get more than one proxy card?

A: If you have shares of our Common Stock, Series B Preferred Stock or Series C Preferred Stock that are registered differently and are in more than one account, you will receive more than one proxy card. Please follow the directions for voting on each of the proxy cards you receive to ensure that all of your shares are voted.

Q: What do I need to do now?

A: Please vote as soon as possible. We urge you to read this proxy statement carefully, including its annexes, and to consider how the transaction affects you as a shareholder. You also may want to review the documents referenced under Where You Can Find Additional Information, beginning on page [ ].

Q: How do I vote without attending the special meeting?

A: If you are a registered shareholder (that is, if you hold shares of our Common Stock, Series B Preferred Stock or Series C Preferred Stock in certificated form), you may submit your proxy and vote your shares by returning the enclosed proxy card, marked, signed and dated, in the postage-paid envelope provided, or by telephone or through the Internet by following the instructions included with the enclosed proxy card.

If you hold your shares through a broker, bank or other nominee, you should follow the separate voting instructions provided by the broker, bank or other nominee with the proxy statement. Your broker, bank or other nominee may provide proxy submission through the Internet or by telephone. Please contact your broker, bank or other nominee to determine how to vote.

Q: How do I vote in person at the special meeting?

A: If you are a registered shareholder, you may attend the special meeting and vote your shares in person at the meeting by giving us a signed proxy card or ballot before voting is closed. If you want to do that, please bring proof of identification with you. Even if you plan to attend the meeting, we recommend that you vote your shares in advance as described above, so your vote will be counted even if you later decide not to attend.

If you hold your shares through a broker, bank or other nominee, you may vote those shares in person at the meeting only if you obtain and bring with you a signed proxy from the appropriate nominee giving you the right to vote the shares. To do this, you should contact your broker, bank or nominee.

Q: Can I change my vote?

A: You may revoke or change your proxy at any time before it is voted, except as otherwise described below. If you have not voted through your broker, bank or other nominee because you are the registered shareholder, you may revoke or change your proxy before it is voted by:

filing a notice of revocation, which is dated a later date than your proxy, with the Company s Secretary;

submitting a duly executed proxy card bearing a later date;

submitting a new proxy by telephone or through the Internet at a later time, but not later than 11:59 p.m. (Eastern Time) on November [ ], 2007, or the day before the meeting date, if the special meeting is postponed; or

voting by ballot at the special meeting.

Simply attending the special meeting will not constitute revocation of a proxy. If your shares are held in street name, you should follow the instructions of your broker, bank or other nominee regarding revocation or change of vote. If your broker, bank or other nominee allows you to submit a vote by telephone or through the Internet, you may be able to change your vote by submitting new voting instructions by telephone or through the Internet.

Q: If my shares are held in street name by my broker, bank or other nominee, will my nominee vote my shares for me?

A: Yes, but only if you provide instructions to your broker, bank or other nominee on how to vote. You should follow the directions provided by your broker, bank or other nominee regarding how to instruct your broker, bank or other nominee to vote your shares. Without those instructions, your shares will not be voted.

Q: Will I have appraisal rights as a result of the Merger?

A: Under the PBCL, holders of Common Stock are not entitled to dissenters rights in connection with the proposed Merger because the Common Stock is listed on a national securities exchange. Under the PBCL, because the holders of Series B Preferred Stock are entitled to vote separately as a class to approve the proposed transaction, holders of Series B Preferred Stock are not entitled to dissenters rights in connection with the proposed Merger. Under the PBCL, holders of Series C Preferred Stock are entitled to dissenters rights in connection with the proposed Merger; however, as of the date of this proxy statement all shares of Series C Preferred Stock are owned by Merger Sub and it is anticipated that Merger Sub will vote in favor of the adoption of the Merger Agreement and the related Plan of Merger and the approval of the Merger.

Q: What happens if I sell my shares before the special meeting?

A: The record date of the special meeting is earlier than the special meeting and the date that the Merger is expected to be completed. If you transfer your shares of Common Stock after the record date but before the special meeting, you will retain your right to vote at the special meeting, but will have transferred the right to receive the merger consideration to be received by our shareholders in the Merger. In order to receive the merger consideration, you must hold your shares through completion of the Merger.

Q: Should I send in my stock certificates now?

A: No. Assuming the Merger is completed, you will receive a letter of transmittal with instructions informing you how to send your share certificates to the exchange agent in order to receive the merger consideration, without interest. You should use the letter of transmittal to exchange the Company stock certificates for the merger consideration to which you are entitled as a result of the Merger. **Do not send any stock certificates with your proxy.**

Q: When do you expect the Merger to be completed?

A: We are working to complete the Merger as quickly as possible. In addition to obtaining shareholder approval, all of the conditions to the Merger must have been satisfied or waived. We currently expect to complete the Merger promptly after shareholder approval is obtained in the first quarter of 2008.

Q: Will I owe any U.S. federal income tax as a result of the Merger?

A: Generally, the consideration received in the Merger will be taxable for U.S. federal income tax purposes. You will recognize taxable gain or loss in the amount of the difference between $2.56 and your adjusted tax basis for each share of Verticalnet stock that you own. For further information about the U.S. federal income tax consequences of the Merger, see Special Factors Material U.S. Federal Income Tax Consequences, beginning on page .

Q: Who will count the votes?

A: A representative of our transfer agent will count the votes.

Q: Who will bear the cost of this solicitation?

A:

The expenses of preparing, printing and mailing this proxy statement and the proxies solicited hereby will be borne by Verticalnet. Additional solicitation may be made by telephone, facsimile or other contact by certain directors, officers, employees or agents of Verticalnet, none of whom will receive additional compensation with respect to any such solicitation. We will reimburse them for their reasonable out-of-pocket expenses.

Q: Will a proxy solicitor be used?

A: Yes. Verticalnet has retained Georgeson, Inc. to assist in the solicitation of proxies for the special meeting and Verticalnet estimates that it will pay Georgeson, Inc. a fee not to exceed $7,500, a nominal fee per shareholder contact and reimbursement of reasonable out-of-pocket expenses. Verticalnet has also agreed indemnify Georgeson, Inc. against certain losses, costs and expenses.

Table of Contents

Q: Who can help answer my other questions?

A: If you have more questions about the Merger or the special meeting, or require assistance in submitting your proxy or voting your shares or need additional copies of the proxy statement or the enclosed proxy card, please contact the Company s Investor Relations at 610-240-0600. If your broker, bank or other nominee holds your shares, you should also call your broker, bank or other nominee for additional information.

Table of Contents

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

This proxy statement, and the documents to which we refer you to in this proxy statement, contain statements that are not historical facts and that are considered *forward-looking* within the meaning of the safe harbor provisions of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We have based these forward-looking statements on our current expectations about future events and financial performance with respect to our operations, the expected completion and timing of the Merger and other information relating to the Merger. Statements that include words such as may, will, project, might, expect, believe, anticipate, inte would, estimate, continue or pursue, or the negative or other words or expressions of similar meaning, may identify forward-looking statements. You should be aware that forward-looking statements involve known and unknown risks and certainties. Although we believe that the expectations underlying these forward looking statements are reasonable, there are a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. These forward-looking statements speak only as of the date on which the statements were made and we undertake no obligation to update or revise any forward-looking statements made in this proxy statement or elsewhere as a result of new information, future events or otherwise, except as required by law. These forward-looking statements should, therefore, be considered in light of various important factors set forth from time to time in our filings with the Securities and Exchange Commission, which we refer to as the SEC. In addition to other factors and matters contained or incorporated in this document, these statements are subject to risks, uncertainties and other factors, including, among others:

- the financial performance of Verticalnet through the date of completion of the Merger;
- the occurrence of any event, change or other circumstances that could give rise to a termination of the Merger Agreement, including a termination under circumstances that could require us to pay a termination fee;
- the failure to satisfy any conditions to consummation of the Merger including the approval of our shareholders;
- the failure of the Merger to close for any reason;
- any significant delay in the expected completion of the Merger;
- our remedies against Parent with respect to certain breaches of the Merger Agreement may not be adequate to cover our damages;
- the proposed transactions may disrupt current business plans and operations and there may be potential difficulties in attracting and retaining employees as a result of the announced Merger;
- due to restrictions imposed in the Merger Agreement, we may be unable to respond effectively to competitive pressures, industry developments and future opportunities;
- the effect of the announcement of the Merger on our business relationships, operating results and business generally; and
- the costs, fees, expenses and charges we have incurred and may incur related to the Merger, whether or not the Merger is completed.

The foregoing sets forth some, but not all, of the factors that could impact our ability to achieve results described in any forward-looking statements. A more complete description of the risks applicable to us is provided in our filings

with the SEC available at the SEC s web site at http://www.sec.gov, including our most recent filings on Forms 10-Q and 10-K. Investors are cautioned not to place undue reliance on these forward-looking statements. Investors also should understand that it is not possible to predict or identify all risk factors and that neither this list nor the factors identified in our SEC filings should be considered a complete statement of all potential risks and uncertainties. We have no obligation to publicly update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this proxy statement.

Table of Contents

THE PARTIES TO THE MERGER

Verticalnet, Inc.

Verticalnet, Inc.
400 Chester Field Parkway
Malvern, Pennsylvania 19355
Tel. No. 610-240-0600

Verticalnet, Inc., is a provider of On-Demand Supply Management solutions to companies ranging in size from mid-market to Global 2000. We provide a full scope of Supply Management software, services, and domain expertise in areas that include: Program Management, Spend Analysis, eSourcing, Contract Management, and Supplier Performance Management. Our solutions help our customers save money on the goods and services they buy. In addition to traditional software installation and application service provider hosting, we offer the majority of our software products in an on-demand delivery model. On-demand delivery enables our customers to pay a single annual fee that includes software license, maintenance, application hosting, customer/community support, and training. We believe that our on-demand delivery model mitigates the software implementation costs for our customers, and reduces the obstacles to a successful supply management initiative. In addition to implementation services, we also provide customers with supply management business process consulting, primarily in the areas of Spend Analysis and Advanced Sourcing, and offer custom software development for customers that desire to build additional supply management capabilities.

Detailed descriptions about the Company s business and financial results are contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006, which is incorporated in this proxy statement by reference. See Where Shareholders Can Find More Information beginning on page of this proxy statement.

BravoSolution, S.p.A and BravoSolution U.S.A., Inc.
BravoSolution, S.p.A
Via Rombon, 11
20134 Milano
Tel. No. [ ]

BravoSolution S.p.A., or Parent, is a leading international provider of eSourcing solutions. Its mission is to generate value by supporting its clients in the improvement of procurement processes through innovative web-based technologies and services. Founded in Italy in June 2000 by the Italcementi Group, BravoSolution effectively combines professional expertise and technological excellence in the area of sourcing in order to deliver valuable results to its numerous customers worldwide. BravoSolution has offices in London Madrid, Milan, Paris, Rome and Shanghai. In the United Kingdom, BravoSolution is the sole approved provider of eSourcing Services under the Framework Agreement managed by an Executive Agency of the UK Treasury (OGC). BravoSolution has a team of more than 250 professionals and has now managed over 70,000 online negotiations, totaling over $50 billion of spend.

BravoSolution U.S.A., Inc. which we refer to as Merger Sub, is a Pennsylvania corporation formed for the sole purpose of completing the Merger with the Company. Merger Sub is a wholly-owned subsidiary of Parent. Merger Sub has not conducted any activities to date other than activities incidental to its formation and in connection with the transactions contemplated by the Merger Agreement.

THE SPECIAL MEETING

Time, Place and Purpose of the Special Meeting

The enclosed proxy is solicited on behalf of our Board of Directors for use at a special meeting of shareholders to be held on [ ], [ ], 2007, at 10:00 a.m. local time, or at any adjournments or postponements of the special meeting. The special meeting will be held at the offices of Morgan, Lewis and Bockius LLP located at 1701 Market Street, Philadelphia, PA 19103. The Company intends to mail this proxy statement and the accompanying proxy card on or about [ ], 2007 to all shareholders entitled to vote at the special meeting.

