VERTICALNET INC
Form DEFM14A
December 14, 2007

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

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

Filed by the Registrant þ

Filed by a Party other than the Registrant o

Check the appropriate box:

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

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

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

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o No fee required.

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

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

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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):

4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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400 CHESTER FIELD PARKWAY
MALVERN, PENNSYLVANIA 19355

December 14, 2007

To our Shareholders:

You are cordially invited to attend a special meeting of the shareholders of Verticalnet, Inc., a Pennsylvania corporation, which we refer to as Verticalnet or the Company , to be held at the offices of Morgan, Lewis & Bockius LLP located at 1701 Market Street, Philadelphia, Pennsylvania 19103 on Tuesday, January 15, 2008, beginning at 10:00 a.m. local time. Our Board of Directors has fixed the close of business on December 10, 2007, as the record date for the purpose of determining shareholders entitled to receive notice of and vote at the special meeting or any adjournment or postponement of the special meeting. Notice of the special meeting and the related proxy statement are enclosed.

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

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

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

Our Board of Directors has unanimously approved and adopted the Merger Agreement, the related Plan of Merger, and the transactions contemplated thereby and has determined that the Merger, the Merger Agreement, the related Plan of Merger, and the transactions contemplated by the Merger Agreement are fair to, and in the best interests of, the Company. **Accordingly, our Board of Directors recommends that you vote FOR the adoption of the Merger Agreement and the related Plan of Merger, and the approval of the Merger, and FOR the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies.**

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

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

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

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

We look forward to seeing you at the special meeting.

Sincerely,

Nathanael V. Lentz
President and Chief Executive Officer

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

THIS PROXY STATEMENT IS DATED DECEMBER 14, 2007, AND IS BEING FIRST MAILED TO SHAREHOLDERS ON OR ABOUT DECEMBER 14, 2007.

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400 CHESTER FIELD PARKWAY
MALVERN, PENNSYLVANIA 19355

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
To Be Held January 15, 2008

DEAR SHAREHOLDER:

We will hold a special meeting of shareholders of Verticalnet, Inc., a Pennsylvania corporation, which we refer to as Verticalnet or the Company , on Tuesday, January 15, 2008 at 10:00 a.m. at the offices of Morgan, Lewis & Bockius LLP located at 1701 Market Street, Philadelphia, Pennsylvania 19103 for the following purposes:

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

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

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

Only holders of record of shares of our common and preferred stock at the close of business on December 10, 2007, the record date for the special meeting, are entitled to notice of and to vote at the special meeting and at any adjournment or postponement of the special meeting. A list of shareholders will be available for inspection at the special meeting. All shareholders of record are cordially invited to attend the special meeting in person.

Our Board of Directors has unanimously approved and adopted the Merger Agreement, the related Plan of Merger, and the transactions contemplated thereby, and has determined that the Merger, the Merger Agreement, the related Plan of Merger, and the transactions contemplated by the Merger Agreement are fair to, and in the best interests of, the Company. **Accordingly, our Board of Directors recommends that you vote FOR the adoption of the Merger Agreement and the related Plan of Merger, and the approval of the Merger, and FOR the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies.**

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

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

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

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

accessing the Internet as instructed on the proxy card.

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

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

By Order of the Board of Directors of the Company

Christopher G. Kuhn
Vice President and General Counsel

Dated: December 14, 2007

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ANNEX A-1	Plan of Merger of BravoSolution U.S.A., Inc. with and into Verticalnet, Inc.	A-1-1
ANNEX B	Amended and Restated Voting Agreement, dated as of November 20, 2007, by and among BravoSolution S.p.A., Verticalnet, Inc. and the other parties thereto	B-1
ANNEX C	Employment Agreement, dated October 25, 2007, among Nathanael Lentz, Verticalnet, Inc. and BravoSolution S.p.A.	C-1
ANNEX D	Release of Claims, dated October 25, 2007, between Nathanael Lentz and Verticalnet, Inc.	D-1

SUMMARY

The following summary, together with the Questions and Answers about the Special Meeting and the Merger , highlights selected information from this proxy statement and may not contain all of the information that is important to you. Accordingly, we encourage you to read carefully this entire proxy statement (including its annexes), and the other documents we file with the Securities and Exchange Commission that are available to the public free of charge, before voting. See Where You Can Find Additional Information beginning on page 55. Each item in this summary includes a page reference directing you to a more complete description of that item in this document.

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

Parties to the Merger (page 14)

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

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

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

The Merger (page 19)

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

At the effective time of the Merger:

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

- each outstanding share of our Series B Preferred Stock, par value $0.01 per share (the Series B Preferred Stock) will be cancelled and converted automatically into the right to receive $0.38750 or $0.26875 in cash, without interest and less any required withholding tax, in accordance with the Merger Agreement. See The Merger Certain Effects of the Merger beginning on page 30;

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

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

The Special Meeting (page 15)

The special meeting will be held on Tuesday, January 15, 2008 starting at 10:00 a.m. local time at the offices of Morgan, Lewis & Bockius LLP located at 1701 Market Street, Philadelphia, Pennsylvania 19103.

