

VERTICALNET INC
Form DEF 14A
April 12, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

SCHEDULE 14A

(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the registrant

Filed by a party other than the registrant

Check the appropriate box:

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

VERTICALNET, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which transaction applies:

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

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

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(4) Proposed maximum aggregate value of transaction:

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Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD MAY 19, 2006

To Our Shareholders:

The 2006 annual meeting of shareholders of Verticalnet, Inc. will be held at the office of Morgan, Lewis & Bockius LLP, 1701 Market Street, Philadelphia, PA 19103 on May 19, 2006, beginning at 10:00 a.m. local time. At the meeting, you will be asked to act on the following matters:

- (1) Election of two directors;
- (2) To consider and vote upon an amendment to our Amended and Restated Articles of Incorporation to effect a reverse stock split of our outstanding common stock at an exchange ratio of not less than 1-for-3 and not more than 1-for-7, and authorize our Board of Directors to implement the reverse stock split within this range at any time prior to the 2007 annual meeting of shareholders by filing an amendment to our Amended and Restated Articles of Incorporation;
- (3) To consider and vote upon the approval to issue shares of our common stock pursuant to our \$6.6 million Senior Secured Convertible Promissory Notes in an aggregate amount exceeding 19.99% of our outstanding shares of common stock;
- (4) To consider and vote upon the approval of the Verticalnet, Inc. 2006 Omnibus Equity Compensation Plan;
- (5) To consider and vote upon an amendment to our Amended and Restated Articles of Incorporation to increase the number of authorized shares of our common stock to 150,000,000 shares; and

(6) Any other matters that properly come before the meeting.

All holders of record of shares of Verticalnet's common stock at the close of business on March 1, 2006 are entitled to vote at the meeting or any postponements or adjournments of the meeting.

YOUR VOTE IS IMPORTANT. PLEASE READ THE PROXY STATEMENT AND THE VOTING INSTRUCTIONS ON THE PROXY CARD AND THEN VOTE EITHER BY MAIL BY COMPLETING THE PROXY CARD AND RETURNING IT OR BY TELEPHONE BY FOLLOWING THE VOTING INSTRUCTIONS PRINTED ON THE PROXY CARD SENT TO YOU.

By order of the Board of Directors,

Christopher G. Kuhn

Vice President, General Counsel and Secretary

April 14, 2006

Malvern, Pennsylvania

400 CHESTER FIELD PARKWAY
MALVERN, PENNSYLVANIA 19355

PROXY STATEMENT

This proxy statement contains information related to the annual meeting of shareholders of Verticalnet, Inc. to be held on May 19, 2006 (the Annual Meeting), beginning at 10:00 a.m. local time, at the offices of Morgan, Lewis & Bockius LLP, 1701 Market Street, Philadelphia, PA 19103 and any postponements or adjournments thereof. Verticalnet first mailed these proxy materials to shareholders on or about April 14, 2006.

ABOUT THE ANNUAL MEETING

What is the purpose of the Annual Meeting?

At the Annual Meeting, shareholders will act upon the matters listed in the Notice of Annual Meeting and any other matters that properly come before the meeting. In addition, the management team will report on the performance of Verticalnet during 2005 and respond to questions from shareholders.

Who can vote at the meeting?

All shareholders of record at the close of business on March 1, 2006, or the record date, are entitled to vote at the Annual Meeting and any postponements or adjournments of the meeting.

What are the voting rights of the holders of the common stock?

Holders of our common stock will vote on all matters to be acted upon at the Annual Meeting. Each outstanding share of common stock will be entitled to one vote on each matter to be voted upon at the Annual Meeting.

Who can attend the Annual Meeting?

All shareholders as of the record date, or their duly appointed proxies, may attend the Annual Meeting. Each shareholder may be asked to present valid picture identification, such as a driver's license or passport. If you hold your shares through a broker or other nominee, you must bring a copy of a brokerage statement reflecting your stock ownership as of the record date. Everyone must check in at the registration desk at the meeting.

How do I vote?

You may attend the Annual Meeting and vote in person. Alternatively, you may vote your shares by proxy by:

mail, or

telephone

To vote by mail, simply mark, sign and date your proxy card and return it in the postage-paid envelope provided for receipt by us prior to May 19, 2006 (proxy cards received after 11:59 p.m., May 18, 2006 will not be counted). The enclosed proxy card contains instructions for telephone voting, which is available to shareholders 24 hours a day, 7 days a week until 10:00 a.m., Malvern, Pennsylvania time on May 18, 2006.

Please note that if your shares are held in street name, you must check the proxy card or contact your broker or nominee to determine if you will be able to vote by telephone. If you want to vote in person at the Annual Meeting and you hold Verticalnet common stock in street name, you must obtain a proxy card from your broker and bring that proxy card to the Annual Meeting, together with a copy of a brokerage statement reflecting your stock ownership as of the record date.

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Please also note that by casting your vote by proxy in any of the ways listed above, you are authorizing the individuals listed on the proxy card to vote your shares in accordance with your instructions.

Is my vote confidential?

Yes. Proxy cards, ballots and voting tabulations that identify shareholders are kept confidential except in certain circumstances where it is important to protect the interests of Verticalnet and its shareholders.

What if I do not indicate my preference on the proxy card?

If you do not indicate how you would like your shares to be voted with respect to a particular proposal, your shares will be voted FOR the election of the nominated slate of directors. As to other matters as may properly come before the meeting (or any adjournments or postponements thereof), the proxy holders will vote as recommended by the Board of Directors. If no such recommendation is made, the proxy holders will be authorized to vote upon such matters in their own discretion.

Can I change my vote after I return my proxy card?

Yes. Even after you have submitted your proxy, you may change your vote at any time before the proxy is exercised by filing with the Secretary of Verticalnet either a notice of revocation or a duly executed proxy bearing a later date. The powers of the proxy holders will be suspended if you attend the Annual Meeting in person and request to recast your vote. Attendance at the Annual Meeting will not, by itself, revoke a previously granted proxy.

What constitutes a quorum?

As of the record date, Verticalnet had 51,508,660 shares of its common stock outstanding. The presence at the Annual Meeting, in person or by proxy, of the holders entitled to cast at least a majority of votes which all shareholders are entitled to cast as of the record date will constitute a quorum. Broker non-votes, abstentions and votes withheld count as shares present at the Annual Meeting for purposes of a quorum. With respect to Proposal No. 3, however, a different standard will constitute a quorum for that proposal. See *Approval to Issue Shares of Our Common Stock Exceeding 19.99% of Our Outstanding Shares of Common Stock* on page 3 of this proxy statement.

What are the recommendations of the Board of Directors?

Unless you instruct otherwise on your proxy card, the persons named as proxy holders on the proxy card will vote in accordance with the recommendations of the Board of Directors. The Board of Directors recommends a vote

FOR the election of the nominated slate of directors;

FOR an amendment to our Amended and Restated Articles of Incorporation to effect a reverse stock split of our outstanding common stock at an exchange ratio of not less than 1-for-3 and not more than 1-for-7, and authorize our Board of Directors to implement the reverse stock split within this range at any time prior to the 2007 annual meeting of shareholders by filing an amendment to our Amended and Restated Articles of Incorporation;

FOR the approval to issue shares of our common stock pursuant to our \$6.6 million Senior Secured Convertible Promissory Notes in an aggregate amount exceeding 19.99% of our outstanding shares of common stock;

FOR the approval of the Verticalnet, Inc. 2006 Omnibus Equity Compensation Plan; and

FOR an amendment to our Amended and Restated Articles of Incorporation to increase the number of authorized shares of our common stock to 150,000,000 shares.

The proxy holders will vote as recommended by the Board of Directors with respect to any other matter that properly comes before the Annual Meeting. If the Board of Directors gives no recommendation on any such matter, the proxy holders will vote in their own discretion.

What vote is required to approve each proposal?

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Election of Directors. The affirmative vote of a plurality of the votes cast at the Annual Meeting is required for the election of directors. A properly executed proxy marked **WITHHOLD** authority with respect to the election

of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted for purposes of determining whether there is a quorum. Thus, the two candidates with the most affirmative votes will be elected at the Annual Meeting.

Approval to Issue of Shares of Our Common Stock Exceeding 19.99% of Our Outstanding Shares of Common Stock. The affirmative vote of a majority of the votes cast by all the shareholders entitled to vote for this proposal, excluding the shares previously issued under our \$6.6 million Senior Secured Convertible Promissory Notes, as amended (the Notes), is required to approve the issuance of shares of our common stock pursuant to the Notes in an aggregate amount exceeding 19.99% of our outstanding stock on the date the Notes were sold. A properly executed proxy marked ABSTAIN with respect to this proposal will be counted for purposes of determining whether a quorum exists. However, under Pennsylvania law, a proxy marked ABSTAIN is not considered a vote cast. Accordingly, an abstention will have no effect on the approval of this proposal. Pursuant to applicable rules of The Nasdaq Stock Market and the terms of the Notes and the Note and Warrant Purchase Agreement between Verticalnet and the holders of the Notes, dated as of August 16, 2005, as amended, the holders of shares of our common stock previously issued pursuant to the Notes are not entitled to cast votes on this proposal with respect to such shares and such shares will not be counted for purposes of determining whether a quorum exists with respect to this proposal.

Other Proposals. For the other proposals, including an amendment to our Amended and Restated Articles of Incorporation to effect a reverse stock split at the discretion of our Board of Directors, the approval of the Verticalnet, Inc. 2006 Omnibus Equity Compensation Plan, an amendment to our Amended and Restated Articles of Incorporation to increase the number of authorized shares of common stock, and each other proposal that may be properly brought before the meeting, the affirmative vote of a majority of the votes cast by all the shareholders entitled to vote for the proposal will be required for approval. A properly executed proxy marked ABSTAIN with respect to any such matter will be counted for purposes of determining whether there is a quorum. However, under Pennsylvania law, a proxy marked ABSTAIN is not considered a vote cast. Accordingly, an abstention will have no effect on the approval of these proposals.

Broker Non-Votes. If you hold your shares in street name through a broker or other nominee, your broker or nominee may not be permitted to exercise voting discretion with respect to some of the matters to be acted upon. Under the rules that govern brokers who are voting with respect to shares held in street name, brokers have the discretion to vote such shares on routine matters, but not on non-routine matters. Routine matters include the election of directors. Non-routine matters include matters such as amendments to stock plans. Therefore, if you do not give your broker or nominee specific instructions, your shares may not be voted on non-routine matters and will not be counted in the voting results. Shares represented by such broker non-votes will be counted in determining whether there is a quorum. Broker non-votes will not be counted toward a nominee's total of affirmative votes in the election of directors and will have no effect on the approval of the other proposals.

Who conducts the proxy solicitation and how much will it cost?

Verticalnet is soliciting the proxies and will bear the cost of the solicitation. Verticalnet has retained Georgeson Shareholder to aid in the solicitation. For these services, Verticalnet will pay Georgeson Shareholder a fee of \$6,500 and reimburse it for out-of-pocket disbursements and expenses. Verticalnet may ask its officers and other employees, without compensation other than their regular compensation, to solicit proxies by further mailing or personal conversations, or by telephone, facsimile, Internet or other means of electronic transmission. Verticalnet will also, if asked, reimburse brokerage firms and others for their reasonable expenses in forwarding solicitation material to the beneficial owners of the common stock.

INFORMATIONAL NOTE REGARDING PRIOR STOCK SPLITS

Information in this proxy statement has been adjusted to reflect three separate stock splits of our common stock. A two-for-one stock split was effected on August 20, 1999 and another two-for-one stock split was effected on March 31, 2000. A one-for-ten reverse stock split was effected on July 15, 2002. All references to shares and per share amounts have been adjusted retroactively for these splits.

PROPOSAL NO. 1 ELECTION OF DIRECTORS

The Board of Directors is currently divided into three classes; two classes consist of three members and one class has two members. Each class has a three-year term. The classes expire in successive years.

The Board of Directors proposes that each of the nominees identified below, all of whom are currently serving as directors, be re-elected into the class listed below for a new term expiring at the annual meeting in the year listed below and until their successors are duly elected and qualified.

Name	Nominee For:		Current Director In:	
	Class	Term Expiring	Class	Term Expiring
Mark L. Walsh	I	2009	I	2006
Darryl E. Wash	I	2009	I	2006

Each of the nominees has consented to serve for the term indicated above. If any of them become unavailable to serve as a director prior to the end of their current term, the Board of Directors may designate a substitute nominee. In that case, the persons named as proxies will vote for the substitute nominee designated by the Board of Directors.

There are currently two vacancies in our Class I Directors. These vacancies were created by the resignations of Walter W. Buckley, III and Robert F. Bernstock. The nominating and corporate governance committee has not sought to identify candidates for nomination to fill these vacancies. As such, after the Annual Meeting two vacancies will remain on the Board of Directors in Class I whose term will expire in 2009. Under the terms of our Amended and Restated Articles of Incorporation and bylaws, the Board of Directors may fill these vacancies at any time.

The Board of Directors Recommends That You Vote FOR Each of the Following Class I Director Nominees:

MARK L. WALSH, 50, has served as a director since August 1997. He is the managing partner of Ruxton Associates, a private equity and investment firm he founded in April 2002. He was CEO of Air America Radio from November 2003 until April 2004. He also served as head of Internet operations for the John Kerry Presidential Campaign from June 2003 through September 2003, and as Chief Technology Advisor to the Democratic National Committee from December 2001 until September 2002. He served as Chairman of the Verticalnet Board of Directors from July 2000 until February 2002. Prior to that, he served as President and Chief Executive Officer of Verticalnet from August 1997 to July 2000. Before joining Verticalnet, he was a Senior Vice President and corporate officer at America Online, Inc. from 1995 to 1997. He founded and managed AOL Enterprise, the business-to-business division of AOL. Prior to his position with AOL, Mr. Walsh was the President of GENie, General Electric's online service. He currently serves on a number of private company and non-profit boards of directors and advisors. He received his MBA from Harvard Business School and B.A. from Union College.

DARRYL E. WASH, 40, has served as a director since August 2004. Mr. Wash co-founded Ascend Venture Group, LLC in January 2000 and has served as its Managing Partner since January 2000. Ascend is a private investment firm specializing in the education and applied technology industries. Prior to founding Ascend, he served as a Managing Director of Peter J. Solomon Company, a New York-based private investment bank focused in the retail, communications, and education markets, from April 1995 to January 2000. Prior to that, Mr. Wash was employed in the Investment Banking Division of Goldman, Sachs & Co. from June 1991 to March 1995. Currently, Mr. Wash serves as a director of several Ascend portfolio companies as well as the National Association of Investment Companies. Mr. Wash received a B.A. in Economics from the University of California at Berkeley and an MBA from Stanford University.

Incumbent Directors

The following persons are serving as Class II directors, whose terms expire in 2007:

JEFFREY C. BALLOWE, 50, has served as a director since July 1998. Mr. Ballowe is retired from Ziff-Davis, Inc. where he was President, Interactive Media and Development Group. Before leaving Ziff Davis at the end of 1997, Mr. Ballowe led the launches of five magazines, ZDNet on the Web, ZDTV (now TechTV), and the initial

ZD/Softbank investment in Yahoo!, Inc. Currently he serves as a director of Onvia. He is the co-founder and past President of the not-for-profit Electronic Literature Organization and a former member of the Board of Directors of Trustees of Lawrence University. He has an MBA from the University of Chicago, an M.A. in French from the University of Wisconsin-Madison, and a B.A. from Lawrence University.

MICHAEL J. HAGAN, 42, co-founded Verticalnet in 1995 and served as a director since 1995 and as Chairman of the Board of Directors from February 2002 to May 2005. Mr. Hagan has been Chairman and Chief Executive Officer of NutriSystem, Inc. since December 2002. Prior to that, he served as our President and Chief Executive Officer from January 2001 until February 2002, and Executive Vice President and Chief Operating Officer from January 2000 to January 2001. Prior to our founding, Mr. Hagan was Vice President and Senior Manager at Merrill Lynch Asset Management from 1990 to 1995. Currently he serves as a trustee of American Financial Realty Trust and Saint Joseph's University. Mr. Hagan received a B.S. from St. Joseph's University and was formerly a Certified Public Accountant.

GREGORY G. SCHOTT, 40, has served as a director since August 2003 and as Chairman of the Board of Directors since May 2005. Mr. Schott served as Senior Vice President of Marketing for Agile Software Corporation from 2001 to 2002. From 1999 to 2001, Mr. Schott served as Vice President of Business Development for Agile. From 1997 to 1999, Mr. Schott served as Vice President of Marketing at Digital Generation Systems, Inc., a provider of digital distribution systems to the broadcast advertising industry. From 1996 to 1997, Mr. Schott served as Vice President of Operations, from 1995 to 1996 as Director of Business Development and from 1994 to 1995 as Director of Operations, all at Digital Generation Systems. From 1991 to 1994, Mr. Schott served as a management consultant at The Boston Consulting Group. Mr. Schott received a B.S. in Mechanical Engineering from North Carolina State University and an MBA from Stanford University.

The following persons are serving as Class III directors, whose terms expire in 2008:

NATHANAEL V. LENTZ, 43, has served as our President and Chief Executive Officer and a director since November 2002. He was our Senior Vice President of Strategy and Marketing from August 2000 to November 2002, during which time he had responsibility for guiding our transition from an operator of Internet-marketplaces to a provider of supply management solutions. Prior to that, Mr. Lentz was a Vice President and Partner of Mercer Management Consulting, where he was employed from September 1991 to May 1998 and January 1999 to August 2000. While at Mercer, Mr. Lentz managed the San Francisco office and was a leader in their Global Process Industries and E-Commerce Practices. From May 1998 to November 1998, he was employed as Vice President of Strategic Development at CMC Industries, an electronic manufacturing services company located in Santa Clara, CA. Mr. Lentz received his MBA from Stanford University where he was an Arjay Miller scholar and a B.A. from Brown University.