At the special meeting, shareholders will be asked to consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of October 25, 2007, among the Company, Parent, and Merger Sub, as they may be amended from time to time, and the related Plan of Merger and to approve the merger of Merger Sub, with and into the Company, with the Company continuing as the surviving corporation. Our shareholders must adopt the Merger Agreement and the related Plan of Merger for the Merger to occur. If our shareholders fail to adopt the Merger Agreement, the Merger will not occur. Verticalnet shareholders also may be asked to transact such other business as may properly come before the special meeting or any postponements of the special meeting.

The Company does not expect a vote to be taken on any other matters at the special meeting. If any other matters are properly presented at the special meeting, however, the holders of the proxies, if properly authorized, will have the authority to vote on these matters in their discretion.

Verticalnet Board Recommendation

Our Board of Directors has unanimously approved and adopted the Merger Agreement, the related Plan of Merger, and the transactions contemplated by the Merger Agreement, and has determined that the Merger, the Merger Agreement and the related Plan of Merger, and the transactions contemplated by the Merger Agreement are fair to, and in the best interests of, the Company. **Accordingly, our Board of Directors recommends that you vote FOR the adoption of the Merger Agreement and the related Plan of Merger and the approval of the Merger and FOR the adjournment proposal.**

Record Date, Quorum and Voting Power

Shareholders of record at the close of business on [ ], 2007 are entitled to notice of, and to vote at, the special meeting. On [ ], 2007, the outstanding voting securities consisted of [ ] shares of Common Stock and [ ] shares of Preferred Stock, on an as-converted to Common Stock basis (consisting of [ ] shares of Series B Preferred Stock and [ ] shares of Series C Preferred Stock entitled to vote at the special meeting).

Each share of Common Stock entitles its holder to one vote on all matters properly coming before the special meeting.

Each share of Preferred Stock entitles its holder to vote on all matters properly coming before the special meeting in accordance with the terms of the respective Statements of Designation with Respect to the Shares of Preferred Stock, filed by the Company with the Secretary of State of the Commonwealth of Pennsylvania. The Series B and Series C Statements of Designation provide that each holder of Preferred Stock votes on an as- converted to Common Stock basis, provided, however, that each holder is not entitled to cast a number of votes in excess of the number determined by (i) dividing (A) the per-share purchase price paid with respect to such holder s shares of Preferred Stock at the time such shares were originally acquired from the Company, by (B) the applicable closing bid price (adjusted for any stock dividends, stock splits or similar transactions after such date) for shares of the Common Stock as reported on the

Nasdaq Capital Market on the business day immediately prior to the closing date of the purchase of the Preferred Stock, and (ii) multiplying that quotient by the number of shares of Preferred Stock currently held by such holder. As of [ ], the record date for the special meeting, holders of shares of Preferred Stock, in accordance with the terms of the respective Statements of Designation with Respect to the Shares of Preferred Stock, represent [ ] of the voting power of the outstanding shares of capital stock entitled to vote at the special meeting.

Table of Contents

A quorum of holders of the Common Stock and Preferred Stock entitled to vote at the special meeting must be present for the special meeting to be held. The presence at the meeting, in person or by proxy, of the holders of a majority of the outstanding shares of Preferred Stock and the holders of a majority of the outstanding shares of Common Stock entitled to vote at the special meeting will constitute a quorum for the purpose of considering the proposal regarding adoption of the Merger Agreement and the related Plan of Merger and the approval of the Merger. Any shares of our Common Stock held in treasury by the Company are not considered outstanding for purposes of determining a quorum.

Vote Required for Approval

For us to complete the Merger, we need the affirmative vote of a majority of the votes cast by the holders of the outstanding shares of our capital stock that are entitled to vote at the special meeting (assuming a quorum is present) and by a majority of the votes cast by the holders of the outstanding shares of our Series B Preferred Stock that are entitled to vote at the special meeting, voting as a separate class (assuming a quorum is present).

In order for your capital stock to be included in the vote, if you are a registered shareholder (that is, if you hold your shares of capital stock in certificated form), you must submit your proxy and vote your shares by returning the enclosed proxy card, marked, signed and dated, in the postage prepaid envelope provided, or by telephone or through the Internet, as indicated on the proxy card, or you may vote in person at the special meeting.

Abstentions and broker non-votes, if any, will be treated as shares that are present and entitled to vote at the special meeting for purposes of determining whether a quorum exists, provided, however, that broker non-votes will only be treated as so present and entitled to vote if the shares covered by the broker non-vote are voted on a non-procedural matter at the special meeting. A broker non-vote occurs when, as is the case with respect to the note regarding the adoption of the Merger Agreement and the related Plan of Merger, and the approval of the Merger, brokers are prohibited from exercising discretionary authority in voting for beneficial owners who have not provided voting instructions. **Because adoption of the Merger Agreement and the related Plan of Merger, and the approval of the Merger requires the affirmative vote of a majority of votes cast by the holders of the capital stock entitled to vote at the special meeting that are outstanding on the record date, and a majority of the votes cast by the holders of the outstanding shares of our Series B Preferred Stock that are entitled to vote at the special meeting, voting as a separate class, under the PBCL, failures to vote, abstentions and broker non-votes, if any, are not considered votes cast and therefore will have no effect on the vote and will not be considered in determining whether the proposals have received the requisite shareholder vote.**

Voting by Directors and Executive Officers

Holders of all outstanding shares of Series B Preferred Stock have entered into a Voting Agreement with Parent and the Company, as amended (the Voting Agreement), pursuant to which holders of our Series B Preferred Stock that as of the record date represent [ ] of the voting power of the outstanding shares of capital stock entitled to vote at the special meeting have agreed to vote all of their Common Stock and Series B Preferred Stock FOR the adoption of the Merger Agreement and the related Plan of Merger and the approval of the Merger, and holders of our Series B Preferred Stock that as of the record date represent [ ] of the voting power of the outstanding shares of capital stock entitled to vote at the special meeting have agreed to grant an irrevocable proxy to the Company to vote their Common Stock and Series B Preferred Stock, in connection with the Merger and any other extraordinary corporate transaction, in a manner that the Company, acting through our Board of Directors, determines in its sole discretion.

The Voting Agreement will terminate on the earliest to occur of (i) the termination of the Merger Agreement in accordance with its terms, (ii) the mutual written consent of Parent, the Company and each of the shareholders party to the Voting Agreement, and (iii) by each such shareholder upon certain circumstances related to modification of the

Merger Agreement. The full text of the Voting Agreement is attached to this proxy statement as Annex B. We encourage you to read the full text of the Voting Agreement in its entirety.

As a result of the Voting Agreement, the separate class vote involving only shares of our Series B Preferred Stock is assured.

Table of Contents

Also, as of the date of this proxy statement, all shares of Series C Preferred Stock are owned by Merger Sub and it is anticipated that Merger Sub (representing [ ]% the voting power of the outstanding shares of capital stock entitled to vote at the special meeting) will vote in favor of the adoption of the Merger Agreement and the approval of the Merger.

Proxies; Revocation

Any Verticalnet shareholder of record entitled to vote may submit a proxy by mail, or through the Internet or by telephone as indicated on the proxy card, or may vote in person by appearing at the special meeting. If no instructions are indicated on your signed proxy card, your shares will be voted FOR the adoption of the Merger Agreement and in the discretion of the persons appointed as proxies on any other matters properly brought before the special meeting for a vote.

If you wish to change your vote and your shares are held in street name by your broker, you should follow the instructions of your broker, bank or other nominee regarding revocation or change of votes. If your broker, bank or other nominee allows you to submit a vote by telephone or through the Internet, you may be able to change your vote by submitting new voting instructions by telephone or through the Internet.

Any Verticalnet shareholder of record who executes and returns a proxy card (or submits a proxy via telephone or the Internet) may revoke the proxy at any time before it is voted in any one of the following ways:

- filing with the Company s corporate secretary, at or before the special meeting, a written notice of revocation that is dated a later date than the proxy;
- sending a later-dated proxy relating to the same shares to the Company s corporate secretary, at or before the special meeting;
- submitting a later-dated proxy by the Internet or by telephone, at or before the special meeting; or
- attending the special meeting and voting in person by ballot.

Simply attending the special meeting will not constitute revocation of a proxy. *If you have instructed your broker to vote your shares, the above-described options for revoking your proxy do not apply and instead you must follow the directions provided by your broker to change these instructions.*

The Company does not expect that any matter other than the proposal to adopt the Merger Agreement and the related Plan of Merger, and to approve the Merger will be brought before the special meeting. If, however, such a matter is properly presented at the special meeting or any postponement of the special meeting, the persons appointed as proxies will have discretionary authority to vote the shares represented by duly executed proxies in accordance with their discretion and judgment.

Please do NOT send in your share certificates with your proxy card. If the Merger is completed, shareholders will be mailed a transmittal form following the completion of the Merger with instructions for use in effecting the surrender of certificates in exchange for the merger consideration.

The Proxy Solicitation

The Board of Directors of the Company is soliciting proxies in connection with the special meeting. Parent may also be deemed to be a participant in the solicitation. For information regarding an agreement among Parent and certain

shareholders of the Company, under which certain holders of Series B Preferred Stock have agreed, among other things, to vote or cause to be voted their shares of our capital stock owned by them in favor of adoption of the Merger Agreement and the related Plan of Merger, and the approval of the Merger, see Voting Agreement on page [ ]. The expenses of preparing, printing and mailing this proxy statement and the proxies solicited hereby will be borne by the Company. Additional solicitation may be made by telephone, facsimile, e-mail, in person or other contact by certain of our directors, officers, employees or agents, none of whom will receive additional compensation therefor. We will reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable expenses for forwarding material to the beneficial owners of shares held of record by others. We have also engaged Georgeson Inc. to assist in the solicitation of proxies for the meeting, and we estimate that we will pay

Table of Contents

them a fee of approximately $7,500, a nominal fee per shareholder contact and will reimburse them for reasonable administrative and out-of-pocket expenses incurred in connection with such solicitation.

Attending the Special Meeting

In order to attend the special meeting in person, you must be a shareholder of record on the record date, hold a valid proxy from a record holder or be an invited guest of the Company. You will be asked to provide proper identification at the registration desk on the day of the meeting or any postponement of the meeting.

Questions and Additional Information

If you have more questions about the Merger or how to submit your proxy, or if you need additional copies of this proxy statement or the enclosed proxy card or voting instructions, please call the Company s Investor Relations:

Verticalnet, Inc.
400 Chester Field Parkway
Malvern, Pennsylvania 19355
Telephone: (610) 240-0600

Table of Contents

THE MERGER

Background of the Merger

From time to time, the Company and our Board of Directors have, with their legal and financial advisors, reviewed and evaluated strategic opportunities and alternatives.

In recent years, as disclosed in the Company s annual reports of Form 10-K and quarterly reports on Form 10-Q, the Company s level of liquid assets and expected cash flows from operations have not been sufficient to finance operations and financial commitments without raising additional capital. While the Company was historically successful in raising capital through the sale of debt and equity securities in private placement transactions, each of these transactions imposed additional barriers to the Company s growth.

On August 16, 2005, to support its working capital and debt repayment obligations, the Company issued and sold senior secured convertible promissory notes in the aggregate principal amount of $6.6 million and warrants to purchase common stock to various institutional investors. Pursuant to the terms of the convertible notes, the Company made monthly payments of principal and interest in cash, common stock or a combination of cash and common stock. The issuance of common stock in payment of the obligations under the convertible notes placed downward pressure on the per share price of the Company s common stock.

During the time period in which these convertible notes remained outstanding, the Company considered various capital raising transactions. The restrictive covenants and other limitations in the convertible notes and related agreements constrained the Company s ability to raise future capital.

