

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

Engage Technologies, Inc.

IN RE INITIAL PUBLIC OFFERING SECURITIES
LITIGATION

:
: Master File No. 21 MC 92 (SAS)
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IN RE ENGAGE TECHNOLOGIES, INC. INITIAL
PUBLIC OFFERING SECURITIES LITIGATION

:
: 01 Civ. 8404 (SAS)
:
: SECOND CONSOLIDATED
: AMENDED CLASS ACTION
: COMPLAINT FOR VIOLATIONS
: OF THE FEDERAL SECURITIES
: LAWS

Plaintiffs, by their undersigned attorneys, individually and on behalf of the Classes described below, upon information and belief, based upon, *inter alia*, the investigation of counsel, which includes a review of public announcements made by Defendants, interviews with individuals with knowledge of the acts and practices described herein, Securities and Exchange Commission (“SEC”) filings made by Defendants, press releases, and media reports, except as to Paragraph 12 applicable to the named Plaintiffs which is alleged upon personal knowledge, bring this Second Consolidated Amended Complaint (the “Complaint”) against the Defendants named herein, and allege as follows:

NATURE OF THE ACTION

1. This is a securities class action alleging violations of the federal securities laws in connection with the initial public offering conducted on or about July 20, 1999 (the “IPO” or the “Offering”) of 6,000,000 shares of Engage Technologies, Inc. (now known as Engage Inc. and herein referred to as “Engage” or the “Issuer”) and the trading of Engage common stock in the aftermarket from the date of the IPO through December 6, 2000, inclusive (the “Class Period”).

2. In connection with the IPO, the underwriters named as Defendants herein participated in a scheme to improperly enrich themselves through the manipulation of the aftermarket trading in Engage common stock following the IPO.

3. In this regard, these underwriters created artificial demand for Engage stock by conditioning share allocations in the IPO upon the requirement that certain customers agree to purchase shares of Engage in the aftermarket and, in some instances, to make those purchases at prearranged, escalating prices (“Tie-in Agreements”).

4. As part of the scheme, these underwriters required certain customers to repay a material portion of profits obtained from selling IPO share allocations in the aftermarket through one or more of the following types of transactions: (a) paying inflated brokerage commissions; (b) entering into transactions in otherwise unrelated securities for the primary purpose of generating commissions; and/or (c) purchasing equity offerings underwritten by these underwriters, including, but not limited to, secondary (or add-on) offerings that would not be purchased but for the unlawful scheme alleged herein. (Transactions “(a)” through “(c)” above will be, at varying times, collectively referred to hereinafter as “Undisclosed Compensation”).

5. In connection with the IPO, Engage filed with the SEC a registration statement (“Registration Statement”) and a prospectus (“Prospectus”). The Registration Statement and Prospectus will be, at varying times, collectively referred to hereinafter as the “Registration Statement/Prospectus.” The Registration Statement/Prospectus was declared effective by the SEC on or about July 19, 1999.

6. The Registration Statement/Prospectus was materially false and misleading in that it failed to disclose, among other things further described herein, that the underwriters named as

Defendants herein had required from certain customers Tie-in Agreements in allocating shares in the IPO and/or would receive Undisclosed Compensation in connection with the IPO.

7. Unbeknownst to investors, as part and parcel of the scheme alleged herein, certain of the underwriters named as Defendants herein improperly utilized their analysts to artificially inflate or maintain the price of Engage stock by issuing favorable recommendations in analyst reports.

8. The Issuer and Additional Persons (defined below) benefited from the manipulative and deceptive schemes described herein and knew of or recklessly disregarded the conduct complained of herein through their participation in, among other things, the “Road Show” process by which underwriters generate interest in public offerings.

JURISDICTION

9. This Court has jurisdiction over the subject matter of this action pursuant to Section 22 of the Securities Act of 1933 (the “Securities Act”) (15 U.S.C. § 77v) and Section 27 of the Securities Exchange Act of 1934 (the “Exchange Act”) (15 U.S.C. § 78aa) and 28 U.S.C. § 1331.

10. Plaintiffs bring this action pursuant to Section 11 of the Securities Act (15 U.S.C. § 77k) and Section 10(b) of the Exchange Act as amended (15 U.S.C. § 78j(b)), and Rule 10b-5 promulgated thereunder (17 C.F.R. § 240.10b-5). Venue is proper in this District as many of the material acts and injuries alleged herein occurred within the Southern District of New York.

11. In connection with the acts alleged in the Complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications and the facilities of the national securities markets.

