
IN RE INITIAL PUBLIC OFFERING
SECURITIES LITIGATION

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

:
: 01 Civ. 9417 (SAS)
:
: SECOND 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 15 applicable to the named Plaintiffs which is alleged upon personal knowledge, bring this Second 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 June 2, 1999 of 6,000,000 shares of iXL Enterprises, Inc. (“iXL” or the “Issuer”), at \$12.00 per share (the “IPO”), the follow-on public offering conducted on or about November 18, 1999 of 7,000,000 shares of iXL at \$37.00 per share (“Secondary Offering”), and the trading of iXL common stock in the aftermarket from the date of the IPO through December 6, 2000, inclusive (the “Class Period”). The IPO and the Secondary Offering will be, at varying times, collectively referred to hereinafter

as the “Offerings.” On or about November 7, 2001, Defendant Scient Corporation acquired iXL to form Scient, Inc. and is named as a Defendant herein as a successor-in-interest to Defendant iXL.

2. In connection with these Offerings, certain of the underwriters named as Defendants herein (and defined below as the “IPO Underwriter Defendants”) participated in a scheme to improperly enrich themselves through the manipulation of the aftermarket trading in iXL common stock following the IPO.

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

4. As part of the scheme, the IPO Underwriter Defendants 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 the IPO Underwriter Defendants, 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 addition, the IPO Underwriter Defendants’ scheme enabled certain of them to further capitalize on the artificial inflation in iXL’s stock by underwriting the Secondary

Offering and receiving substantial fees in connection therewith -- in fact, the amount of disclosed compensation paid was directly tied to iXL's manipulated stock price.

6. In connection with the IPO, iXL filed with the SEC a registration statement ("IPO Registration Statement") and a prospectus ("IPO Prospectus"). The IPO Registration Statement and IPO Prospectus will be, at varying times, collectively referred to hereinafter as the "IPO Registration Statement/Prospectus." The IPO Registration Statement/Prospectus was declared effective by the SEC on or about June 2, 1999.

7. The IPO Registration Statement/Prospectus was materially false and misleading in that it failed to disclose, among other things further described herein, that the IPO Underwriter Defendants 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.

8. In connection with the Secondary Offering, iXL filed with the SEC a registration statement (the "Secondary Offering Registration Statement") and a prospectus (the "Secondary Offering Prospectus"). The Secondary Offering Registration Statement and the Secondary Offering Prospectus will be, at varying times, collectively referred to hereinafter as the "Secondary Offering Registration Statement/Prospectus." The Secondary Offering Registration Statement/Prospectus was declared effective by the SEC on or about November 18, 1999.

9. The Secondary Offering Registration Statement/Prospectus was materially false and misleading in that it failed to disclose, among other things further described herein, that the price at which the Secondary Offering was sold to the public was artificially inflated and the product of a manipulated market. Also omitted from disclosure in the Secondary Offering Registration Statement/Prospectus was the material fact that the demand for the Secondary Offering was artificially inflated. Specifically, certain customers of the underwriters named as

defendants herein in connection with the Secondary Offering, in order to receive allocations of shares in this IPO and/or other “hot” initial public offerings, were required by these Underwriter Defendants to purchase shares in the Secondary Offering.

10. 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 iXL stock by issuing favorable recommendations in analyst reports.

11. 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

12. 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.

13. 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.

14. 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.

PARTIES

PLAINTIFFS

15. Plaintiffs John G. Miles, J. Chris Rowe and Lisa Frye (collectively “Plaintiffs”) purchased or otherwise acquired shares of iXL common stock traceable to the Offerings, in the open market or otherwise during the Class Period, at prices that were artificially inflated by Defendants’ conduct and were damaged.

DEFENDANTS

THE UNDERWRITER DEFENDANTS

16. Plaintiffs hereby incorporate by reference the “Underwriter Defendants” section of the Amended Master Allegations (“Master Allegations”), as if set forth herein at length.

17. The following investment banking firms acted in the following capacities with respect to the IPO and substantially participated in the unlawful conduct alleged herein:

<u>POSITION</u>	<u>NAME OF UNDERWRITER</u>
LEAD MANAGER	Merrill Lynch
CO-MANAGER	Robertson Stephens (as successor-in-interest to BancBoston)
	BancBoston
	Bear Stearns
SYNDICATE MEMBERS	Morgan Stanley

18. The defendants identified in the preceding paragraph will be, at varying times, collectively referred to hereinafter as the “IPO Underwriter Defendants.”