In light of the Company s liquidity position, during the spring of 2006 at the recommendation of the Company s management our Board of Directors decided to engage a financial advisor to explore various alternative transactions for the Company.

In April 2006, the Company engaged a financial advisor (the First Advisor). Following the engagement, the First Advisor approached various strategic and financial parties to gauge interest in pursuing a transaction with the Company.

During April 2006, the First Advisor and the Company prepared a Confidential Information Memorandum for use in soliciting third party bids to acquire the Company. Beginning in April 2006, at the direction of our Board of Directors and management, the First Advisor contacted approximately 48 parties, including financial and strategic potential buyers. In the following weeks, the Company, in conjunction with the First Advisor, distributed confidentiality agreements to 26 parties. Of these parties, the Company signed confidentiality agreements with and distributed the Confidential Information Memorandum to, 11 potential buyers. The Company and the First Advisor entered into in-depth discussions with four of the parties that received the Confidential Information Memorandum.

On May 15, 2006, in order to raise working capital, the Company issued and sold a senior subordinated discounted promissory note, in the original principal amount of $5.3 million, in return for a payment of $4 million. The senior subordinated discounted promissory note and related agreements contain restrictive covenants and other limitations on the Company.

During the summer of 2006, one of the parties with whom the Company and the First Advisor held in-depth discussions (Party A) expressed interest in exploring a transaction in which Party A would acquire all of the Company s outstanding shares of capital stock. Through the remainder of the summer of 2006, the Company, our

Board of Directors, the First Advisor and the Company s legal advisor, Morgan, Lewis and Bockius, LLP (Morgan Lewis), discussed the structure of a potential merger transaction with Party A. Party A and its advisors were granted access to certain of the Company s due diligence materials through an online data room. Throughout the summer and early fall of 2006, Party A and its advisors reviewed the Company s due diligence materials.

Party A initially informed the Company that based on its preliminary valuation analysis, it would acquire all of our issued and outstanding shares of Common Stock for a per share price approximately 20% above the then current market price. On September 8, 2006, the Company received a preliminary non-binding indication of interest from Party A to acquire the issued and outstanding capital stock for a price of $8.00 per share (as adjusted to reflect the

ratio of the Company s August 2007 1-for-8 reverse stock split). The then current closing market price of our Common Stock on that date was $7.44 (as adjusted to reflect the ratio of the Company s August 2007 1-for-8 reverse stock split).

Following Party A s initial indication of interest, the market price for shares of our Common Stock decreased significantly. In September 2006, the Company and Party A, with their legal and financial advisors, began negotiating a definitive merger agreement to provide for the proposed transaction and a voting agreement in which certain of the Company s directors and officers would agree to vote in favor of the transaction. Following substantial completion of its due diligence review, in late September 2006 Party A submitted a revised non-binding proposal to acquire all of our issued and outstanding shares of Common Stock for $3.20 per share (as adjusted to reflect the ratio of the Company s August 2007 1-for-8 reverse stock split). The then current market price of our Common Stock on that date was $5.30 (as adjusted to reflect the ratio of the Company s August 2007 1-for-8 reverse stock split). In response to Party A s revised offer, our Board of Directors sought to reduce certain of the Company s liabilities that would be incurred in connection with the proposed transaction in an effort to improve Party A s per share offer for our Common Stock.

On October 13, 2006, Party A informed the Company that as a result of changes in Party A s internal business rationale behind the proposed transaction, it was no longer interested in pursuing a transaction with the Company. However, Party A informed the Company that it would facilitate discussions between the Company and several financial buyers that were interested in pursuing transactions involving the Company and Party A. These discussions were ultimately unsuccessful, and on October 31, 2006, the Company concluded negotiations with Party A and the financial buyers.

Following the completion of discussions with Party A, the First Advisor continued to correspond with other interested parties.

During the fall of 2006 and continuing through January 2007, the First Advisor and the Company engaged in discussions with a financial buyer (Party B). Following the initial discussions, Party B and the Company entered into a confidentiality agreement. Soon after entering into the confidentiality agreement, Party B and its advisors were granted access to certain of the Company s due diligence materials. Throughout this period, Party B and its advisors reviewed the Company s due diligence materials. Following its initial review of the due diligence materials, Party B submitted a preliminary non-binding proposal in which Party B would pay the holders of outstanding shares of capital stock of the Company between approximately $0.82 and $2.46 per share (as adjusted to reflect the ratio of the Company s August 2007 1-for-8 reverse stock split). Our Board of Directors determined that this valuation range was not acceptable and the Company ceased discussions with Party B.

In early 2007, following the conclusion of the Company s discussions with Party B, our Board of Directors determined to terminate the engagement of the First Advisor and continue to pursue strategic opportunities and alternative through other avenues.

During January 2007, the Company was contacted by a strategic buyer (Party C) regarding a transaction in which Party C would acquire all of the Company s outstanding shares of capital stock. Throughout the winter and spring of 2007, representatives from the Company and Party C met to discuss a potential transaction. These discussions were of a preliminary nature and did not result in any agreement regarding terms of a potential transaction or an agreement to work toward a potential transaction. Following the initial discussions, Party C and the Company entered into a confidentiality agreement. Soon after entering into the confidentiality agreement, Party C and its advisors were granted access to certain of the Company s due diligence materials through an online data room. Throughout the winter and spring of 2007, Party C and its advisors reviewed the Company s due diligence materials.

At the time of discussions with Party C, the Company s level of liquid assets necessitated an additional capital raise. Given the uncertainty of discussions with Party C and other potential acquirors, in January 2007, the Company engaged a placement agent (the Second Advisor) to explore a $10 and $15 million equity financing transaction. After exploring interest from potential investors, the Second Advisor informed the Company that the interest among investors was less than originally estimated and it would need additional time to complete the financing transaction.

Table of Contents

In March 2007, a financial advisor contacted the Company regarding a potential acquirer (Party D). Following the initial discussions, Party D and the Company entered into a confidentiality agreement. Soon after entering into the confidentiality agreement, Party D and its advisors were granted access to certain of the Company s due diligence materials through an online data room. Throughout the spring of 2007, Party D and its advisors reviewed the Company s due diligence materials.

In March 2007, Party D conveyed a preliminary non-binding proposal to acquire all of the Company s issued and outstanding shares of capital stock for approximately $0.88 per share (as adjusted to reflect the ratio of the Company s August 2007 1-for-8 reverse stock split).

On May 8, 2007, an in-person regularly scheduled quarterly meeting of our Board of Directors was held. At this meeting, Nathanael V. Lentz (President and Chief Executive Officer) advised our Board of Directors regarding the status of discussions with Party C and Party D and the Company s current liquidity position and the viability of continued operations without raising additional capital. Due to the delay in Party C s formulation of an offer and the Company s working capital requirements, our Board of Directors determined to proceed with the capital raising transaction being coordinated by the Second Advisor.

On May 15, 2007, Party C submitted a preliminary non-binding indication of interest to acquire all of our issued and outstanding shares of capital stock for a per share price in the range of $3.20 to $4.00 (as adjusted to reflect the ratio of the Company s August 2007 1-for-8 reverse stock split). Party C informed the Company that it would need to complete its due diligence review of the Company in order to move forward with the proposed transaction.

On May 15, 2007, the Company issued and sold junior unsecured notes to several investors, including members of our management and Board of Directors for $600,000. The junior unsecured notes were structured so that they would automatically convert on a dollar for dollar basis in the Company s next equity financing transaction.

On June 1, 2007, the Company completed the financing transaction being coordinated by the Second Advisor and issued and sold 8,700,000 shares of Series B Preferred Stock to several individual and institutional investors for a per share purchase price of $0.25. The aggregate purchase price of $2.175 million consisted of $1.575 million in cash and $600,000 of debt loaned to the Company on May 15, 2007 that automatically converted into the Series B Preferred Stock on a dollar-for-dollar basis. The purchasers of the Series B Preferred Stock were also entitled to receive warrants to purchase shares of our Common Stock, in an amount dependent upon the results of the shareholder vote on certain proposals at the Company s next annual meeting of shareholders. Pursuant to the Series B Preferred Stock Purchase Agreement, the Company agreed to seek shareholder approval at its next annual meeting of shareholders of certain proposals, including proposals to enable all the Series B Preferred Stock to be convertible into shares of the our Common Stock and to amend the our Amended and Restated Articles of Incorporation to increase the number of authorized shares of our Common Stock by at least 35,000,000 shares. In the event that the Company s shareholders did not approve these proposals, the Company agreed to issue the purchasers warrants to purchase approximately 3,375,000 shares of the our Common Stock at an exercise price equal to the closing bid price on the day prior to the shareholders meeting. On August 16, 2007, the Company received shareholder of the proposals. Thus, pursuant to the Series B Preferred Stock Purchase Agreement on August 17, 2007, the Company issued the purchasers warrants to purchase 543,750 shares of our Common Stock with an exercise price per share equal to $2.64 and warrants to purchase 543,750 shares of our Common Stock with an exercise price per share equal to $5.60. The warrants were valued by the Company at $1,736,000 as of the date of the closing of the sale of the Series B Preferred Stock.

On June 1, 2007, a representative from Morgan Lewis contacted the Company regarding an inquiry received from Delzanno & Co., Inc. (Delzanno), a financial consultant to BravoSolution, S.p.A. (BravoSolution). On June 2, 2007, a representative from the Company contacted BravoSolution s advisor. This discussion centered on BravoSolution s business objectives as well as the Company s history. Mr. Lentz agreed to participate in a conference call with

members of BravoSolution s senior management that would occur following the signing of a confidentiality agreement between the parties.

On June 7, 2007, BravoSolution and the Company entered into a confidentiality agreement, which, among other things, imposed confidentiality, standstill and non-solicitation obligations on the parties in connection with the evaluation of a possible transaction.

On June 8, 2007, Mr. Lentz participated in a conference call with the representative from Delzanno and members of its senior management, including Federico Vitaletti (President) and Antonino Pisana (Chief Financial Officer). These discussions were of a preliminary nature regarding the nature of Company s business and did not result in any agreement regarding terms of a potential transaction. The parties agreed on next steps in consideration of a possible transaction including BravoSolution s due diligence review of the Company and meetings between Mr. Lentz and other members of BravoSolution s management team.

Beginning on June 11, 2007 and continuing throughout the summer and fall of 2007, BravoSolution and its advisors reviewed the Company s due diligence materials.

On June 20, 2007, a representative from Party C informed Mr. Lentz that Party C was no longer interested in pursuing a transaction with the Company at this time.

On June 25, 2007, Mr. Lentz met with members of BravoSolution s senior management, including the representative from Delzanno, Mr. Vitaletti, Mr. Pisana, Nader Sabbaghian and other executives of BravoSolution in Milan, Italy. These discussions focused on the Company s business and capital structure as well as the structure of a potential transaction and BravoSolution s business, objectives and strategies.

On June 26, 2007, a telephonic meeting of our Board of Directors was held at which representatives from Morgan Lewis were present. At this meeting, Mr. Lentz advised our Board of Directors regarding the Company s liquidity position as well as the status of discussions with Party C, Party D and BravoSolution. Our Board of Directors determined to continue discussions with all parties and to approach Party D in regard to a revised per share offer. It was determined that Mr. Lentz would try and reinvigorate the discussions with Party D.

On June 28, 2007, pursuant to the direction of our Board of Directors, Mr. Lentz contacted the financial advisor for Party D. This discussion focused on the Company s business and the status of the potential transaction. On June 29, 2007, Party D s financial advisor informed Mr. Lentz that Party D was reconsidering its initial proposal.

Throughout the period of July 1 to July 25, 2007, Mr. Lentz engaged in a number of discussions with Party D and its financial advisor. The parties discussed the structure of a potential transaction although no agreements were reached on the material terms.