Record Date, Voting Power and Quorum (page 15)

You are entitled to vote at the special meeting if you owned shares of the Company s common stock, Series B Preferred Stock or Series C Preferred Stock at the close of business on December 10, 2007, the record date for the special meeting. As of the record date, there were 2,542,309 shares of the Company s capital stock outstanding and entitled to vote, consisting of 1,610,845 shares of Common Stock, 623,875 shares of Series B Preferred Stock entitled to vote subject to a voting cap as set forth in the Series B Statement of Designation, and 307,589 shares of Series C Preferred Stock entitled to vote subject to a voting cap as set forth in the Series C Statement of Designation. The presence at the meeting, in person or by proxy, of the holders of a majority of our outstanding capital stock (including Common Stock, Series B Preferred Stock and Series C Preferred Stock), and a majority of the outstanding shares of Series B Preferred Stock, entitled to vote at the special meeting will constitute a quorum.

Vote Required for Approval (page 16)

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

Holders of all outstanding shares of Series B Preferred Stock have entered into a Voting Agreement with Parent and the Company, as amended (the Voting Agreement), pursuant to which holders of our Series B Preferred Stock

that as of the record date represent 17.27% of the voting power of the outstanding shares of our capital stock entitled to vote at the special meeting have agreed to vote all of their Common Stock and Series B Preferred Stock FOR the adoption of the Merger Agreement and the related Plan of Merger and the approval of the Merger, and FOR the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies, and holders of our Series B Preferred Stock that as of the record date represent 7.62% of the voting power of the outstanding shares of our capital stock entitled to vote at the special meeting have agreed to grant an irrevocable proxy to the Company to vote their Common Stock and Series B Preferred Stock, in connection with the Merger and any other extraordinary corporate transaction, in a manner that the Company, acting through our Board of Directors, determines in its sole discretion. The Voting Agreement will terminate on the earliest to occur of (i) the termination of the Merger Agreement in accordance with its terms, (ii) the mutual written consent of Parent, the Company and each of the shareholders party to the Voting Agreement, and (iii) by each such shareholder upon the execution or granting of any amendment, modification, change or waiver with respect to the Merger Agreement or the Plan of Merger that results in a decrease in the merger consideration. The Voting Agreement assures that the separate class vote of our Series B Preferred Stock required for the adoption of the Merger Agreement and the related Plan of Merger and the approval of the Merger, will be obtained at the special meeting. The full text of the Voting Agreement is attached to this proxy statement as **Annex B**. We encourage you to read the full text of the Voting Agreement in its entirety.

Also, as of the date of this proxy statement, all shares of Series C Preferred Stock are owned by Merger Sub and it is anticipated that Merger Sub will vote in favor of the adoption of the Merger Agreement and the approval of the Merger.

If the proposal to adjourn our special meeting for the purpose of soliciting additional proxies is submitted to our shareholders for approval, such approval requires the affirmative vote of the holders of a majority of the shares of our capital stock present or represented by proxy and entitled to vote on the matter.

Share Ownership of Directors and Executive Officers (page 53)

As of the record date, the directors and executive officers of Verticalnet held and were entitled to vote, in the aggregate, shares of our capital stock representing approximately 6.4% of the outstanding shares entitled to vote at the special meeting. As of the record date, Nathanael V. Lentz, Michael J. Hagan and Mark L. Walsh beneficially own shares of Series B Preferred Stock subject to the Voting Agreement which represent 5.56% of the Company s outstanding voting stock. Subject to the Voting Agreement, each of the directors and executive officers either agreed to vote, or has advised us that he plans to vote, all of his shares in favor of the adoption of the Merger Agreement.

Voting and Proxies (page 17)

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

Revocability of Proxy (page 17)

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

- filing with the Company s corporate secretary, at or before the special meeting, a written notice of revocation that is dated a later date than the proxy;

sending a later-dated proxy relating to the same shares to the Company s corporate secretary, at or before the special meeting;

submitting a later-dated proxy by the Internet or by telephone, at or before the special meeting; or

attending the special meeting and voting in person by ballot.

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

Recommendation of Our Board of Directors (page 28)

Our Board of Directors has unanimously:

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

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

recommended that our shareholders vote FOR the adoption of the Merger Agreement and the related Plan of Merger, and the approval of the Merger, and FOR the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies.

For a discussion of the material factors considered by the Board of Directors in reaching their conclusions, see The Merger Reasons for the Merger; Recommendation of Our Board of Directors beginning on page 28.