VINCENT J. MILANO, 42, has served as a director since August 2003. Mr. Milano is serving, since January 2006, as Chief Operating Officer, as well as, since November 1997, Vice President, Chief Financial Officer of ViroPharma Incorporated. In addition, Mr. Milano has served as Vice President, Finance & Administration of ViroPharma since February 1997, as Treasurer since July 1996, and as Executive Director, Finance & Administration from April 1996 until February 1997. From 1985 until he joined ViroPharma, Mr. Milano was with KPMG LLP, most recently as a Senior Manager. Mr. Milano received his B.S. in Accounting from Rider College.

JOHN N. NICKOLAS, 39, has served as a director since February 2003. Mr. Nickolas has been Director, Finance & Accounting with The Philadelphia Phillies since July 2003. Prior to joining The Philadelphia Phillies, Mr. Nickolas had been a managing director with Internet Capital Group, Inc. since January 1999. During his tenure at Internet Capital Group, Mr. Nickolas served in a variety of roles including Chief Financial Officer of ICG Europe Ltd., a wholly owned subsidiary, and as a board member and Chief Financial Officer of Logistics.com, an Internet Capital Group partner company that was sold in December 2002. Prior to joining Internet Capital Group, Mr. Nickolas served in various financial positions with Safeguard Scientifics, Inc. from 1994 through 1998, most recently as Corporate Controller. Prior to joining Safeguard, Mr. Nickolas was an audit manager in the Philadelphia office of KPMG LLP. Mr. Nickolas graduated summa cum laude with a B.S. in Accounting from West Chester University.

Compensation of Directors

In November 2004, the Board of Directors adopted a policy regarding compensation to the members of the Board of Directors. Verticalnet pays its non-employee directors \$10,000 once a year for regular service on the Board of Directors in the form of a grant of restricted stock units (RSUs). The number of RSUs granted is determined by dividing \$10,000 by the closing price of Verticalnet common stock on the date of grant, which is typically the date of the annual meeting of shareholders. The RSUs have an exercise price of \$0.01 which is payable by the grantee upon distribution of the shares represented by the RSUs, and typically vest 25% each quarter after the date of grant. On March 2, 2006, the Board of Directors determined that the grant of RSUs to the Board of Directors for 2006 would not be made until the annual grant date for 2007, provided that a present member of the Board of Directors must be on the Board of Directors on the date of the annual grant for 2007 to receive the RSU grant.

Additionally, each non-employee director receives an initial grant of 30,000 options upon joining the Board of Directors and an annual grant of 20,000 options granted on the date of the annual meeting of shareholders. The exercise price of the options is the closing price of Verticalnet common stock on the date of grant. The options are generally non-qualified stock options and 100% of the options vest in one year from the date of grant. Options have a maximum term of ten years, except that a director has 90 days to exercise after leaving the Board of Directors. For fiscal 2005, Verticalnet granted 20,000 options and 14,085 RSUs to its non-employee directors. On March 2, 2006, the members of the Board of Directors determined that the annual grant of options for 2006 will have an exercise price equal to the greater of: (i) the fair market value of a share of our common stock on the date of such grant, or (ii) \$0.70 per share.

Verticalnet pays the chair of the audit committee \$5,000 and members of its audit committee \$3,500 for each fiscal quarter that they serve on the committee. Verticalnet pays the members of its compensation and nominating and corporate governance committees \$1,500 for each fiscal quarter that they serve on the respective committee. In addition, members of the Board of Directors are reimbursed for expenses they incur in attending meetings.

Board of Directors and Committees

The Board of Directors is currently composed of Messrs. Schott, Ballowe, Hagan, Lentz, Milano, Nickolas, Walsh and Wash. Mr. Schott is the Chairman of the Board of Directors. The Board of Directors has determined that as of the Annual Meeting, all directors, other than Mr. Lentz, will be independent directors as that term is defined by the applicable listing standards of The Nasdaq Stock Market. The independent directors met regularly in executive sessions outside of the presence of directors who are not independent.

The Board of Directors met nine times during 2005. Four of the meetings were regular meetings and the other five were special meetings. Pursuant to our Corporate Governance Guidelines, all directors are encouraged to attend annual and special meetings of shareholders. Messrs. Lentz and Nickolas were in attendance at our 2005 annual meeting of shareholders. The Board of Directors has established the following standing committees:

Audit Committee. The principal purposes of the audit committee of the Board of Directors (the Audit Committee) are to oversee our processes of accounting, auditing, financial reporting, internal controls and legal compliance functions, including without limitation, oversight of (i) the processes to insure the integrity of our consolidated financial statements; (ii) our compliance with legal and regulatory requirements; (iii) our independent registered public accounting firm s qualifications and independence; and (iv) the performance of our independent registered public accounting firm. In discharging its duties, the Audit Committee:

selects our independent registered public accounting firm and approves in advance any audit or non-audit service provided to us by our independent registered public accounting firm;

reviews and discusses consolidated financial statements with management and our independent registered public accounting firm;

reviews with management and our independent registered public accounting firm matters relating to our internal accounting controls, internal audit program, accounting practices and procedures, the scope and procedures of the outside audit, the independence of the independent registered public accounting firm and other matters relating to our financial condition;

reviews with management our disclosure controls and procedures;

reviews with management and our independent registered public accounting firm our compliance with applicable law and regulatory requirements;

reviews transactions that involve a potential conflict of interest; and

reviews our annual report on Form 10-K and our quarterly reports on Form 10-Q for filing with the Securities and Exchange Commission (the SEC).

The Audit Committee acts pursuant to a written charter, a copy of which is attached to this proxy statement as Annex 1 and is also posted on the Corporate Governance section of our website, www.verticalnet.com.

The Audit Committee is currently composed of Messrs. Milano, Ballowe and Schott, each of whom the Board of Directors has determined is independent, as that term is defined by applicable listing standards of The Nasdaq Stock Market. Mr. Milano is the Chairman of the Audit Committee. The Board of Directors has determined that Mr. Milano qualifies as an audit committee financial expert as defined under Item 401(h)(2) of Regulation S-K of the Securities Exchange Act of 1934, as amended. In 2005, the Audit Committee met nine times.

Compensation Committee. The compensation committee of the Board of Directors (the Compensation Committee) is charged with reviewing Verticalnet's general compensation policies; reviewing, approving, recommending and administering Verticalnet's incentive compensation and stock option plans; and approving certain employment arrangements. The Compensation Committee acts pursuant to a written charter, a copy of which is posted on the Corporate Governance section of our website, www.verticalnet.com.

The Compensation Committee was comprised of Messrs. Buckley, Ballowe and Schott until September 12, 2005, when Mr. Buckley resigned as a director. From September 12, 2005 until November 10, 2005, the Compensation Committee consisted of Messrs. Ballowe and Schott. Since November 10, 2005, the Compensation Committee has been comprised of Messrs. Ballowe, Schott and Wash, each of whom the Board of Directors has determined is independent, as that term is defined by applicable listing standards of The Nasdaq Stock Market. Mr. Ballowe is the Chairman of the Compensation Committee. In 2005, the Compensation Committee met nine times.

Nominating and Corporate Governance Committee. The nominating and corporate governance committee of the Board of Directors (the Nominating and Corporate Governance Committee) is responsible for identifying and recommending the director nominees to be selected by the Board of Directors for each annual meeting of shareholders; implementing the Board of Directors' criteria for selecting new directors; developing, reviewing and recommending to the Board of Directors a set of corporate governance policies applicable to Verticalnet; and providing oversight for the evaluation of the performance of the Board of Directors. The Nominating and Corporate Governance Committee acts pursuant to a written charter, a copy of which is posted on the Corporate Governance section of our website, www.verticalnet.com.

The Nominating and Corporate Governance Committee was composed of Messrs. Nickolas, Buckley and Milano until September 12, 2005, when Mr. Buckley resigned as a director. From September 12, 2005 until November 10, 2005, the Compensation Committee consisted of Messrs. Nickolas and Milano. Since November 10, 2005, the Nominating and Corporate Governance Committee has been composed of Messrs. Nickolas, Milano and Wash, each of whom the Board of Directors has determined is independent, as that term is defined by applicable listing standards of The Nasdaq Stock Market. Mr. Nickolas is the Chairman of the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee met two times in 2005.

Director Candidates

Shareholders may recommend director candidates for inclusion by the Board of Directors in the slate of nominees which the Board of Directors recommends to shareholders for election. The qualifications of recommended candidates will be reviewed by the Nominating and Corporate Governance Committee. If the Board of Directors determines to nominate a shareholder-recommended candidate and recommends his or her election as a director by the shareholders, his or her name will be included in Verticalnet's proxy card for the shareholder meeting at which his or her election is recommended.

Shareholders may recommend individuals to the Nominating and Corporate Governance Committee for consideration as potential director candidates by submitting their names and background to Mr. Nickolas, Chairman of the Nominating and Corporate Governance Committee, at the address set forth below under Shareholder Communications. The Nominating and Corporate Governance Committee will consider a recommendation only if appropriate biographical information and background material is provided on a timely basis. The process followed by the Nominating and Corporate Governance Committee to identify and evaluate candidates includes requests to Board of Directors and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates and interviews of selected candidates by members of the Nominating and Corporate Governance Committee and the Board of Directors. The Nominating and Corporate Governance Committee is authorized to retain advisers and consultants and to compensate them for their services. The Nominating and Corporate Governance Committee did not retain any such advisers or consultants during 2005.

Assuming that appropriate biographical and background material is provided for candidates recommended by shareholders, the Nominating and Corporate Governance Committee will evaluate those candidates by following substantially the same process, and applying substantially the same criteria, as for candidates submitted by Board of Directors members or by other persons. In considering whether to recommend any candidate for inclusion in the Board of Directors' slate of recommended director nominees, including candidates recommended by shareholders, the Nominating and Corporate Governance Committee will apply the criteria which are set forth in our Corporate Governance Guidelines. These criteria include the candidate's integrity, business acumen, age, experience, diligence, conflicts of interest and the ability to act in the interests of all shareholders. The Nominating and Corporate Governance Committee does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective nominees. We believe that the backgrounds and qualifications of the directors, considered as a group, should provide a significant composite mix of experience, knowledge and abilities that will allow the Board of Directors to fulfill its responsibilities.

Shareholders also have the right to nominate director candidates themselves, without any prior review or recommendation by the Nominating and Corporate Governance Committee or the Board of Directors, by the procedures set forth herein under Shareholder Proposals for the 2007 Annual Meeting.

PROPOSAL NO. 2 APPROVAL OF AN AMENDMENT TO OUR AMENDED AND RESTATED ARTICLES OF INCORPORATION TO EFFECT A REVERSE STOCK SPLIT OF OUR OUTSTANDING COMMON STOCK AT AN EXCHANGE RATIO OF NOT LESS THAN 1-FOR-3 AND NOT MORE THAN 1-FOR-7, AND AUTHORIZE OUR BOARD OF DIRECTORS TO IMPLEMENT THE REVERSE STOCK SPLIT WITHIN THIS RANGE AT ANY TIME PRIOR TO THE 2007 ANNUAL MEETING OF SHAREHOLDERS BY FILING AN AMENDMENT TO OUR AMENDED AND RESTATED ARTICLES OF INCORPORATION

Overview

The Board of Directors has unanimously adopted a resolution approving, subject to approval by our shareholders, a proposed amendment to our Amended and Restated Articles of Incorporation to effect a reverse stock split of our outstanding shares of common stock, at an exchange ratio of not less than 1-for-3 and not more than 1-for-7, at the discretion of the Board of Directors. Shareholder approval of this proposal will authorize the Board of Directors, in its discretion, to effect a reverse stock split, and if so, at which exchange ratio within the approved range, at any time prior to our 2007 annual shareholders meeting. The Board of Directors believes that approval of a proposal granting this discretion to the Board of Directors to effect a reverse stock split and to determine the exchange ratio, as opposed to approval of an immediate reverse stock split at a specific ratio, will provide the Board of Directors with maximum flexibility to react to current market conditions and to therefore achieve the purposes of the reverse stock split, if implemented, and to act in the best interests of the Company and our shareholders.

To effect the reverse stock split, our Board of Directors would file an amendment to our Amended and Restated Articles of Incorporation with the Pennsylvania Secretary of State. The form of amendment to our Amended and Restated Articles of Incorporation to effect the proposed reverse stock split is attached to this proxy statement as Annex 2. If the Board of Directors elects to implement a reverse stock split approved by our shareholders, then the number of issued and outstanding shares of our common stock would be reduced in accordance with the exchange ratio for the selected reverse stock split. The number of shares of our common stock between and including three and seven would be combined into and become one share of common stock. The par value of our common stock would remain unchanged at \$0.01 per share. The reverse stock split would become effective upon the filing of the amendment to our Amended and Restated Articles of Incorporation with the Pennsylvania Secretary of State. The Board of Directors may elect not to implement a reverse stock split at its sole discretion, even if the proposal to grant the Board of Directors the discretion to effect a reverse stock split is approved by our shareholders.

Our Board of Directors has approved the proposed grant of discretion to effect a reverse stock split. By approving the proposal, however, our shareholders will give our Board of Directors maximum flexibility to determine the best stock split ratio.

Purposes of the Proposed Reverse Stock Split

Our Board of Directors believes that we should maintain the right to implement a reverse stock split for the following reasons:

To enhance the acceptability and marketability of our common stock to the financial community and the investing public;

To enable us to use the reverse stock split as may be required to maintain, and our Board of Directors believes it is in our and our shareholders' best interests to maintain, the listing of our common stock on the Nasdaq Capital Market; and

To reduce the number of outstanding shares of our common stock to a number that is more comparable with those of similar technology and software companies.

Our common stock is currently listed on the Nasdaq Capital Market. A continued listing on the Nasdaq Capital Market requires us to meet certain qualitative standards, including maintaining a certain number of independent Board of Directors members and independent Audit Committee members, and certain quantitative standards,

including that we maintain \$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. Since March 14, 2005, our stock has closed below \$1.00 per share. On April 27, 2005, we received written notification from the staff (the "Staff") of The Nasdaq Stock Market that the bid price of our common stock for 30 consecutive trading days had closed below the minimum \$1.00 per share required for continued listing under Nasdaq Marketplace Rule 4310(c)(4) (the "Rule"). Pursuant to Nasdaq Marketplace Rule 4310(c)(8)(D), we were provided an initial period of 180 calendar days, or until October 24, 2005, to regain compliance.

On October 26, 2005, we received a second notice from The Nasdaq Stock Market stating that the Staff had determined that we had not regained compliance with the Rule, although we met all of the Nasdaq Capital Market initial listing criteria, except for the bid price requirement. Because we met the initial listing criteria, the Staff notified us that we had been granted an additional 180 calendar day compliance period, or until April 24, 2006, to regain compliance with the minimum bid price rule. The notice states that the Staff will provide written notification that we have achieved compliance with the Rule if at any time before April 24, 2006, the bid price of our common stock closes at \$1.00 per share or more for a minimum of ten consecutive business days, although the notice also states that the Staff has the discretion to require compliance for a period in excess of ten consecutive business days, but generally no more than 20 consecutive business days, under certain circumstances. If we fail to regain compliance by April 24, 2006, the Staff will provide written notice that our securities will be delisted. At that time, we may appeal the Staff's determination to delist our securities to a Listing Qualifications Panel.

Our Board of Directors believes that listing on the Nasdaq Capital Market is the preferred listing market for our common stock. As of March 1, 2006, we met all qualitative and, except for the minimum bid requirement, all quantitative standards for initial and continuing listing of our common stock on the Nasdaq Capital Market. Thus, if the reverse stock split is approved by our shareholders and implemented by our Board of Directors, we expect to satisfy the \$1.00 per share minimum bid price requirement for continued listing under the Rule. Management and our Board of Directors believe that the implementation of the reverse stock split may be in the best interests of our Company and our shareholders.

Enhanced Marketability

Our Board of Directors believes that the reverse stock split should also enhance the acceptability and marketability of our common stock to the financial community and the investing public and may mitigate any reluctance on the part of brokers and investors to trade in our common stock. Many institutional investors have policies prohibiting them from holding lower-priced stocks in their own portfolios, which reduces the number of potential buyers of our common stock. In addition, analysts at many leading brokerage firms are reluctant to recommend lower-priced stocks to their clients or monitor the activity of lower-priced stock. A variety of brokerage house policies and practices also tend to discourage individual brokers within those firms from dealing in lower-priced stocks. Some of those policies and practices pertain to the payment of brokers' commissions and to time-consuming procedures that function to make the handling of lower-priced stocks unattractive to brokers from an economic standpoint. Additionally, because brokers' commissions on lower-priced stocks generally represent a higher percentage of the stock price than commissions on higher-priced stocks, the current share price of our common stock can result in an individual stockholder paying transaction costs that represent a higher percentage of total share value than would be the case if our share price were substantially higher. This factor may also limit the willingness of institutions to purchase our stock.

Our common stock has been trading below \$1.00 per share since March 2005. With the shares trading in such a range, small moves in absolute terms in the price-per-share of our common stock translate into disproportionately large swings in the price on a percentage basis, and these swings tend to bear little relationship to our financial condition and results of operations.

In our Board of Directors' view, these factors have contributed to an unjustified, relatively low level of interest in our Company on the part of investment analysts, brokers and professionals and individual investors, which tends to depress the market for our common stock. Our Board of Directors has thus proposed having the discretion to effect a reverse stock split as a means of increasing the per share market price of our common stock.