On July 17 and 18, 2007, the representative from Delzanno and Mr. Sabbaghian met with certain members of the Company s senior management in Malvern, Pennsylvania. These discussions focused on the Company s business, product development and customer relationships.

On July 25, 2007, Party D submitted a revised preliminary non-binding proposal to acquire all of the Company s issued and outstanding shares of capital stock for $2.00 per share (as adjusted to reflect the ratio of the Company s August 2007 1-for-8 reverse stock split). Party D also submitted a draft acquisition agreement for the proposed transaction and requested an exclusivity period to move forward with its proposal. The closing of the transactions contemplated by Party D s draft acquisition agreement was contingent upon, among other things, Party D s receipt of third party financing to fund the payment of the acquisition consideration, members of the Company s management agreeing to a 50% reduction in any severance or change in control benefits which they would otherwise have been entitled to receive in connection with the proposed acquisition, and the Company s reduction of the amount of its accounts payables to less than $3 million.

On July 26, 2007, Mr. Lentz contacted Party D and its financial advisor to discuss the terms of Party D s proposal, and in particular the financing contingency contained in the draft acquisition agreement.

On July 30, 2007, BravoSolution submitted a preliminary non-binding proposal to acquire all of the Company s issued and outstanding shares of capital stock for a per share price in the range of $2.40 to $3.20 (as adjusted to reflect the ratio of the Company s August 2007 1-for-8 reverse stock split).

On July 31, 2007, a telephonic meeting of our Board of Directors was held at which representatives from Morgan Lewis were present. At this meeting, Mr. Lentz advised our Board of Directors regarding the status of

discussions with Party D and BravoSolution. Party D and BravoSolution, independently and unaware of the identity of the other, were permitted to make presentations to our Board of Directors. Party D s Chief Financial Officer and financial advisor made its presentation. Mr. Vitaletti and the representative from Delzanno made a presentation on behalf of BravoSolution. During the meeting our Board of Directors discussed the structure of each proposal with the applicable party and clarified certain terms and conditions of each proposal.

Following the presentations by Party D and BravoSolution, our Board of Directors convened a separate meeting to discuss the presentations. Our Board of Directors instructed Mr. Lentz to proceed with both parties; however, subject to confirmation of timing, structure and price of the proposed transaction and confirmation that BravoSolution would agree to the provide financing to support the Company s working capital needs, the Board of Directors requested that Mr. Lentz should focus the Company s resources on BravoSolution. Our Board of Directors also instructed Mr. Lentz to contact Party D s financial advisor with regard to the Board s objection to the third party financing contingency.

On July 31, 2007, Mr. Lentz contacted Party D s financial advisor to discuss the financing contingency and the per share price contained in Party D s offer. Mr. Lentz informed Party D that the Company would not agree to a buyer financing contingency as a condition to the consummation of the transaction. Mr. Lentz also discussed the Company s financial position and the need for the structure of the proposed transaction to include a bridge financing component.

Between August 1 and August 3, 2007, Mr. Lentz had numerous conversations with the representative from Delzanno with regard to the structure of the transaction. Mr. Lentz also discussed the Company s financial position and the importance of a bridge financing component in the transaction structure. The representative from Delzanno informed Mr. Lentz that BravoSolution required an exclusivity period in order to move further with its proposal. BravoSolution previously indicated that it was considering structuring the proposed transaction as an asset purchase; however, at the insistence of our Board of Directors, BravoSolution communicated a willingness to consider an equity structure in which it would acquire all of the outstanding shares of the Company s capital stock.

On August 6, 2007, a telephonic meeting of our Board of Directors was held at which representatives from Morgan Lewis were present. At this meeting, Mr. Lentz advised our Board of Directors regarding the status of discussions with Party D and BravoSolution. Because Party D s proposal included a price per share less than BravoSolution and since Party D had not responded to Mr. Lentz s previous discussion about the removal of the financing contingency from its proposal, our Board of Directors focused its discussion on a potential transaction with BravoSolution. Our Board of Directors discussed BravoSolution s request for exclusivity, and in agreement with the Company s management, determined to agree to this request and proceed further in negotiations with BravoSolution.

On August 8, 2007, the Company entered into an exclusivity letter agreement with BravoSolution pursuant to which the Company agreed to negotiate exclusively with BravoSolution regarding a potential acquisition transaction until the close of business on September 28, 2007, subject to BravoSolution s completion of due diligence and the parties agreement on the terms of a non-binding letter of intent. The exclusivity arrangement also provided that the Company would nonetheless be permitted to have discussions with interested parties with regard to a capital raising transaction.

On August 9, 2007, Mr. Lentz informed Party D that our Board of Directors had determined to consider other strategic alternatives.

Between August 13 and August 16, 2007, representatives from BravoSolution met with members of the Company s management. These discussions centered on the Company s core business and employees.

On August 13, 2007, BravoSolution and its advisors were granted access to the Company s due diligence materials through an online data room. On or about this date, BravoSolution engaged Greenberg Traurig, LLP, as its primary legal counsel (Greenberg) and Ballard Spahr Andrews & Ingersoll, LLP, as its special Pennsylvania counsel, to advise

in its evaluation of the Company and any potential transaction. At this time, BravoSolution s representatives and financial and legal advisors met with members of the Company s management in Malvern, Pennsylvania for due diligence discussions.

Table of Contents

On August 30, 2007, Mr. Vitaletti and Mr. Lentz discussed the results of BravoSolution s due diligence review and the terms of the proposed transaction. Later that day, Greenberg distributed a draft non-binding letter of intent that reflected the parties discussions to date, including BravoSolution s per share range of $2.40 to $3.20 that it would be willing to pay to acquire all of the Company s issued and outstanding shares of capital stock. On August 31, 2007, the Company entered into the letter of intent with BravoSolution that reflected a merger transaction in the proposed per share range.

Between September 12 and September 13, 2007, Mr. Lentz met with members of BravoSolution s advisors and senior management, including Mr. Vitaletti, in Milan, Italy. These discussions focused on the Company s business, anticipated future performance and the current employee base.

On September 17, 2007, Greenberg distributed the initial draft of the merger agreement to Morgan Lewis and the Company. The merger agreement proposed that the transaction would be structured as a one-step merger.

On September 18, 2007, the Company and BravoSolution discussed the overall structure of the proposed transaction, including that the per share price to be received by the holders of the Company s capital stock (including common and Series B Preferred Stock) would be $2.56 per share.

On September 19, 2007, a telephonic meeting of our Board of Directors was held at which representatives from Morgan Lewis were present. At this meeting, Mr. Lentz advised our Board of Directors regarding the status of discussions with Party D and BravoSolution. Our Board of Directors agreed that management should to continue its discussions with BravoSolution and seek an increase in the per share consideration to be received by shareholders in a potential transaction.

On September 19, 2007, Mr. Lentz contacted the representative from Delzanno with regard to the proposed per share price of $2.56 per share. Mr. Lentz was advised that the $2.56 per share (for both common shareholders and Series B Preferred Stock shareholders) was BravoSolution s final offer at that time. After receiving guidance from our Board of Directors, the Company agreed to proceed in discussions with BravoSolution at its per share offer.

On September 21, 2007, the Company received an unsolicited revised proposal from Party D to acquire all of the Company s issued and outstanding shares of capital stock for $2.50 per share. Party D s revised proposal included terms and conditions from its initial offer, including the requirements that the Company reduce the amount of its accounts payables to less than $3 million and that members of the Company s senior management agree to a 50% reduction in any severance or change in control benefits which they would otherwise have been entitled to receive in connection with the proposed acquisition. On September 18, 2007, as required under the terms of the Company s exclusivity arrangement with BravoSolution, the Company informed BravoSolution of the receipt of this proposal from Party D, without identifying Party D by name. The Company informed Party D s financial advisor that it could not proceed further with its proposal at this time.

During the week of September 21, 2007, the Company engaged in discussions with the Second Advisor with regard to a capital raising transaction, to address the Company s working capital needs. While these discussions were of a preliminary nature, the Company discussed that any such transaction would require a significant investment of over $10.0 million in order to adequately address the Company s balance sheet requirements and ensure business continuity.

On September 25, 2007, Mr. Lentz contacted BravoSolution s advisor to further discuss the Company s need for an infusion of working capital. Mr. Lentz explained that the Company s cash needs would require funding during the period between signing and closing of the proposed transaction. In response to this conversation, BravoSolution s advisor suggested that the Company consider approaching other parties in regard to alternative structures for this financing.

On September 25, 2007 a telephonic meeting of our Board of Directors was held. At this meeting, Mr. Lentz advised our Board of Directors regarding the status of discussions with BravoSolution. Our Board of Directors discussed the structure of the proposed transaction as well as BravoSolution s position on the bridge financing.

On September 28, 2007, the board of directors of BravoSolution approved the structure of the transaction and instructed its advisors to proceed further with the transaction. On September 28, 2007, the Company agreed to an extension of the exclusive negotiation period with BravoSolution through October 9, 2007.

During the week of October 1, 2007, the Company s executive officers, representatives from Morgan Lewis and Greenberg, and the representative from Delzanno discussed the terms of the proposed financing transaction to address the Company s working capital needs. The parties agreed that the Company would issue shares of Series C Preferred Stock to BravoSolution. The shares would be convertible into common stock and would be entitled to vote on the proposed transaction, subject to certain terms and conditions set forth in the Company s Statement of Designation of Designation with Respect to the Shares of Series C Preferred Stock.

During this same period, the Company s executive officers, representatives from Morgan Lewis and Greenberg, and the representative from Delzanno discussed the structure of the proposed transaction with respect to the holders of Series B Preferred Stock. Under the terms of the Company s Statement of Designation of Designation with Respect to the Shares of Series B Preferred Stock, as disclosed in the Company s Current Report of Form 8-K filed with the SEC on June 6, 2007, while the number of shares of Series B Preferred Stock did not adjust in accordance with the ratio of the Company s August 2007 1-for-8 reverse stock split, the conversion ratio that determined the number of shares of our Common Stock issuable upon conversion of the Series B Preferred Stock adjusted to account for the effect of the reverse stock split. The Series B Preferred Stock was initially convertible into shares of our Common Stock at a ratio of one-to-one (subject to adjustment in accordance with the ratio of the Company s August 2007 reverse stock split); however, the holders of Series B Preferred Stock that are not members of our Board of Directors were entitled to receive a reduction in the conversion price, in the event that the Company did not achieve a subsequent financing transaction prior to December 31, 2007 in which the Company received gross proceeds of at least $3.825 million. In that case, the conversion price would be reduced, resulting in the Series B Preferred Stock converting into shares of our Common Stock on a one-for-one and two-thirds basis (subject to adjustment in accordance with the ratio of the Company s August 2007 reverse stock split). In BravoSolution s previous proposals, the closing of the proposed transaction was structured such that it would occur prior to December 31, 2007, and obviate this adjustment to the conversation price.

Following the discussions between the Company s executive officers, representatives from Morgan Lewis and Greenberg, and the representative from Delzanno, BravoSolution revised its proposal such that it would agree to pay the holders of Series B Preferred Stock that are not members of our Board of Directors $0.38750 per share of Series B Preferred Stock, in connection with their agreeing to the terms of a voting agreement. This amount represents $3.10 per share of Common Stock issuable upon conversion of the Series B Preferred Stock, assuming the conversion of the Series B Preferred Stock prior to December 31, 2007.

The holders of shares of Series B Preferred Stock that are members of our Board of Directors would receive $0.26875 per share of Series B Preferred Stock, in accordance with the terms of the Company s Statement of Designation of Designation with Respect to the Shares of Series B Preferred Stock. Because the Company entered into the Merger Agreement within six months from the closing date of the sale of the Series B Preferred Stock, in connection with the Merger these holders were only entitled to receive this amount, which represents the product of $0.25 (the purchase price paid with respect to each share), times 1.075.