19. The following investment banking firms acted in the following capacities with respect to the Secondary Offering and substantially participated in the unlawful conduct herein:

<u>POSITION</u>	<u>NAME OF UNDERWRITER</u>
LEAD MANAGER	Merrill Lynch
CO-MANAGER	Robertson Stephens (as successor-in-interest to BancBoston)
	BancBoston

20. The defendants identified in the preceding paragraph will be, at varying times, collectively referred to hereinafter as the “Secondary Offering Underwriter Defendants.” Collectively, the IPO Underwriter Defendants and the Secondary Offering Underwriter Defendants, will be, at varying times, referred to hereinafter as the “Underwriter Defendants.”

THE ISSUER DEFENDANT

21. At the time of the Offerings, iXL was a Delaware corporation with its principal executive offices located in Atlanta, Georgia. Defendant iXL was described in the IPO Registration Statement/Prospectus, as “a leading Internet services company that provides Internet strategy consulting and comprehensive Internet-based business solutions to Fortune 1000 companies and other corporate users of technology.” On or about November 7, 2001, Defendant Scient Corporation acquired iXL to form Scient, Inc. and is named as a Defendant herein as a successor-in-interest to Defendant iXL (“Issuer Defendant”).

ADDITIONAL PERSONS

22. U. Bertram Ellis, Jr. (“Ellis”) served, at all relevant times, as the Issuer’s Chief Executive Officer and Chairman of the Board of Directors. Ellis signed the IPO Registration Statement and the Secondary Offering Registration Statement.

23. M. Wayne Boylston (“Boylston”) served, at all relevant times, as the Issuer’s Chief Financial Officer, Executive Vice President and Treasurer. Boylston signed the IPO Registration Statement and the Secondary Offering Registration Statement.

24. Ellis and Boylston will be, at varying times, collectively referred to hereinafter as the “Additional Persons.”

CLASS ACTION ALLEGATIONS

25. Plaintiffs bring this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of a class consisting of all persons and entities that purchased or otherwise acquired shares of the Issuer Defendant in the aftermarket during the Class Period and were damaged, excluding any individual or entity that received from any of the underwriter defendants identified in the Master Allegations an allocation of shares in any of the initial public offerings listed in Exhibit C thereto. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class.

26. Plaintiffs also bring this action on behalf of a class consisting of all individuals and entities that purchased or otherwise acquired shares of the Issuer Defendant in the aftermarket during the Class Period, excluding any individual or entity that received from any of the underwriter defendants identified in the Master Allegations an allocation of shares from the “institutional pot” in any of the initial public offerings listed in Exhibit C thereto. Certification of this Class is sought with respect to issues pursuant to Rule 23(c)(4), including:

- (a) Whether the federal securities laws were violated by Defendants;
- (b) Whether the Registration Statements/Prospectuses omitted and/or misrepresented material facts;

(c) Whether Defendants participated in the course of conduct complained of herein;

(d) Whether, with respect to the claims brought under the Exchange Act, the Defendants named thereunder acted with scienter; and

(e) Whether the members of the class have sustained damages as a result of Defendants' conduct, and the proper measure of such damages.

27. Members of the Classes are so numerous that joinder of all members is impracticable.

(a) Millions of shares of common stock were sold in the Offerings, and the stock was actively traded during the Class Period; and

(b) While the exact number of Class members is unknown to the Plaintiffs at this time and can only be ascertained through appropriate discovery, Plaintiffs believe that there are hundreds, if not thousands, of Class members who purchased or otherwise acquired the Issuer's common stock during the Class Period.

28. Plaintiffs' claims are typical of the claims of the other members of the Classes. Plaintiffs and the other members of the Classes have sustained damages because of Defendants' unlawful activities alleged herein. Plaintiffs have retained counsel competent and experienced in class and securities litigation and intend to prosecute this action vigorously. The interests of the Classes will be fairly and adequately protected by Plaintiffs. Plaintiffs have no interests that are contrary to or in conflict with those of the Classes which Plaintiffs seek to represent.

29. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy. Plaintiffs know of no difficulty to be encountered in the management of this action that would preclude its maintenance as a class action. Furthermore,

since the damages suffered by individual members of the Classes may be relatively small, the expense and burden of individual litigation make it economically impracticable for the members of the Classes to seek redress individually for the wrongs they have suffered.

30. The names and addresses of the record purchasers of the Issuer's common stock are available from the Issuer, its agents, and the underwriters who sold and distributed the Issuer's common stock in the IPO and Secondary Offering. Notice can be provided to Class members *via* a combination of published notice and first class mail using techniques and forms of notice similar to those customarily used in class actions arising under the federal securities laws.

SUBSTANTIVE ALLEGATIONS

31. Plaintiffs hereby incorporate by reference the "Introductory" section of the Master Allegations, as if set forth herein at length. Plaintiffs also adopt and incorporate herein by reference the allegations set forth in the Master Allegations that specifically relate to each of the Underwriter Defendants, as set forth herein at length.

THE IPO

32. iXL's IPO of 6,000,000 shares was priced at \$12.00 on or about June 2, 1999. The sale and distribution of this firm commitment offering was effected by an underwriting syndicate that included the IPO Underwriter Defendants. Additionally, iXL granted the underwriting syndicate an option to purchase a maximum of 900,000 additional shares at the initial offering price less underwriting discounts and commissions.

33. On the day of the IPO, the price of iXL common stock shot up dramatically, trading as high as \$24.50 per share, or more than 104% above the IPO price on substantial

volume. This “impressive” debut, however, was not the result of normal market forces; rather, it was the result of Defendants’ unlawful practices more fully described herein.

34. The unlawful practices continued during the Class Period as the price of iXL rose dramatically. For example, on January 20, 2000, iXL reached a high of \$58.75 per share, a staggering 389% above the IPO price.

UNLAWFUL CONDUCT IN CONNECTION WITH THE IPO

35. Consistent with their conduct in other initial public offerings, as set forth in the Master Allegations, the Underwriter Defendants engaged in manipulative and/or other unlawful practices described more fully herein in connection with the iXL IPO.

36. Certain customers of each of the IPO Underwriter Defendants, as a condition to obtaining an allocation of stock in the IPO, were required or induced to enter into Tie-in Agreements and/or pay Undisclosed Compensation.

THE IPO REGISTRATION STATEMENT/PROSPECTUS WAS MATERIALLY FALSE AND MISLEADING

37. In conducting the IPO, the IPO Underwriter Defendants violated Regulation M promulgated pursuant to the Exchange Act. Rule 101(a) of Regulation M reads as follows:

Unlawful Activity. In connection with a distribution of securities, it shall be unlawful for a distribution participant or an affiliated purchaser of such person, directly or indirectly, to bid for, purchase, or attempt to induce any person to bid for or purchase, a covered security during the applicable restricted period.

17 C.F.R § 242.101.

38. As explained by the SEC’s Staff Legal Bulletin No. 10, dated August 25, 2000, Tie-in agreements violate Regulation M:

Tie-in agreements are a particularly egregious form of solicited transactions prohibited by Regulation M. As far back as 1961,

the Commission addressed reports that certain dealers participating in distributions of new issues had been making allotments to their customers only if such customers agreed to make some comparable purchase in the open market after the issue was initially sold. The Commission said that such agreements may violate the anti-manipulative provisions of the Exchange Act, particularly Rule 10b-6 (which was replaced by Rules 101 and 102 of Regulation M) under the Exchange Act, and may violate other provisions of the federal laws.

Solicitations and tie-in agreements for aftermarket purchases are manipulative because they undermine the integrity of the market as an independent pricing mechanism for the offered security. Solicitations for aftermarket purchases give purchasers in the offering the impression that there is a scarcity of the offered securities. This can stimulate demand and support the pricing of the offering. Moreover, traders in the aftermarket will not know that the aftermarket demand, which may appear to validate the offering price, has been stimulated by the distribution participants. Underwriters have an incentive to artificially influence aftermarket activity because they have underwritten the risk of the offering, and a poor aftermarket performance could result in reputational and subsequent financial loss. (Emphasis added).