Factors Influencing the Board of Directors Discretion In Implementing the Reverse Stock Split

The Board of Directors intends to implement a reverse stock split if it believes that this action is in the best interests of our Company and our shareholders. Such determination shall be based upon certain factors, including but not limited to: existing and expected marketability and liquidity of our common stock, The Nasdaq Stock Market's listing requirements, prevailing market conditions, and the likely effect on the market price of our common stock.

In determining the reverse stock split ratio, the Board of Directors will consider numerous factors, including the historical and projected performance of our common stock, our projected performance, prevailing market and industry conditions and general economic trends, and will place emphasis on the expected closing price of our common stock over the short and longer period following the effectiveness of the reverse stock split with a view to enabling us to meet, for the foreseeable future, the Nasdaq Capital Market's minimum bid price requirement for continued listing.

No further action on the part of our shareholders would be required to either effect or abandon the reverse stock split. Notwithstanding approval of the reverse stock split proposal by the shareholders, our Board of Directors may, in its sole discretion, determine to delay the effectiveness of the reverse stock split up until the 2007 annual meeting of our shareholders.

Potential Effects of the Proposed Reverse Stock Split

The immediate effect of a reverse stock split would be to reduce the number of shares of our outstanding common stock and to increase the trading price of our common stock. However, we cannot predict the effect of any reverse stock split upon the market price of our common stock, and the history of reverse stock splits for companies in similar circumstances sometimes improves stock performance and sometimes does not. We cannot assure you that the trading price of our common stock after the reverse stock split will rise in proportion to the reduction in the number of shares of our common stock outstanding as a result of the reverse stock split. Also, we cannot assure you that a reverse stock split would lead to a sustained increase in the trading price of our common stock, that the trading price would remain above the thresholds required by the Nasdaq Capital Market or that we will be able to continue to meet the other continued listing requirements of the Nasdaq Capital Market. The trading price of our common stock may change due to a variety of other factors, including our operating results and other factors related to our business and general market conditions.

As a summary and for illustrative purposes only, the following table reflects the approximate number of shares of our common stock that would be outstanding as a result of the potential reverse stock split ratios within the range based on 51,508,660 shares of our common stock outstanding as of the record date, without accounting for fractional shares, which will be rounded up to the nearest whole share:

Proposed reverse stock split	Percentage reduction	Shares to be outstanding
1-for-3	67%	17,169,553
1-for-4	75%	12,877,165
1-for-5	80%	10,301,732
1-for-6	83%	8,584,777
1-for-7	86%	7,358,380

The resulting decrease in the number of shares of our common stock outstanding could potentially impact the liquidity of our common stock on the Nasdaq Capital Market, especially in the case of larger block trades.

Effects on Ownership by Individual Shareholders

Shareholders should recognize that if a reverse stock split is effected, they will own a smaller number of shares than they currently own (approximately equal to the number of shares owned immediately prior to the reverse stock split divided by three, four, five, six or seven, depending on which split ratio is implemented and after giving effect to the rounding up of fractional shares to the nearest whole share, as described below). The reverse

stock split would not affect any shareholder's percentage ownership interests in Verticalnet or proportionate voting power, except to the extent that interests in fractional shares would be rounded up to the nearest whole share.

Effect on Convertible Notes, Options, Warrants and Other Securities

In addition, we would adjust all outstanding convertible notes, options, warrants and other securities entitling their holders to purchase or obtain shares of our common stock as a result of the reverse stock split, as required by the terms of these securities. In particular, we would reduce the conversion price for each convertible note in accordance with its terms and based on the exchange ratio of the reverse stock split. We would also increase the exercise price of options, warrants and other securities in accordance with the terms of each instrument and based on the exchange ratio of the reverse stock split. Also, we would reduce the number of shares reserved for issuance under our existing stock option and employee stock purchase plans proportionately based on the exchange ratio of the reverse stock split. A reverse stock split would not affect any of the rights currently accruing to holders of our common stock, convertible notes, options, warrants or other securities convertible into our common stock.

Other Effects on Outstanding Shares

If our Board of Directors implements a reverse stock split, then the rights and preferences of the outstanding shares of our common stock would remain the same after the reverse stock split. Each share of our common stock issued pursuant to the reverse stock split would be fully paid and nonassessable.

While we expect that the reverse stock split will result in an increase in the market price of our common stock, the reverse stock split may not increase the market price of our common stock in proportion to the reduction in the number of shares of our common stock outstanding or result in a permanent increase in the market price (which depends on many factors, including our performance, prospects and other factors that may be unrelated to the number of shares outstanding).

If a reverse stock split is effected and the market price of our common stock declines, the percentage decline as an absolute number and as a percentage of our overall market capitalization may be greater than would occur in the absence of a reverse stock split. Furthermore, the liquidity of our common stock could be adversely affected by the reduced number of shares that would be outstanding after the reverse stock split. In addition, the reverse stock split will likely increase the number of our shareholders who own odd-lots (less than 100 shares). Shareholders who hold odd-lots typically will experience an increase in the cost of selling their shares, as well as potentially greater difficulty in effecting such sales. Brokerage commissions and other costs of transactions in odd-lots are generally higher than the costs of transactions in round-lot even multiples of 100 shares.

Our common stock is currently registered under Section 12(g) of the Securities Exchange Act of 1934. As a result, we are subject to the periodic reporting and other requirements of the Securities Exchange Act. The proposed reverse stock split would not affect the registration of our common stock under the Securities Exchange Act.

Authorized Shares of Common Stock

If we implement the reverse stock split, we would also reduce the number of authorized shares of our common stock as designated by our Amended and Restated Articles of Incorporation. The number of issued and outstanding shares of common stock and the number of shares remaining available for issuance under our authorized pool of common stock would decrease proportionately. However, our Board of Directors has also approved a proposal to amend our Amended and Restated Articles of Incorporation to increase the number of authorized shares of common stock to 150,000,000 shares, subject to shareholder approval. See Proposal No. 5 on page 25 of this proxy statement.

Even if Proposal No. 5 is not approved by our shareholders, we would still have a number of additional shares of common stock available for issuance from time to time for corporate purposes such as raising additional capital, acquisitions of companies or assets and sales of stock or securities convertible into common stock. However, we believe that the availability of the additional shares provides us with the flexibility to meet business needs as they arise, to take advantage of favorable opportunities and to respond to a changing corporate environment.

Procedure for Effecting the Proposed Reverse Stock Split and Exchange of Stock Certificates

If our shareholders approve the proposed amendment to our Amended and Restated Articles of Incorporation, our Board of Directors may elect whether or not to declare a reverse stock split, as well as the specific exchange ratio, at any time before our 2007 annual shareholders meeting. The reverse stock split would be implemented by filing the appropriate amendment to our Amended and Restated Articles of Incorporation with the Pennsylvania Secretary of State, and the reverse stock split would become effective on the date the filing is accepted by the Pennsylvania Secretary of State.

As of the effective date of the reverse stock split, each certificate representing shares of our common stock before the reverse stock split would be deemed, for all corporate purposes, to evidence ownership of the reduced number of shares of our common stock resulting from the reverse stock split, except that holders of unexchanged certificates would not be entitled to receive any dividends or other distributions payable by Verticalnet after the effective date until they surrender their old stock certificates for exchange. All shares underlying convertible notes, options, warrants and other securities would also be automatically adjusted on the effective date.

Our transfer agent would act as the exchange agent for purposes of implementing the exchange of stock certificates. As soon as practicable after the effective date, shareholders and holders of securities convertible into our common stock would be notified of the effectiveness of the reverse stock split. Shareholders of record would receive a letter of transmittal requesting them to surrender their stock certificates for stock certificates reflecting the adjusted number of shares as a result of the reverse stock split. Persons who hold their shares in brokerage accounts or street name would not be required to take any further actions to effect the exchange of their certificates. No new certificates would be issued to a shareholder until the shareholder has surrendered the shareholder's outstanding certificate(s) together with the properly completed and executed letter of transmittal to the exchange agent. Until surrender, each certificate representing shares before the reverse stock split would continue to be valid and would represent the adjusted number of shares based on the exchange ratio of the reverse stock split, rounded up to the nearest whole share. **SHAREHOLDERS SHOULD NOT DESTROY ANY STOCK CERTIFICATE AND SHOULD NOT SUBMIT ANY CERTIFICATES UNTIL REQUESTED TO DO SO.**

Fractional Shares

We would not issue fractional shares in connection with the reverse stock split. Instead, any fractional share resulting from the reverse stock split would be rounded up to the nearest whole share and no cash payment will be made in respect to such rounding.

No Appraisal Rights

No appraisal rights are available under the Pennsylvania Business Corporation Law or under our Amended and Restated Articles of Incorporation or bylaws to any shareholder who dissents from this proposal. There may exist other rights or actions under state law for shareholders who are aggrieved by reverse stock splits generally.

Accounting Consequences

The par value of our common stock would remain unchanged at \$0.01 per share after the reverse stock split. Also, our capital account would remain unchanged, and we do not anticipate that any significant accounting consequences would arise as a result of the reverse stock split.

Federal Income Tax Consequences

The following is a summary of material federal income tax consequences of the reverse stock split and does not purport to be complete. It does not discuss any state, local, foreign or minimum income or other tax consequences. Also, it does not address the tax consequences to holders that are subject to special tax rules, including banks, insurance companies, regulated investment companies, personal holding companies, foreign entities, nonresident alien individuals, broker-dealers and tax-exempt entities. We have based this discussion on the provisions of the United States federal income tax law as of the date of this proxy statement, which are subject to change retroactively as well as prospectively. This summary also assumes that shareholders hold the shares as a capital asset, as defined in the Internal Revenue Code of 1986 (the Code) (generally, property held

for investment). The tax treatment of a shareholder may vary depending upon the particular facts and circumstances of the shareholder. We urge each shareholder to consult with the shareholder's own tax advisor with respect to the consequences of the reverse stock split.

The reverse stock split is intended to constitute a reorganization within the meaning of Section 368 of the Code. Assuming the reverse stock split qualifies as a reorganization, the following tax consequences generally will result:

No gain or loss will be recognized by Verticalnet as a result of the reverse stock split.

A holder of the pre-reverse stock split shares who receives only post-reverse stock split shares, in exchange for his or her shares, generally will not recognize gain or loss on the reverse stock split, the aggregate tax basis of the post-reverse stock split shares received will be equal to the aggregate tax basis of the pre-reverse stock split shares exchanged therefore, and the holding period of the post-reverse stock split shares received will include the holding period of the pre-reverse stock split shares exchanged.

Our beliefs regarding the tax consequence of the reverse stock split are not binding upon the Internal Revenue Service or the courts, and there can be no assurance that the Internal Revenue Service or the courts will accept the positions expressed above. The state and local tax consequences of the reverse stock split may vary significantly as to each shareholder, depending upon the state in which he or she resides.

Votes Required for Approval of Proposal No. 2

The affirmative vote of a majority of the votes cast by all the shareholders entitled to vote for this proposal will be required for approval. A properly executed proxy marked "ABSTAIN" with respect to this proposal will be counted for purposes of determining whether there is a quorum. However, under Pennsylvania law, a proxy marked "ABSTAIN" is not considered a vote cast. Accordingly, an abstention will have no effect on the approval of this proposal.

Annex Relating to Proposal No. 2.

The form of an amendment to our Amended and Restated Articles of Incorporation is attached to this proxy statement as Annex 2.

Recommendation of the Board of Directors

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE **FOR** AN AMENDMENT TO OUR AMENDED AND RESTATED ARTICLES OF INCORPORATION TO EFFECT A REVERSE STOCK SPLIT OF OUR OUTSTANDING COMMON STOCK AT AN EXCHANGE RATIO OF NOT LESS THAN 1-FOR-3 AND NOT MORE THAN 1-FOR-7, AND AUTHORIZE OUR BOARD OF DIRECTORS TO IMPLEMENT THE REVERSE STOCK SPLIT WITHIN THIS RANGE AT ANY TIME PRIOR TO THE 2007 ANNUAL MEETING OF SHAREHOLDERS BY FILING AN AMENDMENT TO OUR AMENDED AND RESTATED ARTICLES OF INCORPORATION.

**PROPOSAL NO. 3 APPROVAL TO ISSUE SHARES OF OUR COMMON STOCK PURSUANT
TO OUR \$6.6 MILLION SENIOR SECURED CONVERTIBLE PROMISSORY NOTES IN AN
AGGREGATE AMOUNT EXCEEDING 19.99% OF OUR OUTSTANDING SHARES OF
COMMON STOCK**

Overview

On August 16, 2005, we issued various independent institutional investors (the Investors) senior secured convertible promissory notes in the aggregate principal amount of \$6.6 million and warrants to purchase an aggregate of 4,719,000 shares of our common stock (the Warrants) for an aggregate purchase price of \$6.6 million. The Notes and Warrants were sold pursuant to a Note and Warrant Purchase Agreement dated as of August 16, 2005, as amended between us and the Investors (the Purchase Agreement). We also issued the placement agent for the transaction a warrant to purchase 141,429 shares of our common stock having the same terms and conditions as the Warrants issued to the Investors.

Note and Warrant Purchase Agreement

Under the Purchase Agreement, we agreed with the Investors that: (i) we will maintain at least \$1.5 million in our bank accounts while the Notes are outstanding; (ii) at our next annual meeting of shareholders, we will solicit shareholder approval of the issuance of shares of our common stock pursuant to the Notes in excess of 9,468,758 shares, such amount representing 19.99% of the aggregate number of shares of our common stock outstanding immediately prior to the sale of the Notes (the Shareholder Proposal); (iii) the Investors will have rights of first refusal on future financings within 14 months after the effective date of the registration statement registering the shares of our common stock for resale issued pursuant to the Notes and upon exercise of the Warrants; (iv) we will be restricted from issuing certain types of debt and equity instruments while the Notes are outstanding; and (v) all of our officers and directors who hold shares of our common stock will vote in favor of the Shareholder Proposal.

Pursuant to the Purchase Agreement, if our shareholders do not approve the Shareholder Proposal at this Annual Meeting, then as long as the Notes remain outstanding we are required to cause a shareholders meeting to be held every six months, at our expense, seeking approval of the Shareholder Proposal.

Senior Secured Convertible Promissory Notes

The following discussion includes a summary of the Notes, a form of which Note along with a form of Amendment No. 1 to Note are attached to this proxy statement as Annexes 3 and 4. The summary is qualified in its entirety by reference to the attached documents. Shareholders are urged to read the form of Note and form of Amendment No. 1 to Note for a more complete description of the terms and conditions of the Notes.

The Notes are convertible in whole or in part into shares of our common stock, at the option of the Investors, at a conversion price of \$0.70 per share (the Conversion Price), subject to adjustment upon certain conditions. The Conversion Price for the Notes is subject to anti-dilution provisions in connection with certain future issuances of our securities as well as for adjustments for stock splits and the like. Specifically, if we issue shares of our common stock at a price below \$0.70 per share, the Conversion Price will adjust to the same price as the shares of our common stock issued below \$0.70 per share. The anti-dilution provisions above do not apply to certain excluded issuances, including the issuance of securities upon conversion of the Notes or the exercise of the Warrants, as payment of principal or interest on the Notes, pursuant to certain underwritten public offerings, pursuant to certain acquisitions by us, upon the conversion or exercise of existing convertible securities or in connection with our existing stock option plans.

The Notes mature on July 2, 2007 (the Maturity Date) and accrue interest at 9% per annum from the issue date. Interest is payable monthly, in arrears, beginning December 2005 until the earlier of the Maturity Date or the date of conversion of the Notes (the Conversion Date). Principal payments equal to 1/20th of the original principal amount of each Note are payable beginning in December 2005 and on the first business day of each month thereafter through July 2007 or the Conversion Date, whichever is sooner. If an Investor converts a portion of its Note such that the remaining principal amount of the Note is less than 1/20th of the original principal amount of the Note, the remaining principal amount of such Note is then payable in full on the next monthly principal payment date.

At our discretion, we may pay the monthly principal and interest payments in cash, shares of our common stock or a combination of cash and common stock, subject to certain limitations set forth in the Notes. If the closing bid price of our common stock for the 20 trading days prior to the date we elect to pay in shares of our common stock is at least 115% of the Conversion Price, the conversion price used for payments of principal and interest in shares of our common stock will be \$0.70 per share. If the closing bid price is less than 115% of the Conversion Price for such period, the conversion price will be equal to 85% of the average of the five lowest daily volume weighted average prices for the ten trading days prior to the date we elect to pay in shares of our common stock.

The Notes provide that if we are acquired or upon the occurrence of certain other events, which include the failure to make a timely payment, the failure to maintain the listing of our common stock on a satisfactory exchange or market, or the suspension of effectiveness of a registration statement registering the shares of our common stock underlying the Notes, the Investors may require us to prepay the Notes at 110% of the remaining principal amount of the Notes.

Warrants

The Warrants have an exercise price of \$0.77 per share, and contain anti-dilution provisions that are similar to those contained in the Notes. Similar to the anti-dilution provisions contained in the Notes, if we issue shares of our common stock at a price below \$0.77 per share, the exercise price of the Warrants will adjust to the same price as the stock issued below \$0.77 per share. However, under no circumstances will the exercise price adjust to less than the closing bid price of our common stock on August 15, 2005 as a result of our issuing stock below \$0.77 per share. The Warrants are exercisable after six months from August 16, 2005 until August 16, 2010. The term of the Warrants can be extended by the Investors for the number of days that the shares of our common stock underlying the Warrants are not saleable as a result of the suspension of trading of our common stock on an applicable trading market and if the Investors are not permitted to use the prospectus included in the registration statement for the resale of the shares.