Under the proposed structure of the voting agreement, certain holders of Series B Preferred Stock would agree to vote in favor of the proposed transaction and waive certain rights including the adjustment to the conversion price and participation rights in connection with the Company s proposed bridge financing transaction with BravoSolution.

During the week of October 7, 2007, Mr. Lentz discussed the terms and conditions of the proposed structure of the transaction with the lead outside holder of Series B Preferred Stock. Following these discussions, certain holders of Series B Preferred Stock agreed in principal to terms of the proposed transaction, subject to agreement on the formal documentation.

On October 10, 2007, the Company agreed to extend the exclusivity period with BravoSolution through October 23, 2007.

On October 16, 2007, Greenberg distributed a revised draft of the merger agreement to Morgan Lewis and the Company. The revised merger agreement reflected the changes resulting from the proposed agreement with the holders of Series B Preferred Stock and the Series C Preferred Stock financing transaction.

On October 16, 2007, the Company distributed the initial draft of the disclosure schedules to the merger agreement to Greenberg.

On October 17, 2007, Morgan Lewis distributed the initial drafts of the Series C Preferred Stock financing agreements to Greenberg.

On October 18, 2007, Greenberg distributed the initial draft of the proposed voting agreement pursuant to which certain holders of Series B Preferred Stock, including certain members of our Board of Directors, would agree to waive certain rights and vote their shares in favor of the adoption of the merger agreement and the approval of the merger.

During the week of October 19, 2007, numerous discussions were held between Morgan Lewis, the Company s executive officers, Greenberg and the representative from Delzanno related to the merger agreement, the disclosure schedules, the voting agreement and the Series C Preferred Stock financing agreements. With respect to the merger agreement, these discussions included the scope of representations, warranties and covenants contained in the merger agreement, the conditions under which BravoSolution would be obligated to close the merger, our Board of Directors ability to consider alternative transactions and the amount of the termination fee that we would be obligated to pay to BravoSolution in the event that it were to accept an alternative transaction. Drafts of these documents were distributed among the parties.

During the course of these discussions, representatives of Morgan Lewis proposed that any definitive merger agreement should permit the board of directors to continue to actively solicit and consider competing offers for a period of time after the merger agreement was executed (a so-called go shop provision). In light of the recent volatility of the trading price of our Common Stock, the Company and our Board of Directors insisted on the inclusion of the go shop provision in the definitive merger agreement in order to further explore acquisition transactions following the signing of the definitive merger agreement. The parties agreed the Company would be permitted to solicit alternative acquisition proposals from third parties through November 19, 2007. After this period, the Company would not be permitted to solicit other proposals and may not share information or have discussions regarding alternative proposals, except in certain circumstances. The parties agreed that the Company would be permitted to terminate the merger agreement under certain circumstances, including if our Board of Directors determined in good faith that it has received a superior proposal to that of BravoSolution.

On October 19, 2007, a telephonic meeting of our Board of Directors was held at which representatives from Morgan Lewis were present. At this meeting, Mr. Lentz advised our Board of Directors on the status of discussions with BravoSolution. During the meeting a representative from Morgan Lewis reviewed the directors fiduciary duties in the context of the potential transaction. Our Board of Directors discussed the overall rationale for the proposed transaction, including the Series C Preferred Stock financing, as well as the history of negotiations with BravoSolution. Our Board of Directors also reviewed the strategic opportunities and alternative transactions considered throughout this process.

During the week of October 25, 2007, numerous discussions were held between Morgan Lewis, the Company s executive officers, Greenberg and the representative from Delzanno related to finalizing the merger agreement, the disclosure schedules, the voting agreement and the Series C Preferred Stock financing agreements. Drafts of these documents were distributed between Morgan Lewis and Greenberg.

On October 25, 2007, a telephonic meeting of our Board of Directors was held at which representatives from Morgan Lewis were present. At this meeting, Mr. Lentz advised our Board of Directors on the status of discussions with BravoSolution. Our Board of Directors engaged in discussions concerning the potential benefits of the proposed merger transaction with BravoSolution to the Company. After these discussions, our Board of Directors voted

unanimously to approve the merger agreement and the transactions contemplated by the merger agreement. That evening, we executed the merger agreement and the Series C Preferred Stock financing agreements.

On October 26, 2007, the Company and BravoSolution issued press releases announcing the execution of the merger agreement and the terms of the proposed acquisition of the Company by BravoSolution.

Table of Contents

Reasons for the Merger; Recommendation of Our Board of Directors

Our Board of Directors believes that the Merger Agreement, the related Plan of Merger and the Merger are fair to, in the best interest of, the Company. In reaching this conclusion, the Board of Directors consulted with the Company s management and legal advisors, and considered the short-term and long-term interests and prospects of the Company and its shareholders, employees, creditors, customers and other constituencies relevant under the PBCL. In reaching its determinations, the Board of Directors considered the following material factors and the potential benefits of the Merger, each of which it believed supported its decision (which are not listed in any relative order of importance):

Parent was the bidder who submitted the highest offer per share for all classes of Company capital stock;

the fact that the per share price of Parent s offer, as $2.56 per share of our Common Stock, represents a premium of 28% over the $2.00 conversion price for the Series B Preferred Stock financing which was completed on June 1, 2007;

the Board of Directors understanding of and familiarity with, the business, operations, management, financial condition, earnings and prospects of the Company, as well as the risks involved in achieving those prospects;

the Company s shareholders consideration in the Merger will consist entirely of cash, which will provide liquidity and certainty of value to the Company s shareholders;

the fact that the Company faces significant short-term liquidity challenges and Parent s offer provides for bridge financing that will enhance Company s ability to meet short-term obligations to customers, employees, creditors and other constituencies as they are coming due;

the fact that continued listing on The Nasdaq Capital Market requires us to meet certain qualitative standards, including maintaining a certain number of independent Board members and independent audit committee members, and certain quantitative standards, including that we maintain at least $2.5 million in shareholders equity and that the closing price of our common stock not be less than $1.00 per share for 30 consecutive trading days, and we have been unable to demonstrate compliance with some of these requirements in the past and have been subject to delisting proceedings by Nasdaq;

the fact that the Company had engaged in extensive efforts to sell the Company on acceptable terms to other potential strategic and financial buyers in order to address its long term solvency challenges;

the fact that the Company has engaged in a competitive process in an effort to increase the consideration to be received by shareholders in the Merger;

the fact that Parent s offer is not qualified by any financing contingency, which reduces the risk that the Merger may not close;

the fact that the employees of Parent have significant experience within the Company s industry and can contribute significant resources and critical relationships in enhancing the strategic direction of the Company;

the fact that Parent s offer provides for payment in full of the Company s existing senior subordinated discounted promissory note;

the fact that Parent s offer provides for full payment of all trade debt, other indebtedness and contingent liabilities;

the fact that Parent s offer provides for full performance of all obligations under customer contracts;

the fact that the Merger is subject to approval of our shareholders which will result in detailed public disclosure;

Table of Contents

the terms and conditions of the Merger Agreement including:

the ability of our Board of Directors to actively solicit alternative proposals through November 19, 2007 and to terminate the Merger Agreement in order to accept a financially superior proposal solicited during such period, subject to the payment of a termination fee (5.99% of the sum of the Company s enterprise value and Parent s transaction expenses);

the ability of our Board of Directors, even after November 19, 2007, to terminate the Merger agreement in order to accept an unsolicited financially superior proposal, subject to the payment of the termination fee; and

the provisions of the Merger Agreement that allow our Board of Directors, under certain limited circumstances, to change its recommendation that the Company s shareholders vote in favor of the adoption of the Merger Agreement.

The Board of Directors also considered and balanced against the potential benefits of the Merger a variety of risks and other potentially negative factors concerning the Merger. These factors included the following which are not listed in any relative order of performance:

the fact that Parent s offer per share of Common Stock was below $5.61, which was the market price of our shares of Common Stock on October 25, 2007, the last trading day before we announced the Merger;

the fact that Parent s offer per share of Series B Preferred Stock entitles holders of such shares to effectively less consideration per share than they would have received if the Merger was consummated after December 31, 2007;

the fact that our Board of Directors did not receive a fairness opinion from a financial advisor;

the fact that, following the Merger, the Company s shareholders will cease to participate in any future earnings growth of the Company or benefit from any future increase in its value;

certain of the Company s directors and officers may have conflicts of interest in connection with the Merger, as they may receive certain benefits that are different from, and in addition, to those of our other shareholders, including under the employment agreement and release signed by Nathanael V. Lentz;

the merger consideration consists of cash and will therefore be taxable to our shareholders for U.S. federal income tax purposes;

the conditions to the closing of the Merger;

the restrictions on the conduct of the Company s business prior to the completion of the Merger requiring the Company to conduct its business only in the ordinary course, subject to specific limitations or Parent s consent, which could delay or prevent the Company from undertaking business opportunities that may arise pending the completion of the Merger;

the possible disruption to the Company s business that might result from the announcement of the Merger and the resulting distraction of the attention of the Company s management and employees; and

the possible disruption to our business, and the likely negative impact on the price of our Common Stock, if the Merger is not consummated.

In addition, our Board of Directors was aware of and considered the interests that certain of the Company s Directors and Executive officers may have with respect to the Merger that differ from, or are in addition to, their interests as shareholders of the Company (see Interests of the Company s Directors and Executive Officers in the Merger beginning on page[ ]).

Our Board of Directors considered all of the factors listed above as a whole and decided that in their totality such factors support the decision to approve, adopt and authorize the Merger Agreement, the related Plan of Merger, the Merger and the other transactions contemplated therein and to recommend that the shareholders vote FOR the adoption of the Merger Agreement, the related Plan of Merger and the approval of the Merger. The discussion of the information and factors considered by our Board of Directors is not intended to be exhaustive and may not include

Table of Contents

all of the factors considered by our Board of Directors. Our Board of Directors did not quantify, rank or otherwise assign relative or specific values to any of the above factors or the other factors it considered. In addition, our Board of Directors did not reach any specific conclusion on each factor considered, but conducted an overall assessment of these factors. Individual members of our Board of Directors may have given different weight to different factors.

Our Board of Directors recommends that you vote FOR the adoption of the Merger Agreement and, the related Plan of Merger, and the approval of the Merger.

Purposes, Reasons and Plans for Verticalnet after the Merger

Parent has advised Verticalnet that, following the consummation of the Merger, it intends that Verticalnet will continue its current operations, except that Verticalnet will cease to be an independent public company and will instead be a subsidiary of Parent and its common stock will cease to be publicly traded. Following the consummation of the Merger, the registration of Verticalnet s common stock and Verticalnet s reporting obligation under the Exchange Act with respect to our common stock will be terminated upon application to the SEC. In addition, upon consummation of the Merger, Verticalnet common stock will no longer be listed on any exchange or quotation system, including NASDAQ, and price quotations will no longer be available. Verticalnet will not be subject to the obligations and constraints, and the related direct and indirect costs, associated with having publicly traded equity securities.

Certain Effects of the Merger

Conversion of Outstanding Verticalnet Common Stock and Series B Preferred Stock and Cancellation of Series C Preferred Stock, Stock Options, Warrants and Restricted Stock Units

If the Merger Agreement is approved by our shareholders and the other conditions to the completion of the Merger are either satisfied or waived, Merger Sub will be merged with and into the Company, with the Company continuing as the surviving corporation. Upon the completion of the Merger, each issued and outstanding share of Common Stock, other than shares held by the Company, Parent, Merger Sub or their subsidiaries, will be converted into the right to receive $2.56 in cash. In addition, each issued and outstanding share of Series B Preferred Stock will be converted into the right to receive either $0.38750 or $0.26875 in cash. Under the terms of the Company s Statement of Designation with Respect to the Shares of Series B Preferred Stock, filed by the Company with the Secretary of State of the Commonwealth of Pennsylvania on May 31, 2007, and disclosed in the Company s Current Report on Form 8-K filed with the SEC on June 6, 2007, because the Company entered into the Merger Agreement within six months from the closing date of the sale of the Series B Preferred Stock, in connection with the Merger the holders of shares of Series B Preferred Stock that are members of our Board of Directors and management are entitled to receive an amount per share of Series B Preferred Stock equal to $0.26875. In accordance with the Statement of Designation with Respect to the Shares of Series B Preferred Stock, this amount represents the product of $0.25 (the purchase price paid with respect to each share), times 1.075. Our shareholders will be required to surrender their shares upon the completion of the Merger in exchange for such cash payments. After completion of the Merger, shareholders will not have the opportunity to liquidate their shares at a time and for a price of their own choosing. If all eligible shares are converted, the total merger consideration (excluding consideration to be paid to option holders) expected to be paid is approximately $4.5 million.