39. In particular, the IPO Registration Statement/Prospectus stated:

Price Stabilization and Short Positions

Until the distribution of the common stock is completed, rules of the Securities and Exchange Commission may limit the ability of the underwriters and certain selling group members to bid for and purchase the common stock. As an exception to these rules, the representatives are permitted to engage in certain transactions that stabilize the price of the common stock. Those transactions consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the common stock.

The underwriters may create a short position in the common stock in connection with the offering. This means that is they sell more shares of common stock than are set forth on the cover page of this prospectus, the representatives and lead managers, respectively, may reduce that short position by purchasing common stock in the open market. The representatives and lead managers, respectively, may also elect to reduce any short position by exercising all or part of the over-allotment option described above.

Penalty Bids

The representatives and lead managers, respectively, may also impose a penalty bid on certain underwriters and selling group members. This means that if the representatives and lead managers, respectively, purchase shares of common stock in the open market to reduce the underwriters' short position or to stabilize the price of the common stock, they may reclaim the amount of the selling concession from the underwriters and selling group members who sold those shares.

In general, purchases of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might be in absence of such purchases. The imposition of a penalty bid might also have an effect on the price of the common stock to the extent that it discourages resales of the common stock.

Neither iXL nor any of the underwriters makes any representation or prediction as to the direction or magnitude or any effect that the transactions described above may have on the price of the common stock. In addition, neither iXL nor any of the underwriters makes any representation that the representatives or lead managers will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

40. The statements contained in the previous paragraph were materially false and misleading because the IPO Underwriter Defendants required certain customers to commit to Tie-in Agreements and created the false appearance of demand for the stock at prices in excess of the IPO price and in violation of Regulation M. At no time did the IPO Registration Statement/Prospectus disclose that the IPO Underwriter Defendants would require certain customers seeking to purchase IPO shares to engage in transactions causing the market price of iXL common stock to rise in transactions that cannot be characterized as stabilizing transactions, over-allotment transactions, syndicate covering transactions or penalty bids.

41. Because the Undisclosed Compensation was, in reality, underwriter compensation, it was required to be disclosed in the IPO Registration Statement/Prospectus. As Regulation S-K, Item 508 (e) provides:

Underwriter's Compensation. Provide a table that sets out the nature of the compensation and the amount of discounts and commissions to be paid to the underwriter for each security and in total. The table must show the separate amounts to be paid by the company and the selling shareholders. **In addition, include in the table all other items considered by the National Association of Securities Dealers to be underwriting compensation for purposes of that Association's Rules of Fair Practice.** (Emphasis added).

42. The NASD specifically addresses what constitutes underwriting compensation in NASD Conduct Rule 2710(c)(2)(B) (formerly Article III, Section 44 of the Association's Rules of Fair Practice):

For purposes of determining the amount of underwriting compensation, all items of value received or to be received from any source by the underwriter and related persons which are deemed to be in connection with or related to the distribution of the public offering as determined pursuant to subparagraphs (3) and (4) below shall be included. (Emphasis added).

43. NASD Conduct Rule 2710(c)(2)(C) specifically requires:

If the underwriting compensation includes items of compensation in addition to the commission or discount disclosed on the cover page of the prospectus or similar document, a footnote to the offering proceeds table on the cover of the prospectus or similar document shall include a cross-reference to the section on underwriting or distribution arrangements.

44. Contrary to applicable law, the IPO Registration Statement/Prospectus did not set forth, by footnote or otherwise, the Undisclosed Compensation.

45. Instead, the IPO Registration Statement/Prospectus misleadingly stated that the underwriting syndicate would receive as compensation an underwriting discount of \$0.84 per

share, or a total of \$5,040,000, based on the spread between the per share proceeds to iXL (\$11.16) and the Offering price to the public (\$12.00 per share). This disclosure was materially false and misleading as it misrepresented underwriting compensation by failing to include Undisclosed Compensation.

46. In addition, the IPO Registration Statement/Prospectus stated:

The representatives have advised iXL that the U.S. underwriters propose initially to offer the shares of common stock to the public at the initial public offering price set forth on the cover page of this prospectus [\$12.00] and to certain dealers at such price less a concession...