Reasons for Shareholder Approval

Our common stock is listed on the Nasdaq Capital Market, and, as a result, we are subject to the rules of The Nasdaq Stock Market. Nasdaq Marketplace Rule 4350(i)(1)(D) requires Nasdaq-listed companies to obtain shareholder approval prior to the issuance of securities under certain circumstances, including a transaction involving the sale and issuance of common stock (or securities convertible into or exercisable for common stock) at a price below the book value or market value of the common stock, where the amount of stock being issued is equal to 20% or more of the issuer's common stock outstanding before such issuance.

On August 15, 2005, the last trading day prior to the date the Notes were sold, the closing bid price of our common stock on the Nasdaq Capital Market was \$0.70 per share. Assuming no adjustments are made to the Conversion Price of the Notes, the common stock issuable as payment of principal and interest on the Notes or upon the conversion of the Notes would be not be issued at a price that is below the book value or market value of the common stock as of the date we sold the Notes and the applicable Nasdaq Marketplace Rules would not be implicated by such issuances. However, in order for the Conversion Price to be equal to \$0.70 per share in connection with our decision to pay principal or interest on the Notes in stock, the closing bid price of our common stock for the 20 trading days prior to the date we elect to pay in shares of our common stock must be at least 115% of the Conversion Price. If the closing bid price is less than 115% of the Conversion Price for such period, the Conversion Price will be equal to 85% of the average of the five lowest daily volume weighted average prices for the 10 trading days prior to the date we elect to pay in shares of our common stock. As of March 1, 2006, all of the shares we have issued as payment of principal and interest on the Notes have been issued at a Conversion Price below \$0.70 per share. In addition, certain future issuances of our equity securities may cause anti-dilution adjustments to the Conversion Price of the Notes such that the Conversion Price of the Notes could be less than the greater of the market value and the book value of our common stock as of the date we sold the Notes.

Immediately prior to the sale of the Notes under the Purchase Agreement, 47,367,473 shares of our common stock were outstanding. As of March 1, 2006, an aggregate of 3,951,789 shares of our common stock had been

issued upon conversion of the Notes or as payment of principal and interest due on the Notes. In addition, as of March 1, 2006, an aggregate of 7,097,071 additional shares of common stock are issuable if the Investors elect to convert the remaining outstanding principal amount of the Notes, which was \$4,967,950 as of such date. Therefore, assuming no adjustments to the Conversion Price, as of March 1, 2006, the total number of shares of common stock issuable upon conversion of the Notes, when aggregated with the 3,951,789 shares previously issued upon conversion or as payment of principal and interest on the Notes, equals 11,048,860 or 23.33% of the shares outstanding immediately prior to the sale of the Notes and Warrants and exceeds the 19.99% threshold by 1,580,102 shares. In addition, an indeterminate number of shares of common stock could be issued as future payment of principal and interest on the Notes because the Conversion Price for such issuances varies with the price of our shares. An indeterminate number of shares of common stock could also be issued upon conversion of the Notes or as payment of principal and interest on the Notes because of the potential anti-dilution adjustments to the Conversion Price. Accordingly, under Nasdaq Marketplace Rule 4350(i)(1)(D) and pursuant to the terms of the Purchase Agreement and the Notes, we are required to obtain shareholder approval before we can issue shares of our common stock in excess of 9,468,758 shares.

In addition, Nasdaq Marketplace Rule 4350(i)(1)(B) requires shareholder approval in connection with the issuance or potential issuance of securities that will result in a change of control of an issuer. In determining whether shareholder approval would be required, Nasdaq looks to the hypothetical maximum number of shares that could potentially be issued and the minimum price per share for which such shares could potentially be issued. While we do not believe that the issuance of the shares of our common stock pursuant to the terms of Notes and upon exercise of the Warrants will result in a change of control, and therefore we do not believe that Rule 4350(i)(1)(B) applies to this issuance, a substantial adjustment to the Conversion Price of the Notes could result in a sufficient number of shares of our common stock issued under the Notes and upon exercise of the Warrants to constitute a change in control. Accordingly, we are seeking shareholder approval at this time in advance of any such issuance of common stock.

Absent shareholder approval of this Proposal No. 3, we will not be able to issue shares of our common stock pursuant to the Notes to the extent such issuance, when combined with the shares of our common stock previously issued under the Notes, would exceed 9,468,758 shares, or 19.99% of our outstanding stock as of the date the Notes were sold. Any amount of the Notes that the Investors are unable to convert in excess of the 19.99% threshold will remain a cash liability, due and payable on the earlier of the Maturity Date or the Conversion Date. In that event, we may be required to raise additional funds in order to meet this obligation. We may not be able to raise sufficient funds at that time, and, even if we are able to raise sufficient funds, the terms of such financing may not be favorable to us.

As of March 1, 2006, the total number of shares of common stock issuable upon conversion of the Notes, when aggregated with the shares previously issued upon conversion or as payment of principal and interest on the Notes, exceeds the 19.99% threshold by 1,580,102 shares. Thus, assuming a conversion of all outstanding Notes on March 1, 2006, absent shareholder approval of this Proposal No. 3, the Investors would have been unable to convert approximately \$1,106,071 aggregate principal amount of the Notes. Furthermore, having reached the 9,468,758 share threshold, we would be required to make all future payments on the Notes in cash.

Having to make payments on the Notes in cash where it would otherwise be optimal for us to satisfy these obligations with the delivery of shares of our common stock could leave us with limited working capital to operate our business. If we have limited working capital to operate our business, we may be forced to seek additional financing on terms which could materially and adversely affect the interests of our shareholders at that time. Furthermore, if this Proposal No. 3 is not approved by the shareholders at the Annual Meeting, we will be required to cause a shareholders meeting to be held every six months, at our expense, seeking approval of the Shareholder Proposal.

We granted the Investors registration rights with respect to the shares of our common stock issuable under the Notes or upon exercise of the Warrants. In connection with the closing of the transaction under the Purchase Agreement, we filed a registration statement on Form S-3 with the SEC which was declared effective by the SEC on October 7, 2005. That registration statement covers the resale of the shares of our common stock that are

issuable under the Notes and upon exercise of the Warrants. If the shareholders approve this Proposal No. 3, we may be obligated to file an additional registration statement covering the resale of the shares of our common stock that exceed the 9,468,758 share threshold that are issuable pursuant to the Notes.

If this Proposal No. 3 is approved and a future dilutive transaction were to occur, the Conversion Price of the Notes would be adjusted and, as a result, the issuance of common stock upon a future conversion of the Notes could potentially result in substantial dilution to the voting interests of our existing shareholders and those shareholders will own a smaller percentage of the our outstanding common stock as a result of such issuance.

If the shareholders approve this Proposal No. 3, a significant number of additional shares of our common stock may be sold in the market, which could decrease the price of the shares of our common stock. In that case, we could be required to issue an increasingly greater number of shares of our common stock upon future conversions of the Notes or payments of principal and interest under the Notes, sales of which could further depress the price of the shares of our common stock. In addition, if the sale of a large amount of shares of our common stock issuable under the Notes or upon exercise of the Warrants results in a decline in the price of our common stock, this event could encourage short sales by the Note holders or others. Short sales could place further downward pressure on the price of our common stock.

The Purchase Agreement, the form of Note and the form of Warrant were filed by us with the SEC as exhibits to our current report on Form 8-K, filed on August 18, 2005. An amendment to the Purchase Agreement and the form of the Amendment to Notes were filed by us with the SEC as exhibits to our current report on Form 8-K filed on September 7, 2005.

Votes Required for Approval of Proposal No. 3

The affirmative vote of a majority of the votes cast by all the shareholders entitled to vote for this proposal, excluding the shares previously issued under our \$6.6 million Senior Secured Convertible Promissory Notes, as amended, is required to approve the issuance of shares of our common stock pursuant to the Notes in an aggregate amount exceeding 19.99% of our outstanding stock on the date the Notes were sold. A properly executed proxy marked **ABSTAIN** with respect to this proposal will be counted for purposes of determining whether a quorum exists. However, under Pennsylvania law, a proxy marked **ABSTAIN** is not considered a vote cast. Accordingly, an abstention will have no effect on the approval of this proposal. Pursuant to applicable rules of The Nasdaq Stock Market and the terms of the Notes and the Note and Warrant Purchase Agreement between Verticalnet and the holders of the Notes, dated as of August 16, 2005, as amended, the holders of shares of our common stock previously issued pursuant to the Notes are not entitled to cast votes on this proposal with respect to such shares and such shares will not be counted for purposes of determining whether a quorum exists with respect to this proposal.

No Appraisal Rights

No appraisal rights are available under the Pennsylvania Business Corporation Law or under our Amended and Restated Articles of Incorporation or bylaws to any shareholder who dissents from this proposal.

Annexes Relating to Proposal No. 3

All descriptions of the Notes are qualified in their entirety by reference to the form of Note and form of Amendment No. 1 to Note, attached to this proxy statement as Annexes 3 and 4, respectively.

Recommendation of the Board of Directors

THE BOARD OF DIRECTORS HAS UNANIMOUSLY APPROVED THE ISSUANCE OF SHARES OF OUR COMMON STOCK PURSUANT TO OUR \$6.6 MILLION SENIOR SECURED CONVERTIBLE PROMISSORY NOTES AND RECOMMENDS THAT YOU VOTE **FOR** THE APPROVAL OF PROPOSAL NO. 3.

PROPOSAL NO. 4 APPROVAL OF 2006 OMNIBUS EQUITY COMPENSATION PLAN

On March 2, 2006, the Board of Directors adopted, subject to shareholder approval at the Annual Meeting, the Verticalnet, Inc. 2006 Omnibus Equity Compensation Plan (the "Plan"). The Board of Directors has directed that the proposal to approve the Plan be submitted to our shareholders for their approval at the Annual Meeting. Also, shareholder approval is being sought (i) so that the compensation attributable to grants under the Plan may qualify for an exemption from the \$1 million deduction limit under Section 162(m) of the Code (see discussion of Section 162(m) under the section entitled "Federal Income Tax Consequences" beginning on page 23 of this proxy statement), (ii) in order for incentive stock options to meet the requirements of the Code, and (iii) in order to meet the Nasdaq corporate governance listing standards.

The Plan is intended to replace our Amended and Restated 1996 Equity Compensation Plan (the "1996 Plan"), which is scheduled to terminate by its terms on December 17, 2006. In addition to the 1996 Plan, we maintain the 2000 Equity Compensation Plan, the Equity Compensation Plan for Employees (1999) and the 1999 Long Term Incentive Plan. We also maintain four additional plans that we assumed in connection with prior acquisitions. A summary of the shares outstanding under each of these plans can be found under the section entitled "Equity Compensation Plan Information" on page 38 of this proxy statement. In 2005, we granted approximately 2.4 million options, restricted stock and restricted stock units to our employees, largely in lieu of cash bonuses. The effect of those grants has been to consume a large portion of the shares issuable under the Company's existing equity compensation plans.

The Board of Directors believes that the approval of the Plan by our shareholders will further our compensation structure and strategy by providing us with the ability to grant different forms of equity awards, as well as increase the pool of shares of our common stock available for grant. Our ability to attract, retain and motivate top quality management, employees, non-employee directors, and consultants is critical to our success, and the Board of Directors has concluded that this would be enhanced by our ability to make grants under the Plan. In addition, the Board of Directors believes that our interests and the interests of our shareholders will be advanced if we can offer our employees, non-employee directors, and consultants the opportunity to acquire or increase their proprietary interests in the Company.

The material terms of the Plan are summarized below. This summary of the Plan is not intended to be a complete description of the Plan and is qualified in its entirety by the actual text of the Plan to which reference is made, which is attached to this proxy statement as Annex 5.

Material Features of the Plan

General. The Plan provides that grants may be in any of the following forms: (i) incentive stock options, (ii) nonqualified stock options (incentive stock options and nonqualified stock options collectively are referred to as "options"), (iii) stock appreciation rights ("SARs"), (iv) stock units, (v) performance shares, (vi) stock awards, and (vii) other stock-based awards.

Subject to adjustment in certain circumstances as described below, the aggregate number of shares of common stock that may be issued or transferred under the Plan is 4,000,000 shares (this number will be adjusted to reflect the reverse stock split if Proposal No. 2 is approved by our shareholders and implemented by the Board of Directors). If and to the extent options and SARs granted under the Plan terminate, expire or are cancelled, forfeited, exchanged, or surrendered without having been exercised or if any stock awards, stock units, performance shares, or other stock-based awards are forfeited or terminated, or otherwise not paid in full, the shares subject to such grants which have not been issued will become available again for purposes of the Plan. To the extent any grants are paid in cash, and not in shares of common stock, any shares reserved for issuance pursuant to such grants will again be available for grant under the Plan.

The Plan provides that the maximum aggregate number of shares of common stock that may be made with respect to grants to any individual during any calendar year is 500,000 shares (this number will be adjusted to reflect the reverse stock split if Proposal No. 2 is approved by our shareholders and implemented by the Board of Directors), subject to adjustment as described below.

If approved by the shareholders, the Plan will become effective on May 20, 2006.

Administration. The Plan is administered and interpreted by the Compensation Committee; however, the Board of Directors or its delegate will make grants under the Plan to our non-employee directors. The Compensation Committee has the authority to (i) determine the individuals to whom grants will be made under the Plan, (ii) determine the type, size, and terms of the grants, (iii) determine the time when grants will be made and the duration of any applicable exercise or restriction period, including the criteria for exercisability and the acceleration of exercisability, (iv) amend the terms of any previously issued grant, subject to the limitations described below, (v) adopt guidelines separate from the Plan that set forth the specific terms and conditions for grants under the Plan, and (vi) deal with any other matters arising under the Plan. The determinations of the Compensation Committee are made in its sole discretion and are final, binding, and conclusive. The Compensation Committee presently consists of Messrs. Ballowe, Schott and Wash, each of whom is a non-employee director. Day-to-day administrative functions of the Plan may be performed by our employees, as approved by the Compensation Committee.

Eligibility for Participation. All of our employees (including officers and members of the Board of Directors) and the employees of our subsidiaries are eligible for grants under the Plan. Our non-employee directors, including non-employee directors of our subsidiaries, are also eligible to receive grants under the Plan. All of our consultants, including consultants of our subsidiaries, are also eligible to receive grants under the Plan. As of March 1, 2006, approximately 136 employees and seven non-employee directors will be eligible to receive grants under the Plan. The number of consultants eligible to receive grants under the Plan is not presently known.

Types of Awards.

Stock Options

The Compensation Committee may grant options intended to qualify as incentive stock options within the meaning of Section 422 of the Code (ISOs), so-called nonqualified stock options that are not intended to so qualify (NQSOs), or any combination of ISOs and NQSOs. Anyone eligible to participate in the Plan may receive a grant of NQSOs. Only our employees and certain employees of our subsidiaries may receive a grant of ISOs.

The Compensation Committee fixes the exercise price per share for options on the date of grant. The exercise price of any option granted under the Plan will be equal to or greater than the fair market value of the underlying shares of common stock on the date of grant; however, if a participant who will be granted an ISO is a person who holds more than 10% of the total combined voting power of all classes of our outstanding stock or any of our subsidiaries, the exercise price per share of an ISO granted to such person must be at least 110% of the fair market value of a share of common stock on the date of grant. To the extent that the aggregate fair market value of shares of common stock, determined on the date of grant, with respect to which ISOs become exercisable for the first time by a participant during any calendar year exceeds \$100,000, such ISOs will be treated as NQSOs.

The Compensation Committee determines the term of each option, provided, however, that the term may not exceed ten years from the date of grant and, if the recipient of an ISO is a person who holds more than 10% of the combined voting power of all classes of our outstanding stock or any of our subsidiaries, the term for such person may not exceed five years from the date of grant. The vesting period for options commences on the date of grant and ends on such date as is determined by the Compensation Committee, in its sole discretion, which is specified in the grant letter. Options may be exercised while the participant is employed by us or providing service to us or within a specified period of time after termination of such employment or service, as determined by the Compensation Committee. A participant may exercise an option by delivering notice of exercise to us or our designated agent. The participant will pay the exercise price and any withholding taxes for the option: (i) in cash or by check, (ii) with the approval of the Compensation Committee, by delivering shares of our common stock already owned by the participant and having a fair market value on the date of exercise equal to the exercise price or through attestation to ownership of such shares, (iii) in cash, on the T+3 settlement date that occurs after the exercise date specified in the notice of exercise, or (iv) by such other method as the Compensation Committee may approve, to the extent permitted by applicable law.

SARs

The Compensation Committee may grant SARs to anyone eligible to participate in the Plan. Upon exercise of an SAR, the participant will receive an amount equal to the excess of the fair market value of the common stock on the date of exercise over the base amount set forth in the grant letter. Such payment to the participant will be in cash, in shares of common stock, or in a combination of cash and shares of common stock, as determined by the Compensation Committee. The Compensation Committee will determine the period when SARs vest and become exercisable, the base amount for SARs, and whether SARs will be granted in connection with, or independently of, any options. SARs may be exercised while the participant is employed by us or providing service to us or within a specified period of time after termination of such employment or service, as determined by the Compensation Committee.

Stock Units

The Compensation Committee may grant stock units to anyone eligible to participate in the Plan. Each stock unit provides the participant with the right to receive a share of common stock or an amount based on the value of a share of common stock at a future date. The Compensation Committee determines the number of stock units that will be granted, whether stock units will become payable if specified performance goals or other conditions are met, and the other terms and conditions applicable to the stock units. Stock units may be paid at the end of a specified period or deferred to a date authorized by the Compensation Committee. If a stock unit becomes distributable, it will be paid to the participant in cash, in shares of common stock, or in a combination of cash and shares of common stock, as determined by the Compensation Committee.