Each option, warrant or restricted stock unit to purchase our Common Stock outstanding immediately prior to the effective time of the Merger will be cancelled, and each holder of such option, warrant or restricted stock unit will be entitled to receive, in full settlement of such security, a cash payment equal to the product of (a) the number of shares subject to such option, warrant or restricted stock unit, and (b) the excess of, if any, (a) $2.56 per share over (b) the exercise price of such option, without interest. The exercise price of all outstanding options to purchase shares of our Common Stock exceeds $2.56 per share. Thus, there will be no payments made by the Company with respect to such securities. The total amount expected to be paid in respect of warrants and restricted stock is approximately $14,300.

Effect on Listing; Registration and Status of Verticalnet Common Stock

Our Common Stock is registered as a class of equity securities under the Securities Exchange Act of 1934, as amended (the Exchange Act) and is traded on The Nasdaq Capital Market under the symbol VERT. As a result of the Merger, Verticalnet will be a privately-held company, with no public market for its Common Stock. After the Merger,

our Common Stock will cease to be traded on The Nasdaq Stock Market (NASDAQ), and price quotations with respect to sales of shares of our Common Stock in the public market will no longer be available. In addition, registration of our Common Stock under the Exchange Act will be terminated. This termination and the

delisting of Verticalnet s Common Stock from NASDAQ will make certain provisions of the Exchange Act inapplicable to Verticalnet as a stand-alone company, such as:

- the requirement to furnish a proxy or an information statement in connection with a shareholders meeting;
- the short-swing profit recovery provisions of Section 16(b); and
- the liability provisions of the Exchange Act and the corporate governance requirements under NASDAQ rules and regulations and the certification and reporting provisions under the Sarbanes-Oxley Act of 2002 (such as the requirement that certain executive officers of Verticalnet certify the accuracy of Verticalnet s financial statements and that annual reports contain management s report on the effectiveness of the company s internal control over financial reporting).

In addition, Verticalnet will no longer be required to file periodic reports with the SEC after the effective time of the Merger.

Interests of Verticalnet s Directors and Executive Officers in the Merger

In considering the recommendation of our Board of Directors, you should be aware that some of Verticalnet s directors and executive officers may be deemed to have interests in the Merger that are different from, or in addition to, the interests of Verticalnet s shareholders generally. These interests may present them with actual or potential conflicts of interest, and these interests, to the extent material, are described below. Our Board of Directors was aware of these interests and considered that such interests may be different from or in addition to the interests of our shareholders generally, among other matters, in approving the Merger Agreement and the related Plan of Merger and the transactions contemplated thereby and in determining to recommend that our shareholders vote for adoption of the Merger Agreement and the related Plan of Merger and the approval of the Merger. You should consider these and other interests of our directors and officers that are described in the proxy statement.

Series B Preferred Stock

Pursuant to the Merger Agreement and the related Plan of Merger, at the effective time of the Merger, outstanding shares of the Company s Series B Preferred Stock will be converted into the right to receive either $0.38750 or $0.26875 per share in cash, without interest less any required withholding tax. Certain shares of Series B Preferred Stock are beneficially owned by members of our Board of Directors Mr. Lentz, Michael J. Hagan and Mark L. Walsh. Under the terms of the Company s Statement of Designation with Respect to the Shares of Series B Preferred Stock, as disclosed in the Company s Current Report of Form 8-K filed with the SEC on June 6, 2007, because the Company entered into the Merger Agreement within six months from the closing date of the sale of the Series B Preferred Stock, in connection with the Merger these holders are entitled to receive an amount per share of Series B Preferred Stock equal to $0.26875. In accordance with the Statement of Designation with Respect to the Shares of Series B Preferred Stock, this amount represents the product of $0.25 (the purchase price paid with respect to each share), times 1.075.

The table below sets forth the amount that will be payable to Mr. Lentz, Mr. Hagan and Mr. Walsh following the effective time of the Merger with respect to shares of Series B Preferred Stock beneficially owned by the individual as of November 19, 2007.

	Cash-Out Value of Series B

Name	Preferred Stock
Directors	
Nathanael V. Lentz	$ 53,750
Michael J. Hagan	268,750
Mark L. Walsh(1)	53,750

(1) Represents 200,000 shares of Series B Preferred Stock owned by Ruxton Ventures, LLC. Mr. Walsh is the Managing Partner of Ruxton Associates, LLC, which is the Managing Member of Ruxton Ventures, LLC.

Table of Contents

Cash-Out of Stock Options

As of the record date, there were approximately [ ] shares of our Common Stock subject to stock options granted under our equity compensation plans to current directors and executive officers. The Merger Agreement provides for the cancellation of options to purchase shares of our Common Stock (other than certain specified securities), to the extent outstanding and unexercised immediately prior to the effective time of the Merger. Holders of such securities will receive from the Company an amount (without interest and less any required tax withholding), if any, in cash equal to the number of shares of our common stock subject to the option multiplied by the excess, if any, of $2.56 per share over the exercise price per share of our common stock underlying such security.

The exercise price of all outstanding options to purchase shares of our Common Stock, including those held by our directors and executive officers, exceeds $2.56 per share. Thus, there will be no payments made by the Company with respect to such securities.

Cash-Out of Restricted Stock Units

As of the record date, there were approximately [ ] shares of our Common Stock represented by restricted stock units granted under our equity compensation plans held by our directors and executive officers. The Merger Agreement also provides for the cancellation of restricted stock units to purchase shares of our common stock, to the extent outstanding and unexercised immediately prior to the effective time of the Merger. Holders of such securities will receive from the Company an amount (without interest and less any required tax withholding), if any, in cash equal to the number of shares of our common stock subject to the restricted stock unit multiplied by $2.56.

The table below sets forth the amount that will be payable to each of our directors and executive officers (before any applicable withholdings) following the effective time of the Merger with respect to restricted stock units held by the individual as of November 19, 2007.

Name		**Aggregate Cash-Out Value of Restricted Stock Units**
Directors		
Gregory G. Schott	$	504
Nathanael V. Lentz	$	6,876
Michael J. Hagan		0
Vincent J. Milano		0
John N. Nickolas		0
Mark L. Walsh		0
Darryl E. Wash	$	504
Executive Officers		
Christopher G. Kuhn	$	738
Jonathan T. Cohen		0

Lentz Employment Agreement

In connection with the signing of the Merger Agreement, Parent required that the Company enter into an Employment Agreement (the New Lentz Employment Agreement) and Release (the Release) with Nathanael V. Lentz, Verticalnet s President and Chief Executive Officer. Mr. Lentz s continued employment with the Company pursuant to the terms of the New Lentz Employment Agreement, as well as Mr. Lentz s release of the Company from any and all claims, liabilities, demands or causes of action arising out of, or relating in any way to Mr. Lentz s employment with the Company prior to the effective time of the Merger pursuant to the terms of the Release, were conditions precedent to Parent signing the Merger Agreement. The Company and Mr. Lentz entered into the Employment Agreement and Release, each dated as of October 25, 2007, which will become effective upon the closing of the Merger.

The New Lentz Employment Agreement provides for a base salary of $250,000 and has a term of two years, with automatic renewal for one year renewal terms unless either party gives at least one year advance notice of non-renewal. The Company may terminate the New Lentz Employment Agreement without cause with three month advance notice of termination. If Mr. Lentz is terminated without cause within one year from the effective time of the Merger, he will receive, in exchange for a mutual general release, continued medical benefits and the value of accrued vacation and bonus; however, Mr. Lentz is not entitled to receive any other severance payment. If Mr. Lentz is terminated without cause after one year from the effective time of the Merger, or if Mr. Lentz terminates his employment for good reason after one year from the effective time of the Merger, he will receive, in exchange for a mutual general release, a lump sum cash payment in an amount equal to one year of salary, and he will also receive continued medical benefits and the value of accrued vacation and bonus. The New Lentz Employment Agreement defines good reason as failure by the Company to cure any of the following events within 30 days after written notice that such an event has occurred: (1) Mr. Lentz being transferred more than 50 miles without consent (unless such transfer is not more than 250 miles and the Company pays reasonable moving expenses); (2) a material reduction of authority, duties, responsibilities or reporting relationship; or (3) any failure of the Company materially to comply with and satisfy the terms of the employment agreement. Mr. Lentz s employment agreement provides for a cap to Mr. Lentz s compensation if it produces a greater net benefit than an uncapped award would after accounting for the increased tax obligation resulting from being an excess parachute payment under sections 280G and 4999 of the Internal Revenue Code.

The New Lentz Employment Agreement amends and restates the existing employment agreement, dated as of October 1, 2001, between Mr. Lentz and the Company, as amended (the Old Lentz Employment Agreement). Under the Old Lentz Employment Agreement, Mr. Lentz is entitled to base salary of $380,000, a portion of which has been deferred, as well as expanded severance benefits upon the occurrence of a change of control of the Company. The New Lentz Employment Agreement reduces the severance benefits that Mr. Lentz would have been entitled to receive under the Old Lentz Employment Agreement. Mr. Lentz will receive, at the effective time of the Merger, a lump sum cash payment in the amount of $760,000 (without interest and less any required tax withholding). This amount represents the severance payment Mr. Lentz would have otherwise been entitled to receive under the Old Lentz Employment Agreement in connection with the Merger, assuming that the Merger occurred on December 31, 2007.

Pursuant to the Release, Mr. Lentz will release the Company from any and all claims, liabilities, demands or causes of action arising out of, or relating in any way to Mr. Lentz s employment with the Company prior to the effective time of the Merger.

The foregoing description of the New Lentz Employment Agreement and the Release is qualified in its entirety by reference to the full text of the New Lentz Employment Agreement and the Release, which are attached as Exhibit E and Exhibit F, receptively, to the Merger Agreement, which is attached to this proxy statement as **Appendix A.**

Benefits Under Other Employment Agreements

Consummation of the Merger will constitute a change in control under employment agreements between Verticalnet and Christopher G. Kuhn (Vice President and General Counsel) and Jonathan T. Cohen (Vice President and Chief Accounting Officer).

If within one year from the effective time of the Merger, Mr. Cohen is terminated without cause or chooses to leave for good reason, then he will receive, in exchange for a mutual general release, a lump sum payment equal to his salary for six months and a pro rata portion of any bonus Mr. Cohen would have earned in the year of termination and the Company will pay healthcare coverage for six months. Mr. Cohen s employment agreement provides for a cap to Mr. Cohen s compensation if it produces a greater net benefit than an uncapped award would after accounting for the increased tax obligation resulting from being an excess parachute payment under sections 280G and 4999 of the

Internal Revenue Code. Mr. Cohen s employment agreement defines good reason after a change of control as: (1) Mr. Cohen being transferred more than 50 miles without consent; (2) the Company taking any action resulting in Mr. Cohen not being a Vice President of the Company; (3) a material reduction of authority, duties, or responsibilities after reasonable notice and a chance to cure; (4) any failure of the Company materially to comply with and

satisfy the terms of Mr. Cohen s employment agreement; or (5) non-renewal of Mr. Cohen s employment agreement by the Company.