47. The IPO Registration Statement/Prospectus was materially false and misleading because in order to receive share allocations from the IPO Underwriter Defendants in the iXL IPO, certain customers were required to pay an amount in excess of the IPO price in the form of Undisclosed Compensation and/or Tie-in Agreements.

48. NASD Conduct Rule 2330(f) further prohibits an underwriter from sharing directly or indirectly in the profits in any account of a customer:

[N]o member or person associated with a member shall share directly or indirectly in the profits or losses in any account of a customer carried by the member or any other member.

49. The IPO Underwriter Defendants' scheme was dependent upon certain customers obtaining substantial profits by selling share allocations from the IPO and paying a material portion of such profits to the IPO Underwriter Defendants. In this regard, the IPO Underwriter Defendants shared in their customers' profits in violation of NASD Conduct Rule 2330(f).

50. The failure to disclose the IPO Underwriter Defendants' unlawful profit-sharing arrangement, as described herein, rendered the IPO Registration Statement/Prospectus materially false and misleading.

51. NASD Conduct Rule 2440 governs Fair Prices and Commissions and, in relevant part, provides that a member:

shall not charge his customer more than a fair commission or service charge, taking into consideration all relevant circumstances, including market conditions with respect to such security at the time of the transaction, the expense of executing the order and the value of any service he may have rendered by reason of his experience in and knowledge of such security and market therefor.

52. Guideline IM-2440-1 of the NASD states, in relevant part:

It shall be deemed a violation of . . . Rule 2440 for a member to enter into any transaction with a customer in any security at any price not reasonably related to the current market price of the security or to charge a commission which is not reasonable A mark-up pattern of 5% or even less may be considered unfair or unreasonable under the “5% Policy.”

53. The IPO Registration Statement/Prospectus was materially false and misleading due to its failure to disclose the material fact that the IPO Underwriter Defendants were charging certain customers commissions that were unfair, unreasonable, and excessive as consideration for receiving allocations of shares in the IPO.

MARKET MANIPULATION THROUGH THE USE OF ANALYSTS

54. As demonstrated in the “Use of Analysts” section of the Master Allegations, in furtherance of their manipulative scheme, IPO Underwriter Defendants Merrill Lynch and Robertson Stephens (BancBoston) improperly used their analysts to issue glowing research reports and positive recommendations at or about the expiration of the “quiet period” so as to manipulate the Issuer’s aftermarket stock price.

55. On June 28, 1999, just after the expiration of the “quiet period” with respect to the iXL IPO, Defendants Merrill Lynch and Robertson Stephens (BancBoston) each initiated analyst

coverage of iXL. Merrill Lynch star analyst Henry Blodget (“Blodget”) issued a “Near-Term Accumulate/Long-Term Buy” recommendation while Robertson Stephens (BancBoston) issued a “Buy” recommendation. On the trading day before the issuance of the reports, iXL traded as low as \$17.81, only to rise as high as \$22.00 on June 28, 1999 once Merrill Lynch and Robertson Stephens (BancBoston) had released their reports. On July 28, 1999, Blodget raised his recommendation to “Near-Term Buy/Long-Term Buy.”

UNLAWFUL CONDUCT IN CONNECTION WITH THE SECONDARY OFFERING

56. Consistent with their conduct in other secondary (or add-on) offerings as set forth in the “Secondary Offering” section of the Master Allegations, the Secondary Offering Underwriter Defendants engaged in unlawful practices described more fully herein in connection with the iXL Secondary Offering.

57. For example, certain customers of Merrill Lynch and Robertson Stephens (BancBoston), in order to receive an allocation of stock in otherwise unrelated initial public offerings, were required or induced, to purchase shares of iXL in the Secondary Offering.

THE SECONDARY OFFERING

58. On or about November 18, 1999, an additional 7,000,000 shares of iXL were sold in the Secondary Offering at \$37.00 per share (a dramatic 208% premium above the \$12.00 per share IPO price) pursuant to the materially false and misleading Secondary Offering Registration Statement/Prospectus.