Performance Shares

The Compensation Committee may grant performance shares to anyone eligible to participate in the Plan. Each performance share provides the participant with the right to receive a share of common stock or an amount based on the value of a share of common stock if specified performance goals are met. The Compensation Committee determines the number of performance shares that will be granted, the performance goals, the target amount that will be paid, and the other terms and conditions applicable to the performance shares. Payments with respect to performance shares will be made in cash, in shares of common stock, or in a combination of cash and shares of common stock, as determined by the Compensation Committee.

Stock Awards

The Compensation Committee may grant stock awards to anyone eligible to participate in the Plan. The Compensation Committee may require that participants pay consideration for the stock awards and may impose restrictions on the stock awards. If restrictions are imposed on stock awards, the Compensation Committee will determine whether they will lapse over a period of time or according to such other criteria as the Compensation Committee determines appropriate. The Compensation Committee determines the number of shares of common stock subject to the grant of stock awards and the other terms and conditions of the grant. The Compensation Committee will determine to what extent, and under what conditions, a participant will have the right to vote shares of common stock and to receive dividends or other distributions paid on such shares during the restriction period. The Compensation Committee may determine that a participant's entitlement to dividends or other distributions with respect to stock awards will be subject to the achievement of performance goals or other conditions.

Other Stock-Based Awards

The Compensation Committee may grant other types of stock-based awards that would not otherwise constitute options, SARs, stock units, performance shares and stock awards. The Compensation Committee may grant other stock-based awards to anyone eligible to participate in the Plan. These grants will be cash-based or based on or measured by shares of our common stock and will be payable in cash, in shares of our common stock, or in a combination of cash and shares of common stock. The terms and conditions for these grants will be determined by the Compensation Committee.

Other Features of the Plan

Qualified Performance Compensation. The Plan permits the Compensation Committee to impose and specify objective performance goals that must be met with respect to grants of stock units, performance shares, stock

awards and other stock-based awards to employees. The Compensation Committee will determine the performance periods for the performance goals. Forfeiture of all or part of any such grant will occur if the performance goals are not met, as determined by the Compensation Committee. Prior to, or soon after the beginning of, the performance period, the Compensation Committee will establish in writing the performance goals that must be met, the applicable performance periods, the amounts to be paid if the performance goals are met, and any other conditions.

The performance goals, to the extent designed to meet the requirements of Section 162(m) of the Code, will be based on one or more of the following measures: common stock price, earnings per share of common stock, net earnings, operating earnings, return on assets, shareholder return, return on equity, growth in assets, unit volume, sales, market share, or strategic business criteria consisting of one or more objectives based on meeting specific revenue goals, market penetration goals, geographic business expansion goals, cost goals, or goals relating to acquisitions or divestitures. The foregoing measures may be based on the performance of the employee's business unit, our performance, our subsidiaries performance, the performance of us and our subsidiaries as a whole, or a combination of the foregoing.

Deferrals. The Compensation Committee may permit or require participants to defer receipt of the payment of cash or the delivery of shares of common stock that would otherwise be due to the participant in connection with a grant under the Plan. The Compensation Committee will establish the rules and procedures applicable to any such deferrals.

Adjustment Provisions. If there is any change in the number or kind of shares of common stock by reason of a stock dividend, spinoff, recapitalization, stock split, or combination or exchange of shares; by reason of a merger, reorganization, or consolidation; by reason of a recapitalization or change in par value or by reason of any other extraordinary or unusual event affecting the outstanding shares of common stock as a class without our receipt of consideration, or if the value of outstanding shares of common stock is substantially reduced as a result of a spinoff or our payment of an extraordinary dividend or distribution, the number of shares of common stock available for grants, the limit on the number of shares of common stock for which any individual may receive pursuant to grants in any year, the number of shares covered by outstanding grants, the kind of shares to be issued or transferred under the Plan, and the price per share or the applicable market value of such grants will be appropriately adjusted by the Compensation Committee to reflect any increase or decrease in the number or kind of issued shares of common stock in order to preclude, to the extent practicable, the enlargement or dilution of the rights and benefits under such grants.

Change in Control. If a change in control occurs where we are not the surviving corporation (or we survive as a subsidiary of another corporation), unless the Compensation Committee determines otherwise, all outstanding options and SARs that are not exercised will be assumed by, or replaced with comparable options and rights by, the surviving corporation (or a parent or subsidiary of the surviving corporation), and other grants that remain outstanding will be converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation).

Further, in the event of a change in control, the Compensation Committee may take any of the following actions: (i) outstanding options and SARs will automatically accelerate and become fully or partially exercisable, (ii) the restrictions and conditions on outstanding stock awards will fully or partially lapse, (iii) participants holding outstanding performance shares will receive payment in settlement of all or a portion of such performance shares, in an amount determined by the Compensation Committee, based on the participant's target payment for the performance period and the portion of the performance period that precedes the change in control, (iv) outstanding stock units will become payable in cash or common stock in an amount not less than their target amount, as determined by the Compensation Committee, (v) other stock-based awards will become payable in full or in part in cash or common stock, in amounts determined by the Compensation Committee, (vi) the Compensation Committee may require the surrender of outstanding options and SARs for payment in cash, common stock or other property, equal to the difference between the exercise price or base amount and the fair market value of the common stock, (vii) after providing participants with the ability to exercise their outstanding options and SARs, terminate such options and SARs, and/or (viii) with respect to outstanding stock units, performance shares or other stock-based awards, provide for a payment in settlement of such grants in an amount and form determined by the Compensation Committee.

Foreign Participants. If any individual who receives a grant under the Plan is subject to taxation in countries other than the United States, the Plan provides that the Compensation Committee may make grants to such individuals on such terms and conditions as the Compensation Committee determines appropriate to comply with the laws of the applicable countries.

Repricing of Options. The Plan includes a restriction providing that, without shareholder approval, neither the Compensation Committee nor the Board of Directors can amend or replace options previously granted under the Plan in a transaction that constitutes a repricing, as that term is defined under the Nasdaq corporate governance listing standards. Adjustments to the exercise price or number of shares of common stock subject to an option to reflect the effects of a stock split or other extraordinary corporate transaction will not constitute a repricing.

Amendment and Termination of the Plan. The Board of Directors may amend or terminate the Plan at any time, subject to shareholder approval if such approval is required under any applicable laws or stock exchange requirements. No grants may be issued under the Plan after May 19, 2016.

Grants Under the Plan. No grants have been awarded under the Plan. It is currently not possible to predict the number of shares of common stock that will be granted or who will receive any grants under the Plan assuming shareholder approval at the meeting.

The last sales price of our common stock on March 1, 2006 was \$0.56 per share.

Federal Income Tax Consequences

The federal income tax consequences arising with respect to grants awarded under the Plan will depend on the type of grant. The following provides only a general description of the application of federal income tax laws to certain grants under the Plan. This discussion is intended for the information of shareholders considering how to vote at the meeting and not as tax guidance to participants in the Plan, as the consequences may vary with the types of grants made, the identity of the recipients, and the method of payment or settlement. The summary does not address the effects of other federal taxes (including possible golden parachute excise taxes) or taxes imposed under state, local, or foreign tax laws.

From the recipients' standpoint, as a general rule, ordinary income will be recognized at the time of payment of cash or delivery of actual shares of common stock. Future appreciation on shares of common stock held beyond the ordinary income recognition event will be taxable at capital gains rates when the shares of common stock are sold. We, as a general rule, will be entitled to a tax deduction that corresponds in time and amount to the ordinary income recognized by the recipient, and we will not be entitled to any tax deduction in respect of capital gain income recognized by the recipient.

Exceptions to these general rules may arise under the following circumstances: (i) if shares of common stock, when delivered, are subject to a substantial risk of forfeiture by reason of failure to satisfy any employment-, service-, or performance-related condition, ordinary income taxation and our tax deduction will be delayed until the risk of forfeiture lapses (unless the recipient makes a special election to ignore the risk of forfeiture); (ii) if an employee is granted an option that qualifies as an ISO, no ordinary income will be recognized, and we will not be entitled to any tax deduction, if shares of common stock acquired upon exercise of such option are held more than the longer of one year from the date of exercise and two years from the date of grant; (iii) we will not be entitled to a tax deduction for compensation attributable to grants to our chief executive officer or any of our four other most highly compensated officers, if and to the extent such compensation does not qualify as performance-based compensation under Section 162(m) of the Code, and such compensation, along with any other non-performance-based compensation paid in the same calendar year, exceeds \$1 million; and (iv) a grant may be taxable to the recipient at 20 percentage points above ordinary income tax rates at the time it becomes vested, plus interest, even if that is prior to the delivery of the cash or common stock in settlement of the award, if the grant constitutes deferred compensation under Section 409A of the Code, and the requirements of Section 409A of the Code are not satisfied.

Section 162(m) of the Code generally disallows a publicly held corporation's tax deduction for compensation paid to its chief executive officer or any of its four other most highly compensated officers in excess of

\$1 million in any year. Compensation that qualifies as performance-based compensation is excluded from the \$1 million deductibility cap and therefore remains fully deductible by the corporation that pays it. We intend that options and SARs will qualify as performance-based compensation. Stock units, performance shares, stock awards, and other stock-based awards granted under the Plan will only qualify as performance-based compensation when the Compensation Committee conditions such grants on the achievement of specific performance goals in accordance with the requirements of Section 162(m) of the Code.

The Plan provides that we have the right to require the recipient of any grant under the Plan to pay to us an amount necessary to satisfy our federal, state, or local tax withholding obligations with respect to such grants. We may withhold from other amounts payable to such individual an amount necessary to satisfy these obligations. If the Compensation Committee permits, a participant may satisfy our withholding obligation by having shares acquired pursuant to the grant withheld, provided that the number of shares withheld does not exceed the individual's minimum applicable withholding tax rate for federal, state, and local tax liabilities.

Votes Required for Approval of Proposal No. 4

The affirmative vote of a majority of the votes cast by all the shareholders entitled to vote for this proposal will be required for approval. A properly executed proxy marked "ABSTAIN" with respect to this proposal will be counted for purposes of determining whether there is a quorum. However, under Pennsylvania law, a proxy marked "ABSTAIN" is not considered a vote cast. Accordingly, an abstention will have no effect on the approval of this proposal.

Annex Relating to Proposal No. 4

The full text of the Plan is attached to this proxy statement as Annex 5.

Recommendation of the Board of Directors

THE BOARD OF DIRECTORS HAS UNANIMOUSLY APPROVED THE 2006 OMNIBUS EQUITY COMPENSATION PLAN AND RECOMMENDS THAT YOU VOTE **FOR** THE APPROVAL OF PROPOSAL NO. 4.

**PROPOSAL NO. 5 APPROVAL OF THE PROPOSED AMENDMENT TO THE AMENDED
AND RESTATED ARTICLES OF INCORPORATION TO INCREASE THE NUMBER OF
AUTHORIZED SHARES OF COMMON STOCK TO 150,000,000 SHARES**

Overview

On March 2, 2006, the Board of Directors unanimously approved an amendment to our Amended and Restated Articles of Incorporation which would increase the number of authorized shares of common stock, par value \$0.01 per share, to 150,000,000 shares prior to any reverse stock split that may be approved. See Proposal No. 2, page 9 of this proxy statement. As of March 1, 2006, we were authorized to issue up to 100,000,000 shares of common stock, of which 51,508,660 shares were issued and outstanding. As of March 1, 2006, approximately 26,284,735 shares were reserved for issuance upon exercise or conversion of warrants, convertible notes, as well as under our compensation and benefit plans.

The Board of Directors would like to increase the number of authorized shares of common stock to accommodate any future stock splits, acquisitions, financings and other corporate purposes. Regardless of whether Proposal No. 2 is approved, the Board of Directors desires to increase the number of authorized shares of common stock from 100,000,000 to 150,000,000 shares.

The Board of Directors has previously approved two separate two-for-one stock splits, each effected in the form of a stock dividend, and a one-for-ten reverse stock split. The availability of additional shares for issuance or reservation will provide the Company the flexibility to issue shares of its common stock for possible acquisitions, financings and other corporate purposes, without incurring the expense or delay of a special shareholders meeting. Other than with respect to the reservation of shares of common stock in connection with Verticalnet's 2006 Omnibus Equity Compensation Plan or as publicly announced, the Company has no existing or proposed plans, agreements or understandings to issue, or reserve for future issuance, any of the additional shares of common stock that would be authorized by the proposed amendment. The new shares of common stock would have the same rights as the presently authorized shares of common stock.

We are subject to restrictions on its ability to issue additional shares of common stock in some situations. The Nasdaq National Market requires that the Company obtain shareholder approval before it issues its common stock in certain circumstances, including when the number of shares to be issued equals or exceeds 20% of the voting power outstanding. There are numerous other situations, however, where the Board of Directors can issue shares of common stock without seeking the approval of the shareholders. The issuance of additional shares of common stock, other than in connection with a stock split, could have a dilutive effect on your ownership of the Company. Shareholders do not have preemptive rights. Additionally, the issuance of shares in certain instances may have the effect of forestalling a merger, tender offer, proxy contest, assumption of control by a holder of a large block of the Company's stock or the removal of its incumbent management. The Board of Directors does not intend or view the increase in authorized common stock as an anti-takeover measure, nor is the Company aware of any proposed or contemplated transaction of this type.

Annex Relating to Proposal No. 5

The form of the proposed amendment to the Company's Amended and Restated Articles of Incorporation is attached to this proxy statement as Annex 6.

Recommendation of the Board of Directors

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE **FOR** THE APPROVAL OF THE PROPOSED AMENDMENT TO THE AMENDED AND RESTATED ARTICLES OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK TO 150,000,000 SHARES.

Executive Officers

The following table sets forth the name, age, and position of each person who was serving as an executive officer as of March 1, 2006.

Name	Age	Position
Nathanael V. Lentz	43	President and Chief Executive Officer
Gene S. Godick	40	Executive Vice President and Chief Financial Officer
Brent W. Habig	36	Executive Vice President, Sales and Consulting
Christopher G. Kuhn	54	Vice President, General Counsel, and Secretary

Set forth below is biographical information about each of our executive officers, except for Mr. Lentz whose biographical information is provided above under Incumbent Directors. The executive officers are elected or appointed by our Board of Directors to serve until election or appointment and qualification of their successors or their earlier death, resignation or removal.

NATHANAEL V. LENTZ - see biographical description above.

GENE S. GODICK - has served as our Executive Vice President and Chief Financial Officer since February 2003. Mr. Godick also previously served as our Chief Financial Officer from June 1998 until October 2001 and as a financial consultant to the Company from November 2002 to February 2003. For the period from December 2001 through June 2002, Mr. Godick served as the Chief Financial Officer of TargetRx, Inc., a privately owned company based in Horsham, Pennsylvania. From 1997 until 1998 he worked as a senior manager at KPMG LLP in their information, communications and entertainment practice, with a focus on high technology companies. Prior to joining KPMG, Mr. Godick was President and Chief Financial Officer of Industrial Construction, Inc., a privately owned environmental remediation firm, from 1994 to 1997. From 1987 until 1994, Mr. Godick was an accountant and manager for Arthur Andersen LLP's Enterprise Group, which provided services to emerging growth technology and software companies. Mr. Godick received a B.S. from Villanova University and is an inactive Certified Public Accountant in the Commonwealth of Pennsylvania.

BRENT W. HABIG - has served as our Executive Vice President, Sales and Consulting since January 2004. Mr. Habig was previously President and Chief Executive Officer of Tigris Corp. which he founded in 1996. Prior to founding Tigris, Mr. Habig built and led a specialized technology group to support Bristol-Myers Squibb's global strategic sourcing initiative. Mr. Habig graduated from Oberlin College with a degree in Chinese Literature and Piano Performance and a concentration in Biochemistry. He is a member of Phi Beta Kappa. He also researched medical anthropology and lived in China for several years, in part through the esteemed Thomas J. Watson Fellowship. Mr. Habig is fluent in Mandarin Chinese.

CHRISTOPHER G. KUHN - has served as our Vice President, General Counsel, and Secretary since October 2002. From February 2000 through October 2002, Mr. Kuhn was Verticalnet's Vice President of Legal Affairs and Assistant Secretary. From December 1998 through February 2000, he was General Counsel of the Company. Prior to that, he was an attorney with the law firm of Silberman & DiFilippo from 1989 to 1998. Mr. Kuhn received a B.A. from West Chester State College and a J.D. from the Delaware Law School.

Summary Compensation Table

The following table sets forth information concerning total compensation earned or paid during the years ended December 31, 2005, 2004 and 2003 to Verticalnet's chief executive officer and its four other most highly compensated executive officers whose salary and bonus exceed \$100,000 for the year ended December 31, 2005 (the named executive officers), for services rendered to Verticalnet during each of the last three fiscal years.

Summary Compensation Table

Name and Principal Position	Fiscal Year	Annual Compensation		Long Term Compensation	
		Annual Salary	Bonus	No. of Stock Options Granted	Restricted Stock Awards (9)
Nathanael V. Lentz <i>President and Chief Executive Officer</i>	2005	\$ 385,000		137,500	\$ 76,698 (1)
	2004	\$ 382,083	\$ 63,334	114,514	\$ 227,884 (2)
	2003	\$ 360,013		300,890	
Gene S. Godick <i>Executive Vice President and Chief Financial Officer</i>	2005	\$ 330,000		62,500	\$ 45,469 (3)
	2004	\$ 327,500	\$ 50,000	83,440	\$ 170,912 (4)
	2003	\$ 275,000		319,237	\$ 63,000 (5)
Brent W. Habig <i>Executive Vice President, Sales and Consulting</i>	2005	\$ 300,000		50,000	\$ 46,564 (6)
	2004	\$ 263,077	\$ 30,000	150,000	
Christopher G. Kuhn <i>Vice President - General Counsel and Secretary</i>	2005	\$ 181,500		35,000	\$ 26,856 (7)
	2004	\$ 180,125	\$ 18,000	48,996	\$ 113,940 (8)
	2003	\$ 170,456		138,169	

(1) Mr. Lentz's Restricted Stock Awards consist of the following three grants:

(a) The first grant vested 100% on March 2, 2005. As of December 31, 2005, the aggregate value of this award was \$15,833.