If within one year from the effective time of the Merger, Mr. Kuhn is terminated without cause or chooses to leave for good reason, then he will receive, in exchange for a mutual general release, a lump sum payment equal to his salary for six months and a pro rata portion of any bonus Mr. Kuhn would have earned in the year of termination and the Company will pay healthcare coverage for six months. Mr. Kuhn s employment agreement provides for a cap to Mr. Kuhn s compensation if it produces a greater net benefit than an uncapped award would after accounting for the increased tax obligation resulting from being an excess parachute payment under sections 280G and 4999 of the Internal Revenue Code. Mr. Kuhn s employment agreement defines good reason after a change of control as: (1) Mr. Kuhn being transferred more than 50 miles without consent; (2) the Company taking any action resulting in Mr. Kuhn not being a Vice President of the Company; (3) a material reduction of authority, duties, or responsibilities after reasonable notice and a chance to cure; (4) any failure of the Company materially to comply with and satisfy the terms of Mr. Kuhn s employment agreement; or (5) non-renewal of Mr. Kuhn s employment agreement by the Company.

The following table provides information regarding approximate cash amounts payable, or the approximate value of benefits to be provided, as a result of the Merger to Messrs. Lentz, Cohen and Kuhn in respect of: (i) lump-sum payments, other than accrued and unpaid salary, that will be provided to Messrs. Cohen and Kuhn under their employment agreements if a qualifying termination of employment occurs; and (ii) healthcare benefits that will be provided to Messrs. Lentz, Cohen and Kuhn under their employment agreements. For purposes of this table, it is assumed that the qualifying termination of employment event occurs on December 31, 2007:

Name	**Value of Benefits on Qualifying Termination**	
Nathanael V. Lentz	$	12,000
Christopher G. Kuhn	$	151,200
Jonathan T. Cohen	$	146,000

The foregoing summary of provisions of the employment agreements related to payments to executive officers and directors set forth above is not complete, and is qualified in its entirety by reference to the Merger Agreement, which is attached to this proxy statement as **Annex A**, and to the employment agreements referenced above, which are exhibits to Verticalnet s reports filed under the Exchange Act and incorporated herein by reference. See Where Shareholders Can Find Additional Information beginning on page [ ] of this proxy statement.

Potential Future Employment

While Parent has requested, and been granted, the opportunity to begin discussions with the other executive officers regarding future employment following the effective time of the Merger, and expects to begin these discussions shortly, as of the date of this proxy statement, none of the other executive officers have entered into any agreement or understanding with Parent regarding employment after the effective time of the Merger.

Indemnification of Executive Officers and Directors

The Merger Agreement contains provisions relating to the indemnification of and insurance for Verticalnet s directors and officers. Under the Merger Agreement, Parent has agreed that after the effective time of the Merger, it will cause Verticalnet to indemnify and hold harmless Verticalnet s present and former officers for acts or omissions occurring at

or prior to the effective time of the Merger to the fullest extent provided under applicable law or provided under Verticalnet s articles of incorporation and bylaws (in each case, as in effect as of the date of the Merger Agreement), subject to any limitation imposed under applicable law.

Officers and Directors Insurance

Under the Merger Agreement, Parent as agreed to provide, or will cause the surviving corporation to provide, for a period of six (6) years following the effective time of the Merger, a commercially available run-off or tail policy with limits of $5 million, plus an additional $10 million in Side A coverage with zero retention to cover each

Table of Contents

party covered by the Company s current officers and directors liability insurance policy on terms with respect to such coverage and amount no less favorable than those of the policy in effect on the date of the Merger Agreement, provided however, that Parent will not be obligated to pay an aggregate premium in excess of 200% of the amount per annum that the Company paid in its last full fiscal year.

The foregoing summary of the indemnification of directors and executive officers and directors and executive officers insurance is not complete and is qualified in its entirety by reference to the Merger Agreement, which is attached to this proxy statement as **Annex A.**

Material U.S. Federal Income Tax Consequences of the Merger to Our Shareholders

The following is a summary of the material U.S. federal income tax consequences of the Merger to certain holders of our capital stock. This summary is based on the Internal Revenue Code of 1986, as amended, referred to as the Code in this proxy statement, regulations promulgated under the Code, administrative rulings and pronouncements issued by the Internal Revenue Service and court decisions now in effect. All of these authorities are subject to change, possibly with retroactive effect so as to result in tax consequences different from those described below. We have not sought any ruling from the IRS with respect to statements made and conclusions reached in this discussion, and the statements and conclusions in this proxy are not binding on the IRS or any court. We can provide no assurances that the tax consequences described below will not be challenged by the IRS or will be sustained by a court if so challenged.

This summary does not address all of the U.S. federal income tax consequences that may be applicable to a particular holder of our capital stock. In addition, this summary does not address the U.S. federal income tax consequences of the Merger to holders of our capital stock who are subject to special treatment under U.S. federal income tax laws, including, for example, banks and other financial institutions, insurance companies, tax-exempt investors, S corporations, U.S. expatriates, dealers in securities, traders in securities who elect the mark-to-market method of accounting for their securities, regulated investment companies, mutual funds, controlled foreign corporations, holders who hold their capital stock as part of a hedge, straddle or conversion transaction, holders whose functional currency is not the U.S. dollar, holders who own 5% or more of all our capital stock, holders who acquired our capital stock through the exercise of employee stock options or other compensatory arrangements, holders who are subject to the alternative minimum tax provisions of the Code and holders who do not hold their shares of our capital stock as capital assets within the meaning of Section 1221 of the Code.

This discussion does not address the U.S. federal income tax consequences to any holder of our capital stock who or which, for U.S. federal income tax purposes, is a nonresident alien individual, a foreign corporation, a foreign partnership or a foreign estate or trust. In addition, this discussion does not address U.S. Federal estate or gift tax consequences of the Merger, or the tax consequences of the Merger under state, local, or foreign tax laws.

If a partnership or other passthrough entity (including any entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of our capital stock, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A beneficial owner that is a partnership and partners in such a partnership should consult their tax advisors about the U.S. federal income tax consequences of the Merger.

This summary is provided for general information purposes only and is not intended as a substitute for individual tax advice. Each holder of capital stock should consult the holder s individual tax advisors as to the particular tax consequences of the Merger to such holder, including the application and effect of any state, local, foreign or other tax laws and the possible effect of changes to such laws.

Exchange of Capital Stock for Cash. Generally, the Merger will be taxable to the holders of our capital stock for U.S. federal income tax purposes. A holder of our capital stock receiving cash in the Merger generally will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount of cash received and the holder s adjusted tax basis in our capital stock surrendered. Any such gain or loss generally will be capital gain or loss if our capital stock is held as a capital asset at the effective time of the Merger. Any capital gain or loss will be taxed as long-term capital gain or loss if the holder has held our capital stock for more than one year prior to the effective time of the Merger. If the holder has held our capital stock for one year or less prior to the

effective time of the Merger, any capital gain or loss will be taxed as short-term capital gain or loss. Currently, most long-term capital gains for non-corporate taxpayers are taxed at a maximum federal tax rate of 15%. The deductibility of capital losses is subject to certain limitations. If a holder acquired different blocks capital stock at different times and different prices, such holder must determine the adjusted tax basis and holding period separately with respect to each such block of capital stock.

Information Reporting and Backup Withholding. Generally, holders of capital stock will be subject to information reporting on the cash received in the Merger unless such a holder is a corporation or other exempt recipient. In addition, under the U.S. federal backup withholding tax rules, the exchange agent will be required to withhold 28% of all cash payments to which a holder of capital stock is entitled in connection with the Merger unless such holder provides under penalties of perjury on a Form W-9 (or appropriate substitute form) a tax identification number, certifies that such holder is a U.S. person and that tax identification number is correct and that no backup withholding is otherwise required, and otherwise complies with such backup withholding rules. Each holder of capital stock should complete and sign the Form W-9 (or appropriate substitute form) included as part of the letter of transmittal and return it to the paying agent, in order to certify that the holder is exempt from backup withholding or to provide the necessary information to avoid backup withholding. Backup withholding is not an additional tax. Any amount withheld from a payment to a holder of capital stock under these rules will be allowed as a credit against such holder s U.S. federal income tax liability and may entitle such holder to a refund, provided that the required information is furnished timely to the IRS.

HOLDERS OF VERTICALNET CAPITAL STOCK ARE STRONGLY URGED TO CONSULT THEIR TAX ADVISORS AS TO THE SPECIFIC TAX CONSEQUENCES TO THEM OF THE MERGER, INCLUDING THE APPLICABILITY AND EFFECT OF UNITED STATES FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX LAWS IN THEIR PARTICULAR CIRCUMSTANCES.

Regulatory and Other Governmental Approvals

We are unaware of any material federal, state or foreign regulatory requirements or approvals required for the execution of the Merger Agreement or completion of the Merger.

TERMS OF THE MERGER AGREEMENT

The following is a summary of the material provisions of the Merger Agreement and is qualified in its entirety by reference to the complete text of the Merger Agreement which is attached as ***Annex A*** *to this proxy statement. We urge you to read the Merger Agreement carefully and in its entirety because it, and not this proxy statement, is the legal document that governs the Merger.*

General; The Merger

At the effective time of the Merger, upon the terms and subject to the satisfaction or waiver of the conditions of the Merger Agreement and in accordance with the PBCL, Merger Sub will merge with and into Verticalnet and the separate corporate existence of Merger Sub will end. Verticalnet will be the surviving corporation in the Merger and will continue to be a Pennsylvania corporation after the Merger and a wholly-owned subsidiary of Parent. All of the Company s and Merger Sub s properties, assets, rights, privileges, immunities, powers and franchises, and all of their debts, liabilities and duties, will become those of the surviving corporation. Following completion of the Merger, the Company s common stock will be delisted from NASDAQ, deregistered under the Exchange Act, and no longer be publicly traded. The Company will be a privately held corporation and the Company s current shareholders will cease to have any ownership interest in the Company or rights as Company shareholders. Therefore, such current shareholders of the Company will not participate in any future earnings or growth of the Company and will not benefit

from any appreciation in value of the Company. The articles of incorporation and bylaws of Merger Sub will be the articles of incorporation and bylaws of the surviving corporation.

The directors of Merger Sub at the effective time of the Merger will, from and after the effective time of the Merger, be the initial directors of Verticalnet, as the surviving corporation. Our officers at the effective time of the Merger will, from and after the effective time of the Merger, be the initial officers of Verticalnet, as the surviving corporation. Our

current officers are Nathanael V. Lentz, President and Chief Executive Officer, Jonathan T. Cohen, Vice President and Chief Accounting Officer and Christopher G. Kuhn, Vice President, General Counsel and Secretary.

When the Merger Becomes Effective

Verticalnet and Merger Sub will file articles of merger with the Department of State of the Commonwealth of Pennsylvania on the seventh (7th) business day after the satisfaction or waiver of the conditions to the Merger Agreement, unless the parties agree to another date.

The Merger will become effective at the time the articles of merger are duly filed with the Department of State of the Commonwealth of Pennsylvania or at such other later date and time as Verticalnet and Parent agree and specify in the articles of merger.

If our shareholders approve the Merger Agreement, the Company and Parent intend to complete the Merger as soon as practicable thereafter. The merger is expected to be completed during its first fiscal quarter of 2008. Because the Merger is subject to certain conditions, the exact timing of the Merger cannot be determined.

Merger Consideration

Each share of Common Stock, other than those shares held by the Company as treasury stock, Parent or Merger Sub, will be cancelled and converted automatically into the right to receive $2.56 in cash, without interest less any required withholding tax.