Restrictions on Solicitation of Other Offers (page 42)

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

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

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

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

approve or recommend any acquisition proposal; or

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

Notwithstanding these restrictions, under circumstances specified in the Merger Agreement, if required in order to comply with its fiduciary duties under applicable law, our Board of Directors may respond to certain unsolicited competing proposals. Also, under certain circumstances specified in the Merger Agreement, our Board of Directors may withdraw its recommendation in favor of the adoption of the Merger Agreement, and the Company may terminate the Merger Agreement and enter into an agreement with respect to a superior acquisition proposal. The Merger Agreement provides that through the No-Shop Period Start Date, the Company was permitted to initiate, solicit and encourage (or go shop) an alternative acquisition proposal for the Company (including by way of providing information pursuant to a confidentiality agreement), and enter into and maintain discussions or negotiations concerning an alternative acquisition proposal for the Company. During this period, the Company engaged a financial advisor to facilitate the go shop process. This financial advisor and the Company contacted 16 parties, including financial and strategic buyers. However, these actions did not result in the Company receiving a superior proposal, see

The Merger Background of the Merger beginning on page 19.

Completion of the Merger (page 45)

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

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

- the receipt of the required Company shareholder approval;

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

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

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

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

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

Termination of the Merger Agreement (page 46)

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

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

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

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

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

by written notice from the Company to Parent if:

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

prior to the special meeting, if the Company receives a superior proposal and changes its recommendation to its shareholders, but only after the Company has provided Parent with a five business day period to revise the terms and conditions of the Merger Agreement in such a manner that the superior proposal is no longer determined to constitute a superior proposal, and only if the Company pays the termination fee described below;

by written notice from Parent to the Company if:

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

Parent or Merger Sub within 30 days following the receipt of a written notice from Parent;

the Company s board of directors, among other things, withdraws, adversely modifies or fails to reconfirm its recommendation or approval of the Merger Agreement or recommends or approves another acquisition proposal; or

if any person or group (other than Parent, Merger Sub or any of their respective affiliates) shall have become the beneficial owner of at least a majority of the outstanding voting securities of the Company.

Termination Fee (page 47)

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

5.99% of the Company s Enterprise Value, which we define as the sum of (i) the aggregate merger consideration offered for each outstanding share of common stock and each outstanding share of Series B Preferred Stock, and (ii) $5,310,396, the principal amount outstanding at maturity of the Radcliffe Note; and

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

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

Material U.S. Federal Income Tax Consequences of the Merger to Our Shareholders (page 35)

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

Interests of Verticalnet s Directors and Officers in the Merger (page 31)

In considering the recommendation of our Board of Directors with respect to the Merger, you should be aware that certain of our directors and executive officers may be considered to have interests in the Merger that are different from, or in addition to, your interests as a shareholder and that may present actual or potential conflicts of interest. Our Board of Directors was aware of these interests and considered that the interests may be different from or in addition to the interests of our shareholders generally, among other matters, in approving the Merger Agreement, the related Plan of Merger and the transactions contemplated thereby, including the Merger, and in determining to recommend that our shareholders vote for the adoption of the Merger Agreement and the related Plan of Merger and the approval of the Merger, and for the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies.

Procedure for Receiving Merger Consideration (page 48)

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

Market Price of Verticalnet Common Stock (page 52)

Our Common Stock is listed on The NASDAQ Capital Market under the trading symbol VERT. The closing sale price of Common Stock on October 25, 2007, which was the last trading day before the announcement of the execution of the Merger Agreement, was $5.61 per share. On December 10, 2007, the record date, the closing sale price of our Common Stock was $2.42 per share.

Dissenters Rights of Appraisal (page 53)

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

Delisting and Deregistration of Common Stock (page 31)

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

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

The following questions and answers are intended to briefly address some commonly asked questions regarding the Merger, the Merger Agreement and the special meeting. These questions and answers may not address all questions that may be important to you as a Verticalnet shareholder. Please refer to the Summary and the more detailed information contained elsewhere in this proxy statement, the annexes to this proxy statement and the other documents we file with the SEC that are available free of charge, which you should read carefully. See Where You Can Find Additional Information beginning on page 55.

Q: What is the proposed transaction?

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

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

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

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

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

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

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

Q: What effects will the Merger have on Verticalnet?

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

Q: When and where is the special meeting?

A: The special meeting of the Company s shareholders will be held at 10:00 a.m. local time, on Tuesday, January 15, 2008, at the offices of Morgan, Lewis & Bockius LLP located at 1701 Market Street, Philadelphia, Pennsylvania 19103.

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

A: The record date for the special meeting is December 10, 2007. Only the holders of Verticalnet common stock and preferred stock at the close of business on the record date are entitled to notice of, and to vote at, the special meeting or any postponement thereof.

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

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

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

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

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

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

You should read The Merger Reasons for the Merger; Recommendation of Our Board of Directors beginning on page 28 for a discussion of the factors that our Board of Directors considered in deciding