(b) The second grant will vest 25% on May 5, 2006 and will vest 6.25% every three months thereafter. As of December 31, 2005, the aggregate value of this award was \$19,594.

(c) The third grant will vest 25% on September 8, 2006 and will vest 6.25% every three months thereafter. As of December 31, 2005, the aggregate value of this award was \$19,594.

(2) Mr. Lentz's Restricted Stock Award vested 33% on February 10, 2004 and vested 16.75% every six months thereafter. As of December 31, 2005, the aggregate value of this award was \$43,588.

(3) Mr. Godick's Restricted Stock Awards consist of the following three grants:

(a) The first grant vested 100% on March 2, 2005. As of December 31, 2005, the aggregate value of this award was \$12,500.

(b) The second grant will vest 25% on May 5, 2006 and will vest 6.25% every three months thereafter. As of December 31, 2005, the aggregate value of this award was \$8,906.

(c) The third grant will vest 25% on September 8, 2006 and will vest 6.25% every three months thereafter. As of December 31, 2005, the aggregate value of this award was \$8,906.

(4) Mr. Godick's Restricted Stock Award vested 33% on February 10, 2004 and vested 16.75% every six months thereafter. As of December 31, 2005, the aggregate value of this award was \$32,691.

(5) Mr. Godick's Restricted Stock Award vested 25% every six months from its grant date of February 6, 2003. As of December 31, 2005, the aggregate value of this award was \$43,500.

(6) Mr. Habig's Restricted Stock Awards consist of the following five grants:

(a) The first grant vested 100% on March 2, 2005. As of December 31, 2005, the aggregate value of this award was \$7,500.

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(b) The second grant will vest 25% on May 5, 2006 and will vest 6.25% every three months thereafter. As of December 31, 2005, the aggregate value of this award was \$7,125.

(c) The third grant will vest 25% on September 8, 2006 and will vest 6.25% every three months thereafter. As of December 31, 2005, the aggregate value of this award was \$7,125.

- (d) The fourth grant will vest 100% on May 10, 2006. As of December 31, 2005, the aggregate value of this award was \$6,364.
- (e) The fifth grant will vest 25% on November 10, 2006 and will vest 2.083% monthly thereafter. As of December 31, 2005, the aggregate value of this award was \$14,250.
- (7) Mr. Kuhn's Restricted Stock Awards consist of the following five grants:
- (a) The first grant vested 100% on March 2, 2005. As of December 31, 2005, the aggregate value of this award was \$4,500.
- (b) The second grant will vest 25% on May 5, 2006 and will vest 6.25% every three months thereafter. As of December 31, 2005, the aggregate value of this award was \$4,988.
- (c) The third grant will vest 25% on September 8, 2006 and will vest 6.25% every three months thereafter. As of December 31, 2005, the aggregate value of this award was \$4,988.
- (d) The fourth grant will vest 100% on May 10, 2006. As of December 31, 2005, the aggregate value of this award was \$2,407.
- (e) The fifth grant will vest 25% on November 10, 2006 and will vest 2.083% monthly thereafter. As of December 31, 2005, the aggregate value of this award was \$6,270.
- (8) Mr. Kuhn's Restricted Stock Award vested 33% on February 10, 2004 and vested 16.75% every six months thereafter. As of December 31, 2005, the aggregate value of this award was \$21,794.
- (9) Represents RSU and Restricted Stock grants, therefore no dividends will be paid on these grants.

Shareholder Communications

The Board of Directors will give appropriate attention to written communications that are submitted by shareholders, and will respond if and as appropriate. Absent unusual circumstances or as contemplated by committee charters and subject to any required assistance or advice from legal counsel, Mr. Nickolas, the Chairman of the Nominating and Corporate Governance Committee, is primarily responsible for monitoring communications from shareholders and for providing copies or summaries of such communications to the other directors as he considers appropriate.

Communications are forwarded to all directors if they relate to important substantive matters and include suggestions or comments that Mr. Nickolas as the Chairman of the Nominating and Corporate Governance Committee considers to be important to the directors to know. In general, communications relating to corporate governance and long-term corporate strategy are more likely to be forwarded than communications relating to ordinary business affairs and personal grievances.

Shareholders who wish to send communications on any topic to the Board of Directors should address such communications in care of Christopher G. Kuhn, Secretary, at Verticalnet, Inc., 400 Chester Field Parkway, Malvern, Pennsylvania 19355.

REPORT OF THE AUDIT COMMITTEE

The following report of the Audit Committee, as well as the report of the Compensation Committee and the performance graph included elsewhere in this proxy statement, do not constitute soliciting material and should not be deemed filed or incorporated by reference into any other filing Verticalnet makes under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent Verticalnet specifically incorporates these reports or the performance graph by reference therein.

The Audit Committee of the Board of Directors is responsible for providing independent, objective oversight of the Company's financial reporting process and internal controls. Management is responsible for the Company's internal controls and financial reporting processes. The independent registered public accounting firm is responsible for performing an independent audit of the Company's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and for issuing a report thereon. The Audit Committee's responsibility is to monitor and oversee these processes.

In connection with the preparation and filing of Verticalnet's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, which was filed on March 31, 2006, the Audit Committee (i) reviewed and discussed Verticalnet's audited consolidated financial statements for the fiscal year ended December 31, 2005 with Verticalnet's management and with Verticalnet's independent registered public accounting firm, KPMG LLP, (ii) discussed with KPMG LLP the matters required to be discussed by the Rules of the SEC and the standards of the Public Company Accounting Oversight Board (United States), (iii) received from KPMG LLP written affirmation of their independence, and discussed with KPMG LLP that firm's independence and (iv) considered whether KPMG LLP's provision of non-audit services was compatible with maintaining that firm's independence. Based on the review and discussions referred to above, among other things, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements for the fiscal year ended December 31, 2005 be included in Verticalnet's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, which was filed on March 31, 2006, for filing with the SEC.

THE AUDIT COMMITTEE

Vincent J. Milano, Chairman

Jeffrey C. Ballowe

Gregory G. Schott

Independent Registered Public Accounting Firm

KPMG LLP audited Verticalnet's consolidated financial statements for the year ended December 31, 2005. The Audit Committee of the Board of Directors, consistent with provisions of the Sarbanes-Oxley Act, has selected KPMG LLP as the Company's independent registered public accounting firm for the year ending December 31, 2006.

One or more representatives of KPMG LLP are expected to attend the Annual Meeting and will be available to respond to appropriate questions. They will have an opportunity to make a statement if they so desire.

2005 and 2004 Summary of Fees Paid to Independent Registered Public Accounting Firm

The following table presents fees paid for professional audit services rendered by KPMG LLP for the audit of the Company's annual consolidated financial statements for 2005 and 2004, and fees billed for other services rendered by KPMG LLP.

	2005	2004
Audit fees	\$ 322,466	\$ 371,000
Audit-related fees (1)	1,500	137,200
Audit and audit-related fees	323,966	508,200
Tax fees (2)	6,879	7,000
All other fees		
Total fees	\$ 330,845	\$ 515,200

(1) Audit-related fees consist principally of fees for performing due diligence services.

(2) Tax fees consist of fees for tax consultation and compliance services.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services to be Provided by Independent Registered Public Accounting Firm

The Audit Committee is responsible for appointing, setting compensation for and overseeing the work of the independent registered public accounting firm. The Audit Committee has established a policy regarding pre-approval of the retention of the independent registered public accounting firm for the performance of all audit and lawfully permitted non-audit services and regarding pre-approval of the fees for such services. On an on-going basis, management communicates specific projects and categories of service for which the advance approval of the Audit Committee is requested. The Audit Committee reviews these requests prior to the rendering of such services after due consideration of the effect of the performance thereof on the independence of the independent registered public accounting firm and advises management if the Audit Committee approves the engagement of the independent registered public accounting firm to provide these services, as well as certain fee levels for these services. On a periodic basis, management reports to the Audit Committee regarding the actual spending for such projects and services as compared to the pre-approved fee levels. The Audit Committee also has delegated the ability to pre-approve audit and lawfully permitted non-audit services to Mr. Milano, provided that any pre-approvals by Mr. Milano are reported to the full Audit Committee at its next scheduled meeting.

The prior approval of the Audit Committee was obtained for all services provided by KPMG LLP in 2005.

REPORT OF THE COMPENSATION COMMITTEE

The Compensation Committee of the Board of Directors, which reviews Verticalnet's general compensation policies and approves incentive compensation and stock option plans, has furnished the following report on executive compensation for 2005. All matters approved by the Compensation Committee were recommended to the full Board of Directors for final approval.

What is Verticalnet's Philosophy of Executive Officer Compensation?

Verticalnet's philosophy of executive officer compensation is to align the interests of executive officers with the short- and long-term interests of Verticalnet's shareholders, to retain key executives and to attract new talented executives. Towards that goal, the compensation program for executives consists of three key elements:

- A base salary,
- A performance-based annual bonus, and
- Long-term incentives through grants of stock options and/or restricted stock.

The Compensation Committee believes that this approach best serves the interests of Verticalnet and its shareholders. Verticalnet operates in a challenging and competitive environment, so the Compensation Committee must ensure that executive officers are compensated in a way that advances both the short- and long-term interests of shareholders. Under this approach, a significant portion of an executive officer's total compensation is tied to performance. The variable annual bonus permits individual performance to be recognized on an annual basis, and is based on an evaluation of the contribution made by the executive officer to Verticalnet's performance, as determined by Mr. Lentz and discussed with the Compensation Committee, and in the case of Mr. Lentz, as determined by the Compensation Committee. Stock options and restricted stock relate a significant portion of long-term remuneration directly to stock price appreciation realized by Verticalnet's shareholders.

Base Salary: Base salaries for Verticalnet's executive officers, as well as changes in such salaries, are determined after considering numerous factors including:

- Competitive salaries;
- The nature of the officer's position and its subjective importance to Verticalnet's success;
- Level of experience;
- Expected amount of individual responsibility; and
- General market conditions.

Annual Bonus: Annual bonuses for executive officers of Verticalnet are based on the achievement of goals pertaining to financial and operating objectives, individual objectives, and goals relating to targets for areas of responsibility. The bonus plan weighs the objective goals more heavily than the subjective targets. The Compensation Committee and the Board of Directors determined that during 2005 some of the Company's strategic objectives, such as cost reductions and capital fundraising, had been successfully accomplished. However, those successes were offset by the Company's failure to achieve certain EBITDA targets later in the year.

In early 2005, in order to preserve the Company's limited cash, the Company's management proposed, and the Compensation Committee and Board of Directors approved, a new bonus program (the Bonus Plan) for executives that would replace cash bonuses for the executive team. The Bonus Plan provided, and the executive team voluntarily accepted, RSUs of a value of approximately 50% of the targeted cash bonuses for these individuals. The acceptance of a reduced value Bonus Plan by the executives was driven by several factors, including the potential increase in value of the restricted stock over the period and that Verticalnet had only a limited number of shares within its pool available for such a Bonus Plan. Due to the limited number of RSUs available under the Company's stock option plans and to make more RSUs available to valued members of the management team, both Mr. Lentz and Mr. Godick voluntarily agreed to not participate in the Bonus Plan.

In lieu of a cash bonus, the executive team (other than Mr. Lentz and Mr. Godick) was awarded an annual bonus paid in restricted stock in four quarterly installments. The amount of each quarterly installment actually paid to

each executive under the Bonus Plan was based upon the Company's overall performance as measured by EBITDA. For the first two quarters of 2005, the award was 100% of the Bonus Plan amount; for the third quarter, the award was 75% of the Bonus Plan amount; for the fourth quarter, the award was 100% of the Bonus Plan amount.

After the grants to the executive team, other than Mr. Lentz and Mr. Godick, were complete, the Compensation Committee determined that a sufficient number of shares were available in the option pool to grant Mr. Lentz and Mr. Godick a bonus and that the performance of Mr. Lentz and Mr. Godick warranted a bonus, notwithstanding that Mr. Lentz and Mr. Godick had voluntarily withdrawn from the Bonus Plan. Accordingly, the Compensation Committee granted Mr. Lentz and Mr. Godick a single grant of restricted stock on March 1, 2006 for their 2005 bonus using the same plan structure and performance measures as the rest of the executive team. The use of restricted stock instead of cash was done to preserve the Company's cash while increasing ownership of the Company by the executives, more closely tying their interests to those of shareholders.

The Compensation Committee reevaluates the performance targets each year to reflect Verticalnet's goals for the coming year.

Stock Options, Restricted Stock and RSUs: The Compensation Committee has utilized stock options and grants of restricted stock and RSUs to motivate and retain executive officers. The Compensation Committee believes that this form of compensation closely aligns the officers' interests with those of shareholders and provides an incentive to building long-term shareholder value. Options are typically granted annually and are subject to vesting provisions to encourage executive officers to remain employed with Verticalnet. Similarly, RSUs are granted at the inception of employment and thereafter on a periodic basis. Each executive officer receives stock options and/or RSUs based upon that officer's relative position, responsibilities and his or her anticipated performance and responsibilities. Additionally, the Compensation Committee reviews the prior level of grants to the executive officers and to other members of senior management, including the number of shares that continue to be subject to vesting under outstanding options, in setting the level of options to be granted to the executive officers. Stock options are granted at the market price on the date of grant and provide value only if the price of Verticalnet's common stock is over the exercise price on the date of exercise. Restricted stock and RSUs are granted at a price of \$0.01 per share.

In keeping with the Compensation Committee's overall compensation philosophy, because of practical considerations, such as the size of the available option pool, the Compensation Committee believes that the executives of the Company have been granted options to buy a smaller percentage of the Company than other companies of similar size. We believe we will be able to make significant progress on this issue if the 2006 Omnibus Equity Compensation Plan is approved by the shareholders, as recommended by the Board of Directors.

Annual Grant of Options. In February 2005, the Board of Directors determined that instead of a single option grant to executives, the annual option grant would be granted quarterly, subject to the discretion of the Compensation Committee, and based upon Company performance over the course of the year. The amount of any quarterly grant, the form of the grant (options, restricted stock or RSUs) and the exercise price of any grant will be determined by the Compensation Committee each quarter. The following table summarizes the grants made to the executive team for annual grants in 2005:

Grant Date	Quarter	% of Annual Grant	Form of Grant*	Exercise Price
March 2, 2005	Q1	25%	Options	\$ 1.38
May 5, 2005	Q2	25%	Restricted Stock**	\$ 0.01
September 8, 2005	Q3	25%	Restricted Stock**	\$ 0.01
November 10, 2005	Q4	25%	Options	\$ 0.43

* 25% of the all grants vest on the one year anniversary of the grant, and the remaining 75% vest quarterly over 36 months thereafter.

** Messrs. Lentz, Godick, Habig and Kuhn received grants of RSUs rather than Restricted Stock.

How was the Chief Executive Officer Compensated?

In 2005, Mr. Lentz received an annual salary of \$385,000. On March 1, 2006, Mr. Lentz received an annual bonus for 2005 paid in 123,750 shares of restricted stock, equivalent to 96% of the target restricted stock bonus as it was structured in early 2005 for the executive team. All of the restricted stock vests on September 1, 2006, provided Mr. Lentz is still employed by the Company on that date. The dollar value of this restricted stock grant at the date of issuance represented 45% of the cash value of Mr. Lentz's target bonus as set forth in his employment agreement, due to the price of the Company's common stock at the time of issuance. This is consistent with the goals of the Compensation Committee to tie both short term and long term incentives to the performance of the Company's stock. During 2005, Mr. Lentz received various grants totaling 137,500 options and 96,528 shares of restricted stock. Mr. Lentz was reimbursed the sum of \$794 for life insurance premiums and received a partial match of his 401(k) contribution in the amount of \$4,200. The Company began paying life insurance premiums for Mr. Lentz in exchange for his giving up a cash death benefit payment. The amount of the premiums paid by the Company covers a portion of a life insurance policy commensurate with the amount of the cash death benefit foregone by Mr. Lentz.

After conducting a thorough evaluation of Mr. Lentz's performance in 2005, the Compensation Committee and the Board of Directors believe that the salary, bonus, and benefits received by Mr. Lentz were appropriate given the increased software sales the Company began to experience in the second half of 2005, the strong management of cost reduction efforts, the Company's improved competitive position in its market space during 2005, Mr. Lentz's experience and knowledge of the Company, and Mr. Lentz's outstanding leadership of the Company during the year. The performance of the Company's stock price had and will continue to have an impact during 2006 on Mr. Lentz's total compensation given the non-cash nature of his bonus and the vesting period tied to this restricted stock grant.

How is the Company Addressing Internal Revenue Code Limits On Deductibility of Compensation?

Section 162(m) of the Code generally disallows a tax deduction to public corporations for compensation over \$1 million paid for any fiscal year to the individuals named in the Summary Compensation Table. However, the statute exempts qualifying performance-based compensation from the deduction limit if certain requirements are met. The Compensation Committee currently intends to structure performance-based compensation, including stock option grants and annual bonuses, to executive officers who may be subject to Section 162(m) in a manner that satisfies those requirements; however, the Compensation Committee reserves the authority to award non-deductible compensation as it may deem appropriate. Because of uncertainty surrounding the interpretation of Section 162(m), the Compensation Committee can give no assurance, notwithstanding Verticalnet's efforts, that compensation intended to satisfy the requirements for deductibility under Section 162(m) will in fact do so.