Each share of our Series B Preferred Stock, par value $0.01 per share (the Series B Preferred Stock) will be cancelled and converted automatically into the right to receive $0.38750 or $0.26875 in cash, without interest less any required withholding tax. Under the terms of the Company s Statement of Designation with Respect to the Shares of Series B Preferred Stock, filed by the Company with the Secretary of State of the Commonwealth of Pennsylvania on May 31, 2007, and disclosed in the Company s Current Report on Form 8-K filed with the SEC on June 6, 2007, because the Company entered into the Merger Agreement within six months from the closing date of the sale of the Series B Preferred Stock, in connection with the Merger the holders of shares of Series B Preferred Stock that are members of our Board of Directors and management are entitled to receive an amount per share of Series B Preferred Stock equal to $0.26875. In accordance with the Statement of Designation with Respect to the Shares of Series B Preferred Stock, this amount represents the product of $0.25 (the purchase price paid with respect to each share), times 1.075.

Each share of our Series C Preferred Stock, par value $0.01 per share (the Series C Preferred Stock) is held by Merger Sub and will be cancelled and no payment will be made with respect to the Series C Preferred Stock.

Treatment of Our Stock Options, Warrants and Restricted Stock Units

Upon completion of the Merger, each outstanding and unexercised stock option, warrant and restricted stock unit (whether vested or unvested) will be cancelled by the Company, and each holder of such option, warrant or restricted stock unit will be entitled to receive, in full settlement of such security, a cash payment (without interest and less any required withholding taxes) equal to the product of:

the excess, if any, of (a) $2.56 per share over (b) the exercise or conversion price of such option per share of our Common Stock underlying such security, without interest; and

the number of shares subject to such security.

Subject to any applicable withholding taxes, the payment for options, warrants and restricted stock units will be made, without interest, through our payroll systems or otherwise by the Company. Certain options and warrants will not be automatically cancelled upon completion of the Merger, as such securities cannot be cancelled by the Company without the consent of the holder.

Table of Contents

Representations and Warranties

The Merger Agreement contains representations and warranties of the Company, Merger Sub and Parent, negotiated between the parties and made as of specific dates solely for purposes of the Merger Agreement, including setting forth the respective rights of the parties with respect to their obligation to complete the Merger. The representations and warranties are qualified by information in confidential disclosure schedules provided by the Company to Parent and Merger Sub in connection with the signing of the Merger Agreement, and may be subject to important limitations and qualifications as set forth in the Merger Agreement, including a contractual standard of materiality different from that generally applicable under federal securities laws. The confidential disclosure schedules contain information that modifies, qualifies and creates exceptions to the representations and warranties set forth in the Merger Agreement. Moreover, certain representations and warranties in the Merger Agreement were used for the purpose of allocating risk between the Company on one hand and Parent and Merger Sub on the other hand, rather than establishing matters as facts. Accordingly, you should not rely on the representations and warranties in the Merger Agreement as characterizations of the actual state of facts about the Company, Parent or Merger Sub.

The Merger Agreement contains a number of representations and warranties made by the Company, Parent and Merger Sub that relate to, among other things:

- corporate existence, good standing and qualification to conduct business;
- due authorization, execution, delivery and validity of the Merger Agreement;
- the required consents and approvals of government entities in connection with the transactions contemplated by the Merger Agreement;
- absence of any conflict with organizational documents or any violation of agreements, laws or regulations as a result of the consummation of the Merger; and
- the absence of undisclosed finders fees and fees payable to financial advisors and consultants in connection with the Merger.

The Company s representations and warranties relate to, among other things:

- our capitalization, including, in particular, the number of shares of our Common Stock, Preferred Stock, warrants, stock options and other equity-based interests;
- our organizational documents and those of our subsidiaries;
- our subsidiaries, including their corporate existence, good standing and qualification to conduct business and the absence of any conflict with their organizational documents or any violation of their agreements, laws or regulations as a result of the consummation of the Merger;
- compliance with applicable laws, and possession of required consents, permits and licenses by us and our subsidiaries;
- our filings with the SEC, the absence of material misstatements or omissions from such filings and the accuracy of information, including financial information, contained in these documents, and our compliance with the Sarbanes-Oxley Act of 2002 and other matters related to our internal and disclosure controls;

the absence of material changes and events concerning us and our subsidiaries since June 30, 2007;

the absence of undisclosed materials liabilities;

matters relating to our assets and those of our subsidiaries;

pending or threatened material litigation or investigations against us and our subsidiaries;

matters relating to our and our subsidiaries intellectual property;

matters relating to our and our subsidiaries operating and applications computer software programs and databases;

matters relating our and our subsidiaries owned and leased real property and the leases related to our leased real property;

our compliance and our subsidiaries compliance with applicable laws including environmental laws;

our material contracts and those of our subsidiaries and performance obligations thereunder, including matters relating to government contracts;

licenses and permits

completion and accuracy of our tax filings and payment of our taxes;

matters relating to the Employee Retirement Security Act of 1974, as amended, and our employee benefits;

absence of changes in our benefit plans;

labor matters;

the absence of affiliate transactions requiring disclosure;

inapplicability of state anti-takeover statutes to the Merger Agreement and the Merger;

the approval and recommendation by our Board of Directors of the Merger Agreement, the related Plan of Merger, the Merger and the other transactions contemplated by the Merger Agreement;

the required vote of our shareholders in connection with the adoption of the Merger Agreement and the related Plan of Merger;

matters relating to our vendors and customers;

matters relating to our product warranties and inventory recording practices; and

accuracy and compliance with applicable securities law of this proxy statement

our maintenance of insurance.

Parent and Merger Sub also make representations and warranties relating to the accuracy of information provided for this proxy statement and lack of liabilities or obligations of Merger Sub.

Many of our representations and warranties are qualified as to materiality or material adverse effect. For purposes of the Merger Agreement, material adverse effect means, with respect to the Company, any event, circumstance, change, development, condition or effect that is materially adverse to the business, financial condition or results of operations of the Company and its subsidiaries taken as a whole, the ability of the Company to consummate the transactions contemplated by the Merger Agreement or the ability of Parent to operate the business of the Company and our subsidiaries, taken as a whole, immediately after the closing (as a result of matters occurring prior to closing), other than any material adverse effect resulting from:

changes in general economic conditions or changes in securities markets in general, except where such change has a significantly disproportionate adverse impact on the Company and its subsidiaries compared to other companies of similar size operating in the industry in which the Company and its subsidiaries operate;

general changes in the industry in which the Company and its subsidiaries operate, except where such change has a significantly disproportionate adverse impact on the Company and its subsidiaries compared to other companies of similar size operating in the industry in which the Company and its subsidiaries operate;

changes arising directly out of the public announcement of the transactions contemplated by the Merger Agreement; and

any actions taken by the Company at the specific request of the Parent.

You should be aware that these representations and warranties are made by the Company to Parent and Merger Sub, may be subject to important limitations and qualifications agreed to by Parent and Merger Sub, may or may not be accurate as of the date they were made and do not purport to be accurate as of the date of this proxy statement.

The representations and warranties of the parties to the Merger Agreement will expire upon the effective time of the Merger or the termination of the Merger Agreement.

Conduct of Our Business Pending the Merger

We have agreed to restrictions on the operation of the business of the Company and our subsidiaries until either the effective time of the Merger or the termination of the Merger Agreement. In general, we have agreed to conduct business in the ordinary course consistent with past practice and to use commercially reasonable efforts to preserve intact the present business organization and keep available the services of all officers, employees and consultants who are integral to the current operation of the business of the Company and our subsidiaries.

In addition, we have agreed that, among other things and subject to certain exceptions, we are restricted from and must prevent any of our subsidiaries from, without Parent s prior written consent:

amending the Company s or its subsidiaries organizational documents;

issuing, selling, pledging, disposing, encumbering or granting any shares of capital stock or any options, warrants, or any other rights to acquire shares of capital stock;

declaring or paying any dividend with respect to our capital stock, membership interests or partnership interests;

reclassifying, combining, splitting, redeeming or otherwise acquiring any of our capital stock, membership interests or partnership interests, or setting aside or paying any dividend or other distribution in respect of such shares or interests;

acquiring any entity or any assets in connection with acquisitions or investments other than in the ordinary course of business consistent with past practice but which in no event is in excess of $15,000 individually or $30,000 in the aggregate, except where the contract for such acquisition was in effect on the date of the Merger Agreement;

committing to any single capital expenditure that is in excess of $15,000 individually or $50,000 in the aggregate;

selling, leasing, licensing, or otherwise disposing of any part of our material assets, intellectual property or other rights except in the ordinary course of business consistent with past practice;

mortgaging, encumbering or subjecting to a lien any material portion of the Company s properties or assets other than in the ordinary course of business consistent with past practice;

incurring any indebtedness for borrowed money or issue any debt securities or assume, guarantee or endorse the obligations of any third party, or making any loans or advances or granting any securities interests in any of its assets, including its intellectual property;

amending, modifying or terminating any material agreement other than in the ordinary course of business consistent with past practice, or cancelling, modifying or waiving any rights having value in each case in excess of $50,000;

entering into any new employee benefit plan, program or arrangement or any new employment, severance or change of control or consulting agreement, grant any general increase in compensation payable to any officer or employee or amend any such pre-existing arrangements to increase benefits provided thereunder, except where such increases or new commitment is required by a pre-existing contractual commitment disclosed to Parent, law or to avoid imposition of taxes under Section 409A;

paying, lending or advancing any amount to, selling, leasing or transferring properties or assets to, or otherwise entering into arrangements with affiliates other than wholly owned subsidiaries;

failing to keep in full force and effect insurance comparable in amount and scope to coverage maintained as of the date of the Merger Agreement;

making any material changes in any method of accounting, accounting principles or practice, except for any such change required by reason of a concurrent change in generally accepted accounting principles, or write off as uncollectible any accounts receivable except in the ordinary course of business consistent with past practice;

making, changing or rescinding any material tax election, changing an annual accounting period, adopting or changing any accounting method, settling or compromising any material tax liability, filing an amended tax return, entering into any closing agreement or settling any material tax claim or assessment, surrendering any right to claim a refund of a material amount of taxes or consenting to any extension or waiver of the limitation period applicable to any material tax claim against us or our subsidiaries;

settle, release or forgive any material claim or litigation or waive any right thereto;

adopt, approve or agree to adopt any shareholder rights plans,

create any subsidiaries; or

announce any intention to do any of the foregoing.

Parent and Merger Sub are restricted from taking any action that would, individually or in the aggregate, prevent, materially delay or materially impede their ability to consummate the Merger.

Shareholders Meeting

The Merger Agreement requires us, as soon as reasonably practicable, to call, give notice of, convene and hold a meeting of our shareholders to adopt the Merger Agreement. Except to the extent required in order to comply with its fiduciary duties under applicable law, our Board of Directors is required to recommend that our shareholders vote in favor of adoption of the Merger Agreement and the related Plan of Merger and to approve the Merger, and to use its reasonable best efforts to have the Merger Agreement, the Related Plan of Merger and the Merger adopted and approved by our shareholders.

Restrictions on Solicitations of Other Offers

Until 11:59 p.m. Eastern Standard Time on November 19, 2007, or the No-Shop Period Start Date, the Company, our subsidiaries and our representatives may:

initiate, solicit and encourage, whether publicly or otherwise, the submission of any inquiries, proposals or offers or any other efforts or attempts that constitute or may reasonably be expected to lead to an Acquisition Proposal for the Company; and

enter into and maintain or continue discussions or negotiations with respect to Acquisition Proposals for the Company or otherwise facilitate any inquiries, proposals, discussions or negotiations with respect to such Acquisition Proposals.

On the No-Shop Period Start Date we have agreed that we will notify Parent in writing of:

the identity of each person, which we refer to as an excluded party, that has, prior to the No-Shop Period Start Date, submitted an Acquisition Proposal which, in the reasonable judgment of our Board of Directors is credible and is or is reasonably likely to result in a Superior Proposal.

Except as may relate to any excluded party, after the No-Shop Period Start Date we have agreed that we will not, and we will not authorize or permit any of our subsidiaries or representatives to:

&#