THE COMPENSATION COMMITTEE

Jeffrey C. Ballowe, Chairman

Gregory G. Schott

Darryl E. Wash

Compensation Committee Interlocks and Insider Participation

None of the executive officers, directors, or Compensation Committee members presently serve, or in the past served, on the compensation committee of any other company whose directors or executive officers served on our Compensation Committee.

Employment, Termination of Employment and Change-in-Control Agreements

The Company entered into employment agreements with the following executives on the terms as set forth below:

As of November 13, 2002, the Company entered into an employment agreement with Nathanael V. Lentz with an initial salary of \$350,000 per annum. The agreement has a term of two years, with automatic renewal unless either party gives at least one year advance notice of non-renewal. This agreement was amended on March 16, 2006. The agreement has a target bonus of 50% of salary, which is not guaranteed. If Mr. Lentz is terminated without cause or if he resigns for good reason, then he will receive, in exchange for a mutual general release, a lump sum cash payment equal to his base salary for one year, and a pro rata portion of any target bonus or other bonus Mr. Lentz would have earned in the year of termination, which bonus will be paid no later than March 15 of the year following the calendar year in which his employment terminates or, if earlier, when bonuses for such period are otherwise paid. In addition, he would receive continued healthcare coverage paid by the Company for one year; unvested options granted during 2001 would be accelerated for a period equal to six months plus one additional month for each month that the executive has been employed by the Company; all vested options granted during 2001 would be exercisable for five years after termination of employment (or the remaining term of the option, if shorter), his post-termination covenant against non-competition would be reduced to six months; and he would receive any other benefits due to him under programs we maintain and in which he was due a benefit at the time of his termination. Upon a change of control, all of his outstanding stock options, restricted stock grants, RSUs granted and other equity rights will become fully vested and/or exercisable. If within two years after a change of control, Mr. Lentz is terminated without cause or if he resigns for good reason, then he will receive the severance benefits described above, plus a lump sum cash payment equal to his target bonus for the year, and all stock options granted to him on or after March 16, 2006 will remain exercisable for the one year period after his termination of employment (or the remaining term of the option, if shorter). The agreement provides that Mr. Lentz may terminate his employment for any reason during the three months following the change of control and receive the change of control severance benefits. The agreement provides for a cap to his 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 Code. The agreement defines good reason after a change of control as (1) he is transferred more than 50 miles without consent; (2) a material reduction of authority, duties, or responsibilities after reasonable notice and a chance to cure; (3) any failure of the Company materially to comply with and satisfy the terms of the agreement; (4) non-renewal of the agreement by the Company; or (5) any action resulting in him not being the Chief Executive Officer of the Company.

As of February 3, 2003, the Company entered into an employment agreement with Gene S. Godick to be the Company's Chief Financial Officer with an initial salary of \$300,000 per annum. The agreement has a term of two years, with automatic renewal unless either party gives at least one year advance notice of non-renewal. The agreement was amended on March 16, 2006. The agreement has a target bonus of 40% of salary, which is not guaranteed. The agreement provides for a grant of 100,000 stock options and 75,000 RSUs. If Mr. Godick is terminated without cause or if he resigns for good reason, then he will receive, in exchange for a mutual general release, a lump sum cash payment equal to his base salary for one year, and a pro rata portion of any target bonus or any other bonus Mr. Godick would have earned in the year of termination of employment, which bonus will be paid no later than March 15 of the year following the calendar year in which his employment terminates or, if earlier, when bonuses for such period are otherwise paid. In addition, he would receive continued healthcare coverage paid by the Company for one year; the stock options granted to him on February 3, 2003 that are vested as of the date of his termination will remain exercisable for one year after termination of employment (or the remaining term of the option if shorter); his post-termination covenant against non-competition would be reduced to six months; and he would receive any benefits due to him under programs

we maintain and in which he was due a benefit at the time of his termination. Upon a change of control, all of his outstanding stock options, restricted stock grants, RSUs granted and other equity rights would become fully vested and/or exercisable. If within two years after a change of control, he is terminated without cause or if he resigns for good reason, then he will receive the severance benefits described above, plus a lump sum cash payment equal to his target bonus for the year, and all stock options granted to him on or after March 16, 2006 will remain exercisable for the one year period after his termination of employment (or the remaining term of the option, if shorter). The agreement provides that Mr. Godick may terminate his employment for any reason during the three months following the change of control and receive the change of control severance. The agreement provides for a cap to his 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 Code. The agreement defines good reason after a change of control as (1) he is transferred more than 50 miles without consent; (2) a material reduction of authority, duties, or responsibilities after reasonable notice and a chance to cure; (3) any failure of the Company materially to comply with and satisfy the terms of the agreement; (4) non-renewal of the agreement by the Company, or (5) any action resulting in him not being the Chief Financial Officer of the Company.

As of January 30, 2004, the Company entered into an employment agreement with Brent Habig to be the Company's Executive Vice President of Sales and Consulting with an initial salary of \$300,000 per annum. The agreement has a term of two years, with automatic renewal unless either party gives at least one year advance notice of non-renewal. The agreement has a target bonus of 40% of salary, which is not guaranteed. If Mr. Habig is terminated without cause (with one month advance notice of termination without cause), then he will receive, in exchange for a mutual general release, a lump sum payment equal to salary for one year and a pro rata portion of any target bonus Mr. Habig would have earned in the year of termination. In addition, the Company will pay healthcare coverage for one year, all vested options granted would be exercisable for one year after termination of employment, and Mr. Habig's non-competition agreement would be modified to reduce the period of non-competition to six months. If within two years after a change of control, Mr. Habig is terminated without cause or chooses to leave for good reason, then Mr. Habig will receive the termination without cause benefits above, but any vested options would only be exercisable for 90 days after termination of employment. The agreement provides for a cap to Mr. Habig'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 Code. The agreement defines good reason after a change of control as (1) Mr. Habig is transferred more than 50 miles without consent; (2) a material reduction of authority, duties or responsibilities after reasonable notice and a chance to cure; (3) any failure of the Company materially to comply with and satisfy the terms of the agreement; or (4) non-renewal of the agreement by the Company.

As of December 16, 2002, the Company entered into an employment agreement with Christopher G. Kuhn to be the Company's General Counsel with an initial salary of \$165,000 per annum. The agreement has a term of one year, with automatic renewal unless either party gives at least one year advance notice of non-renewal. If Mr. Kuhn is terminated without cause (with one month advance notice of termination without cause), then he will receive, in exchange for a mutual general release: a lump sum payment equal to salary for three months and a pro rata portion of any bonus Mr. Kuhn would have earned in the year of termination. In addition, the Company will pay healthcare coverage for six months; unvested options would be accelerated and all vested options would be exercisable for 90 days after termination of employment. If within one year after a change of control, the executive is terminated without cause or chooses to leave for good reason, then the executive will receive the termination without cause benefits above, except Mr. Kuhn will receive a lump sum payment equal to salary for six months. The agreement provides for a cap to the executive'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 Code. The agreement defines good reason after a change of control as (1) the executive is transferred more than 50 miles without consent; (2) a material reduction of authority, duties, or responsibilities after reasonable notice and a chance to cure; (3) any failure of the Company materially to comply with and satisfy the terms of the agreement; or (4) non-renewal of the agreement by the Company.

STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of our common stock as of March 1, 2006 by the following:

each of our directors,
each of our named executive officers (as defined in the Summary Compensation Table section of this proxy statement), and
all of our directors and executive officers as a group.

Beneficial ownership is determined in accordance with rules promulgated by the SEC. Under these rules, an individual or entity is deemed to be the beneficial owner of a security if that individual or entity has or shares voting power or investment power with respect to such security. Voting power includes the power to vote or to direct the voting of a security. Investment power includes the power to dispose of or to direct the disposition of a security. An individual or entity is also deemed to be the beneficial owner of shares of common stock that could be issued upon the exercise of outstanding options and warrants held by such individual or entity that were exercisable as of March 1, 2006 or exercisable within sixty (60) days of March 1, 2006.

Unless otherwise indicated, each beneficial owner named in the table below has sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable. The inclusion herein of any shares deemed beneficially owned does not constitute an admission of beneficial ownership of those shares.

Name	Aggregate Number of Shares Beneficially Owned (1)	Acquirable Within 60 days (2)	Total Beneficial Ownership	Percent of Shares Outstanding (3)
Gregory G. Schott	-	35,000	35,000	*
Nathanael V. Lentz	193,613	635,993	829,606	1.6%
Jeffrey C. Ballowe	152,530	38,714	191,244	*
Michael J. Hagan	203,005	50,769	253,774	*
Vincent J. Milano	-	35,000	35,000	*
John N. Nickolas	-	20,000	20,000	*
Mark L. Walsh	130,944	111,235	242,179	*
Darryl E. Wash (4) (5)	882,198	50,000	932,198	1.8%
Gene S. Godick	126,033	423,462	549,495	1.1%
Brent W. Habig	923,852	169,928	1,093,780	2.1%
Christopher G. Kuhn	180	247,173	247,353	*
All directors and executive officers as a group (11 persons)	2,612,355	1,817,274	4,429,629	8.6%

* Represents less than 1% of Verticalnet's outstanding common stock.

- (1) The number of shares shown includes shares that are individually or jointly owned, as well as shares over which the individual has either sole or shared investment or voting authority.
- (2) Unless otherwise noted, reflects the number of shares that could be purchased by exercise of options available at March 1, 2006 or within 60 days thereafter under Verticalnet's stock option plans or warrants that are currently exercisable.
- (3) Based on 51,508,660 shares of common stock outstanding (including 668,803 shares subject to an escrow agreement in connection with the Digital Union acquisition) at March 1, 2006.
- (4) Includes 818,743 shares owned by Ascend Ventures, LP. Mr. Wash is the managing partner of Ascend Ventures, LP. Mr. Wash disclaims beneficial ownership of these shares in their entirety.
- (5) Includes 88,455 shares owned by Halo-B2eMarkets, LLC. Mr. Wash is the managing member of Halo-B2eMarkets, LLC. Mr. Wash disclaims beneficial ownership of these shares in their entirety.

Stock Ownership

Verticalnet knows of no single person or group that is the beneficial owner of more than 5% of Verticalnet's common stock as of March 1, 2006.

Option Grants in Last Fiscal Year

The table below shows information about stock options granted during fiscal 2005 to each of the named executive officers:

	Number of Securities Underlying Options Granted	% of Total Options Granted to Employees	Exercise price per Share	Market Price on Grant Date	Expiration Date	Assumed Annual Rate of Stock Appreciation for Option Term (3)	
						5%	10%
Nathanael V. Lentz	68,750 (1)	4.73%	\$ 1.38	\$ 1.15	03/02/2015	\$ 33,909	\$ 110,193
	68,750 (2)	4.73%	\$ 0.43	\$ 0.43	11/10/2015	\$ 18,592	\$ 47,115
Gene S. Godick	31,250 (1)	2.15%	\$ 1.38	\$ 1.15	03/02/2015	\$ 15,413	\$ 50,088
	31,250 (2)	2.15%	\$ 0.43	\$ 0.43	11/10/2015	\$ 8,451	\$ 21,416
Brent W. Habig	25,000 (1)	1.72%	\$ 1.38	\$ 1.15	03/02/2015	\$ 12,331	\$ 40,070
	25,000 (2)	1.72%	\$ 0.43	\$ 0.43	11/10/2015	\$ 6,761	\$ 17,133
Christopher G. Kuhn	17,500 (1)	1.20%	\$ 1.38	\$ 1.15	03/02/2015	\$ 8,632	\$ 28,049
	17,500 (2)	1.20%	\$ 0.43	\$ 0.43	11/10/2015	\$ 4,732	\$ 11,993

(1) 25% of the grant vested on March 2, 2006. The remainder of the grant will vest at 2.08% monthly through March 2, 2009.

(2) 25% of the grant will vest on November 10, 2006. The remainder of the grant will vest at 2.08% monthly through November 10, 2009.

(3) These columns show gains that may exist for the respective options, assuming that the market price for the common stock appreciates from the date of grant over a period of ten years at annual rates of growth of 5% and 10%, respectively. The 5% and 10% rates of growth are mandated by rules of the Securities and Exchange Commission. There can be no assurance that the actual stock price appreciation over the ten-year option term will be at the assumed 5% and 10% levels or at any other defined level.

Option Exercises in Past Year

The table below sets forth information with respect to option exercises during fiscal 2005 by each of the named executive officers and the status of their options at December 31, 2005:

Aggregated Option Exercises during Fiscal 2005 and Option Values on December 31, 2005

	Number of Shares		Number of Unexercised Options		Value of Unexercised In-The-	
	Acquired Upon	Value	at 12/31/05		Money Options at 12/31/05 (2)	
	Exercise of	Realized Upon	Exercisable	Unexercisable	Exercisable	Unexercisable
Nathanael V. Lentz	-	\$ -	563,978	175,927	\$ 11,890	\$ 10,312
Gene S. Godick	-	-	373,857	91,320	\$ 6,422	\$ 4,687
Brent W. Habig	-	-	112,500	87,500	\$ -	\$ 3,750
Christopher G. Kuhn	-	-	202,708	54,214	\$ 4,265	\$ 2,625

(1) Represents the difference between the market price on the exercise date and the exercise price, multiplied by the number of options exercised. Does not necessarily reflect the value received if the individual sells the shares acquired by the option exercise, since the market price of the shares at the time of sale may be higher or lower than the market price on the date of exercise.

(2)

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Represents the difference between the year-end stock price (\$0.58 per share) and the exercise price associated with each option, multiplied by the number of shares underlying the options.

Equity Compensation Plan Information

The following table provides information on all existing equity compensation plans as of December 31, 2005, but does not include the proposed Plan.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column(a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders:			
Amended and Restated 1996 Equity Compensation Plan	601,787	\$ 8.59	42,375
1999 Long Term Incentive Plan	573,430	2.52	352,791
1999 Equity Compensation Plan	1,276,916	4.92	177,994
Verticalnet, Inc. 2000 Equity Compensation Plan	4,605,349	4.02	1,233,363
1998 Tigris Plan (1)	128,554	2.38	34,377
1999 Isadra NQ Plan (2)	57,961	6.65	9,691
Atlas Commerce Plan 1999 LTIP (3)	173,180	8.15	37,813
Isadra Rollover Plan (2)			3,143
	7,417,177		1,891,547

- (1) Assumed pursuant to acquisition of Tigris Corp. in January 2004.
(2) Assumed pursuant to acquisition of Isadra, Inc. in May 1999.
(3) Assumed pursuant to acquisition of Atlas Commerce, Inc. in December 2001.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING

Section 16(a) of the Securities Exchange Act of 1934 requires officers, directors and holders of more than 10% of Verticalnet's common stock to file reports of ownership and changes of ownership with the SEC. To the best of Verticalnet's knowledge, the reports for all officers, directors, and holders of more than 10% of Verticalnet's common stock were timely filed during 2005, except for the following reports:

Person	Number of Untimely Filings	Number of Filings Not Made	Explanation
Gene S. Godick	1	0	

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			Company inadvertently failed to timely file a Form 4 with respect to the voluntary forfeiture of shares of common stock as a result of the cancellation of deferral of distribution of RSUs. The forfeiture was reported on a Form 5 filed on February 1, 2006.
Nathanael V. Lentz	1	0	Company inadvertently failed to timely file a Form 4 with respect to the voluntary forfeiture of shares of common stock as a result of the cancellation of deferral of distribution of RSUs. The forfeiture was reported on a Form 5 filed on February 9, 2006.

STOCK PERFORMANCE GRAPH

The graph below compares the cumulative total return of Verticalnet's common stock with that of the Nasdaq Composite Index and the Nasdaq Computer and Data Processing Index from December 31, 2000 through December 31, 2005. The graph assumes that you invested \$100 at the close of market on December 31, 2000 in Verticalnet common stock and \$100 was invested at that same time in each of the indexes. The comparison assumes that all dividends, if any, are reinvested. The comparisons in this graph are provided in accordance with SEC disclosure requirements and are not intended to forecast or be indicative of the future performance of the common stock.

Stock Performance Graph

COMPANY/INDEX NAME	12/31/00	03/31/01	06/30/01	09/30/01	12/31/01	03/31/02	06/30/02	09/30/02	12/31/02
Verticalnet, Inc.	100	30	37	5	21	11	2	1	1
NASDAQ U.S.	100	73	87	60	79	76	61	49	56
Nasdaq Computer and Data Processing	100	77	101	64	85	78	65	51	62
COMPANY/INDEX NAME	03/31/03	06/30/03	09/30/03	12/31/03	03/31/04	06/30/04	09/30/04	12/31/04	
Verticalnet, Inc.	1	2	2	2	3	2	2	2	
NASDAQ U.S.	56	68	75	83	83	85	79	91	
Nasdaq Computer and Data Processing	61	70	75	81	78	86	82	95	
COMPANY/INDEX NAME	03/31/05	06/30/05	09/30/05	12/31/05					
Verticalnet, Inc.	1	1	1	1					
NASDAQ U.S.	83	86	90	93					
Nasdaq Computer and Data Processing	83	86	91	95					

OTHER MATTERS

As of the date of this proxy statement, the Board of Directors knows of no business that will be presented for consideration at the Annual Meeting other than the items referred to above. If any other matter is properly brought before the meeting for action by shareholders, proxies properly completed and returned to Verticalnet will be voted in accordance with the recommendation of the Board of Directors or, in the absence of such a recommendation, in the discretion of the proxy holder.

A COPY OF THE ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2005, AS FILED WITH THE SEC, EXCLUDING EXHIBITS, MAY BE OBTAINED BY SHAREHOLDERS WITHOUT CHARGE BY WRITTEN REQUEST ADDRESSED TO: VERTICALNET, INC., 400 CHESTER FIELD PARKWAY, MALVERN, PENNSYLVANIA 19355, ATTENTION: INVESTOR RELATIONS.

INCORPORATION BY REFERENCE

In our filings with the SEC, information is sometimes incorporated by reference. This means that we may disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this proxy statement, except for any information that is superceded or modified by information contained directly in this proxy statement or in any other subsequently filed document that is also incorporated by reference herein. This proxy statement incorporates by reference the information set forth below that the Company has previously filed with the SEC and that is being delivered to you along with this proxy statement.

The following information contained in our Annual Report on Form 10-K for the year ended December 31, 2005, as filed with the Securities and Exchange Commission on March 31, 2006 is incorporated by reference herein:

Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (pages 17-32);

Part II, Item 7A. Quantitative and Qualitative Disclosure about Market Risk (pages 32-34); and

Part II, Item 8. Financial Statements and Supplementary Data (pages 35-70).

SHAREHOLDER PROPOSALS FOR THE 2007 ANNUAL MEETING

Any shareholder who intends to present a proposal at the 2007 annual meeting of shareholders must deliver the proposal to the Secretary of Verticalnet at 400 Chester Field Parkway, Malvern, Pennsylvania 19355:

Not later than December 16, 2006, if the proposal is submitted for inclusion in our proxy materials for that meeting pursuant to Rule 14a-8 under the Securities Exchange Act of 1934; and

Not later than March 2, 2007, if the proposal is submitted outside the processes of Rule 14a-8 under the Securities and Exchange Act of 1934, in which case we are not required to include the proposal in our proxy materials. In addition, our bylaws require that we be given advance notice of shareholder nominations for election to our Board of Directors. Such nominations for the 2007 annual meeting of shareholders, other than those made by or on behalf of the Board of Directors, shall be made by notice in writing delivered or mailed by certified mail, return receipt requested to the Secretary, in accordance with our by-laws. Our by-laws also require that such notice contain certain additional information. Copies of our by-laws can be obtained without charge from the Secretary.

By order of the Board of Directors,
Christopher G. Kuhn

Vice President, General Counsel and Secretary

April 14, 2006

Audit Committee Charter

VERTICALNET, INC.

CHARTER OF THE AUDIT COMMITTEE

1. Authorization

The Audit Committee (the "Committee") of the Board of Directors (the "Board") of Verticalnet, Inc. (the "Company") is authorized, pursuant to Section 1731 of the Pennsylvania Business Corporation Law and Section 5.11 of the Company's Bylaws, to exercise all the powers and authority of the Company necessary to carry out the purposes and responsibilities set forth herein.

2. Purpose

The principal purposes of the Committee are to oversee the processes of accounting, auditing, financial reporting, internal controls and legal compliance functions of the Company and its subsidiaries, including without limitation, oversight of (i) the processes to insure the integrity of the Company's financial statements; (ii) the Company's compliance with legal and regulatory requirements; (iii) the Company's independent auditors' qualifications and independence; and (iv) the performance of the Company's independent auditors.

3. Organization

- a) Charter. At least annually, this charter shall be reviewed and reassessed by the Committee and any proposed changes shall be submitted to the Board of Directors for approval.
- b) Members. The Committee shall be comprised of three or more directors to be appointed by the Board of Directors. Each member of the Committee shall meet the independence, experience and expertise requirements of the National Association of Securities Dealers and applicable law. Each member of the Committee must be financially literate, as such qualification is interpreted by the Board of Directors in its business judgment, or (to the extent permitted by applicable listing rules) must become financially literate within a reasonable period of time after his or her appointment to the Committee. In addition, either (i) at least one member of the Committee must be an audit committee financial expert, as such term is defined in the rules and regulations promulgated by the Securities and Exchange Commission pursuant to the Sarbanes-Oxley Act of 2002, or (ii) if no member of the Committee is an audit committee financial expert, the Committee shall so inform the Board of Directors.

The Board of Directors shall also designate a Committee Chairperson. No director may serve as a member of the Committee if such director serves on the audit committee of more than two other public companies, unless the Board of Directors determines that such simultaneous service would not impair the ability of such director to effectively serve on the Committee. Any such determination must be disclosed in the Company's annual proxy statement.

- c) Meetings. The Committee shall meet once every fiscal quarter or more frequently as it shall determine is necessary to carry out its duties and responsibilities. The Committee shall meet separately on a periodic basis with (i) management, and (ii) the Company's independent auditors. The Committee shall meet in executive session at least twice a year.
- d) Quorum; Action by Committee. A quorum at any Committee meeting shall be at least two members. All determinations of the Committee shall be made by a majority of its members present at a meeting duly called or held (or where only two members are present, by unanimous vote). Any decision or determination of the Committee reduced to writing and signed by all of the members of the Committee shall be fully as effective as if it had been made at a meeting duly called and held.

- e) Agenda, Minutes and Reports. The Chairperson of the Committee shall be responsible for establishing the agendas for the meetings of the Committee. An agenda, together with materials relating to the

subject matter of each meeting, shall be sent to members of the Committee prior to each meeting. Minutes for all meetings of the Committee shall be prepared to document the Committee's discharge of its responsibilities. The minutes shall be circulated in draft form to all Committee members to ensure an accurate final record and shall be approved at a subsequent meeting of the Committee. The Chairperson of the Committee shall make regular reports to the Board of Directors.

- f) Performance Evaluation. The Committee shall evaluate its performance on an annual basis and establish criteria for such evaluation.

4. Responsibilities

The principal responsibilities of the Committee are:

- a) Engagement of Independent Auditors. The Committee shall directly appoint, retain, compensate, the Company's independent auditor. The Committee has the sole authority to approve all audit engagement fees and terms, as well as all significant non-audit engagements with the independent auditor. The Committee shall be directly responsible for overseeing the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work, and the independent auditor shall report directly to the Committee. The Committee shall have the authority to engage, without Board approval, independent legal, accounting, and other advisors as it deems necessary to carry out its duties. The Company shall provide appropriate funding, as determined by the Committee, to compensate the independent auditor, outside legal counsel, or any other advisors employed by the Committee, and to pay ordinary Committee administrative expenses that are necessary and appropriate in carrying out its duties.
- b) Determination as to Independence and Performance of Independent Auditors. The Committee shall receive, not less frequently than annually, periodic reports from the independent auditors regarding the auditors' independence, which reports shall include such details as are required by applicable law or listing standards. The Committee shall discuss such reports with the auditors, and if so determined by the Committee, take appropriate action to satisfy itself of the independence of the auditors. The Committee shall review the performance of the Company's independent auditors annually. In doing so, the Committee shall consult with management and shall also obtain and review a report by the independent auditors describing their internal quality-control procedures and any material issues raised by the most recent internal quality-control review, or peer review (if applicable), or by any inquiry or investigation by governmental or professional authorities within the preceding five years, respecting one or more independent audits carried out by the independent auditors and the response of the independent auditors, and any steps taken to deal with any such issues.
- c) Oversight of Company's Independent Auditor. The Committee shall assure the regular rotation of the lead audit partner as required by Section 10A(j) of the Exchange Act. The Committee shall set clear hiring policies for employees or former employees of the independent auditor that are consistent with Section 10A(l) of the Exchange Act.
- d) Audits by Independent Auditors. The Committee shall discuss with the Chief Financial Officer and the independent auditors the overall scope and plans for their respective audits, including the adequacy of staffing and other factors that may affect the effectiveness and timeliness of such audits. In this connection, the Committee shall discuss with management and the independent auditors the Company's major risk exposures (whether financial, operating or otherwise), the adequacy and effectiveness of the accounting and financial controls, and the steps management has taken to monitor and control such exposures and manage legal compliance programs, among other considerations that may be relevant to their respective audits. The Committee shall review with management and the independent auditors management's annual internal control report, including any attestation of same by the independent auditors. The Committee shall review with the Chief Executive Officer and Chief Financial Officer and independent auditors, periodically, the following: (i) all significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to

record, process, summarize, and report financial data, including any material weaknesses in internal controls identified by the Company's independent auditors; (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; and (iii) any significant changes in internal controls or other factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

- e) **Pre-Approval of Audit and Non-Audit Services.** The Committee shall approve guidelines for the retention of the independent auditors for any non-audit services and the fee for such services and shall determine procedures for the approval of audit and non-audit services in advance. The Committee shall, in accordance with such procedures, approve in advance any audit or non-audit service provided to the Company by the independent auditors, all as required by applicable law or listing standards. Approval of the audit and permitted non-audit services may also be made by one or more members of the Committee as shall be designated by the Committee, and the person(s) granting such approval shall report such approval to the Committee at the next scheduled meeting.
- f) **Review of Disclosure Controls and Procedures.** The Committee shall review with the Chief Executive Officer, Chief Financial Officer and the General Counsel the Company's disclosure controls and procedures and shall review periodically, but in no event less frequently than quarterly, management's conclusions about the effectiveness of such disclosure controls and procedures, including any significant deficiencies in, or material non-compliance with, such controls and procedures.
- g) **Review of Annual SEC Filings.** The Committee shall review with management and the independent auditors the financial information to be included in the Company's Annual Report on Form 10-K, including the disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations and Critical Accounting Policies, their judgment about the acceptability and quality of accounting principles, the reasonableness of significant judgments, the clarity of the disclosures in the financial statements and the adequacy of internal controls. The Committee shall also discuss the results of the annual audit and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards, applicable law or listing standards. Based on such review and discussion, the Committee shall make a determination whether to recommend to the Board of Directors that the audited financial statements be included in the Company's Form 10-K. The Committee shall review the CEO and CFO's disclosure and certifications under Sections 302 and 906 of the Sarbanes-Oxley Act.
- h) **Review of Quarterly SEC Filings and Other Communications.** The Committee shall review and discuss with management and the independent auditors the quarterly financial information to be included in the Company's Quarterly Reports on Form 10-Q, including the disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations and Critical Accounting Policies, the results of the independent auditors' review of the Company's quarterly financial information, and the adequacy of internal controls, and shall discuss any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards, applicable law or listing standards. The Committee shall also review the Company's earnings press releases and financial information and earnings guidance periodically provided to analysts and rating agencies (which may consist of a discussion of the types of information to be provided and types of presentation to be made) to the extent required by applicable law or listing standards. The Committee shall review the CEO and CFO's disclosure and certifications under Sections 302 and 906 of the Sarbanes-Oxley Act.
- i) **Review of Certain Matters with Independent Auditors.** The Committee shall review periodically with management and the independent auditors the effect of new or proposed regulatory and accounting initiatives on the Company's financial statements and other public disclosures.
- j) **Consultation with Independent Auditors.** The Committee shall review with the independent auditors any problems or difficulties the auditors may have encountered in connection with the annual audit or otherwise and any management letter provided by the auditors and the Company's response to that letter. Such review shall address any difficulties encountered in the course of the audit work, including

any restrictions on the scope of activities or access to required information, any disagreements with management regarding generally accepted accounting principles and other matters, material adjustments to the financial statements recommended by the independent auditors and adjustments that were proposed but passed (as immaterial or otherwise).

- k) Preparation of Report for Proxy Statement. The Committee shall produce the report of the Committee that is required to be included in the Company's annual proxy statement, all in accordance with applicable rules and regulations.
- l) Policies for Employment of Former Audit Staff. The Committee shall approve guidelines for the Company's hiring of former employees of the independent auditors, which shall meet the requirements of applicable law and listing standards.
- m) Establishment of Whistleblowing Procedures. The Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- n) Review of Legal and Regulatory Compliance. The Committee shall periodically review with management, including the General Counsel, and the independent auditors any correspondence with, or other action by, regulators or governmental agencies and any employee complaints or published reports that raise concerns regarding the Company's financial statements, accounting or auditing matters or compliance with the Company's Business Conduct Guidelines. The Committee shall also meet periodically and separately with the General Counsel to review material legal affairs of the Company and the Company's compliance with applicable law and listing standards.
- o) Conflicts; Compliance with Business Conduct Guidelines; Grant of Waivers. The Committee shall review and investigate any matters pertaining to the integrity of management, including conflicts of interest, or adherence to the Company's Business Conduct Guidelines. In connection with these reviews, the Committee will meet, as deemed appropriate, with the General Counsel and other officers or employees of the Company. The Committee shall be responsible for determining whether and on what terms to grant to any Director or executive officer a waiver from the Company's Business Conduct Guidelines.
- p) Access to Records, Consultants and Others. The Committee shall have full authority (i) to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company; (ii) to retain outside legal, accounting or other consultants to advise the Committee; and (iii) to request any officer or employee of the Company, the Company's outside counsel or independent auditors to attend a meeting of the Committee or to meet with any members of, or consultants or advisors to, the Committee.
- q) Delegation. To the extent permitted by applicable law and listing standards, the Committee may delegate any of its responsibilities to a subcommittee comprised of one or more members of the Committee, and the subcommittee shall make periodic reports to the Committee regarding such delegated responsibilities.
- r) Other Delegated Responsibilities. The Committee shall also carry out such other duties as may be delegated to it by the Board of Directors from time to time.
- s) Related Party Transactions. The Committee shall review and approve all related party transactions.

5. Management and Independent Auditor Responsibility

In discharging its responsibilities, the Committee is not itself responsible for the planning or conduct of audits or for any determination that the Company's financial statements are complete and accurate or in accordance with generally accepted accounting principles. Management has the responsibility for the financial statements and the independent auditors have the responsibility to audit such financial statements in accordance

with generally accepted auditing standards.

Form of Proposed Amendment to Amended and Restated Articles of Incorporation

Article SEVENTH is hereby amended to read in its entirety as follows:

SEVENTH: *Capital Stock*. The aggregate number of shares which the corporation shall have authority to issue is _____ shares, par value one cent (\$0.01) per share, consisting of:

(a) _____ shares of Common Stock (*Common Stock*); and

(b) 10,000,000 shares of Preferred Stock.

Effective immediately upon the filing of the Articles of Amendment containing this Amendment with the Pennsylvania Secretary of State, every [_____] outstanding shares of Common Stock shall without further action by this Corporation or the holder thereof be combined into and automatically become one share of Common Stock. The authorized shares of Common Stock of the Corporation shall be reduced proportionately to the number of shares set forth above in this Article SEVENTH. No fractional share shall be issued in connection with the foregoing stock split; all shares of Common Stock so split that are held by a shareholder will be aggregated and each fractional share resulting from such aggregation shall be rounded up to the nearest whole share and no cash payment will be made in respect to such rounding.

Form of Note

NEITHER THESE SECURITIES NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE CONVERTIBLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN COMPLIANCE WITH APPLICABLE STATE SECURITIES LAWS OR BLUE SKY LAWS. NOTWITHSTANDING THE FOREGOING, THESE SECURITIES AND THE SECURITIES ISSUABLE UPON CONVERSION OF THESE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT SECURED BY SUCH SECURITIES.

VERTICALNET, INC.

Senior Secured Convertible Promissory Note due July 2, 2007

No. CN-05- \$

Dated: August 16, 2005

For value received, VERTICALNET, INC., a Pennsylvania corporation (the *Maker*), hereby promises to pay to the order of (together with its successors, representatives, and permitted assigns, the *Holder*), in accordance with the terms hereinafter provided, the principal amount of (\$), together with interest thereon. Concurrently with the issuance of this Note, the Maker is issuing separate senior secured convertible promissory notes (the *Other Notes*) to separate purchasers (the *Other Holders*) pursuant to the Purchase Agreement (as defined in Section 1.1 hereof).

All payments under or pursuant to this Note shall be made in United States Dollars in immediately available funds to the Holder at the address of the Holder first set forth above or at such other place as the Holder may designate from time to time in writing to the Maker or by wire transfer of funds to the Holder's account, instructions for which are attached hereto as *Exhibit A*. The outstanding principal balance of this Note shall be due and payable on July 2, 2007 (the *Maturity Date*) or at such earlier time as provided herein.

ARTICLE I

Section 1.1 *Purchase Agreement*. This Note has been executed and delivered pursuant to the Note and Warrant Purchase Agreement dated as of August 16, 2005 (the *Purchase Agreement*) by and among the Maker and the purchasers listed therein. Capitalized terms used and not otherwise defined herein shall have the meanings set forth for such terms in the Purchase Agreement.

Section 1.2 *Interest*. Beginning on the issuance date of this Note (the *Issuance Date*), the outstanding principal balance of this Note shall bear interest, in arrears, at a rate per annum equal to nine percent (9%), payable monthly until the Maturity Date commencing December 16, 2005 at the option of the Maker in cash or in shares of the Maker's common stock, par value \$0.01 per share (the *Common Stock*), registered for resale, in accordance with terms of Section 1.3 below. Interest shall be computed on the basis of a 360-day year of

twelve (12) 30-day months and shall accrue commencing on the Issuance Date. Furthermore, upon the occurrence of an Event of Default (as defined in Section 2.1 hereof), then to the extent permitted by law, the Maker will pay interest to the Holder, payable on demand, on the outstanding principal balance of the Note from the date of the Event of Default until such Event of Default is cured at the rate of the lesser of fifteen percent (15%) and the maximum applicable legal rate per annum.

Section 1.3 *Payment of Principal and Interest.*

(a) Commencing one hundred twenty (120) days following the Issuance Date and continuing thereafter on the first (1