59. The Secondary Offering Registration Statement/Prospectus stated that “[o]n November 18, 1999, the last reported sale price of [iXL] common stock was \$38 1/4 per share.” This statement was materially false and misleading in that it failed to disclose that the stock’s market price and the price at which the Secondary Offering was sold to the public were

artificially inflated and the product of a manipulated market. As set forth above, the Underwriter Defendants had required certain customers to agree to Tie-in Agreements and/or pay Undisclosed Compensation, thereby artificially inflating the price of iXL's common stock in the aftermarket.

60. Also omitted from disclosure in the Secondary Offering Registration Statement/Prospectus was the material fact that demand for the Secondary Offering was artificially inflated. As set forth herein, certain customers of Underwriter Defendants were required to make purchases of shares in the Secondary Offering in order to receive allocations of shares in the iXL IPO and/or other "hot" initial public offerings underwritten by such Underwriter Defendants.

61. As demonstrated in the "Use of Analysts" section of the Master Allegations, in furtherance of their manipulative scheme, Robertson Stephens (BancBoston) improperly used its analysts to help support the market following the Secondary Offering.

62. In the days and weeks following the Secondary Offering, for example, on November 22, 1999, Robertson Stephens (BancBoston) reiterated its "Buy" recommendation.

**DEFENDANTS' UNLAWFUL CONDUCT ARTIFICIALLY INFLATED
THE PRICE OF THE ISSUER'S STOCK AND CAUSED DAMAGES**

63. Defendants' conduct alleged herein created artificial demand for aftermarket stock and inflated the price of the Issuer's common stock above the price that otherwise would have prevailed in a fair and open market from the time of the first open market trade of the Issuer's stock through the end of the Class Period.

64. As the undisclosed risk of Defendants' misconduct materialized, the artificial inflation in the stock price dissipated over time, causing the stock price to drop. By December 6,

2000, much of the risk caused by Defendants' wrongful conduct had materialized, and much of the artificial inflation in the stock price caused by Defendants' wrongful conduct as alleged herein had dissipated, thereby causing Plaintiffs and members of the Classes to sustain substantial and foreseeable damages.

VIOLATIONS OF THE SECURITIES ACT

FIRST CLAIM

**(AGAINST THE ISSUER DEFENDANT AND THE IPO UNDERWRITER
DEFENDANTS FOR VIOLATION OF SECTION 11 RELATING
TO THE IPO REGISTRATION STATEMENT)**

65. Plaintiffs repeat and reallege the allegations set forth above as if set forth fully herein, except to the extent that any such allegation may be deemed to sound in fraud.

66. This Claim is brought pursuant to Section 11 of the Securities Act, 15 U.S.C. § 77k, on behalf of Plaintiffs and other members of the Classes who purchased or otherwise acquired the Issuer's common stock traceable to the IPO against the Issuer Defendant and the IPO Underwriter Defendants, and were damaged.

67. As set forth above, the IPO Registration Statement, when it became effective, contained untrue statements of material fact and omitted to state material facts required to be stated therein or necessary to make the statements therein not misleading.

68. The Issuer Defendant is the registrant for the IPO shares sold to Plaintiffs and other members of the Classes. The Issuer Defendant issued, caused to be issued and participated in the issuance of materially false and misleading written statements and/or omissions of material facts to the investing public that were contained in the IPO Registration Statement.

69. Each of the Additional Persons, either personally or through an attorney-in-fact, signed the IPO Registration Statement on behalf of the Issuer Defendant or was a director or person performing similar functions for the Issuer Defendant at the time of the IPO.

70. Each of the IPO Underwriter Defendants is liable as an underwriter in connection with the IPO.

71. The Defendants named in this Claim are liable to Plaintiffs and other members of the Classes who purchased or otherwise acquired shares of the Issuer Defendant's common stock traceable to the IPO.

72. By virtue of the foregoing, Plaintiffs and other members of the Classes who purchased or otherwise acquired the Issuer Defendant's common stock traceable to the IPO are entitled to damages pursuant to Section 11.

73. This Claim was brought within one year after discovery of the untrue statements and omissions in the IPO Registration Statement, or after such discovery should have been made by the exercise of reasonable diligence, and within three years after the Issuer Defendant's common stock was first bona fide offered to the public.

SECOND CLAIM

(AGAINST THE ISSUER DEFENDANT AND THE SECONDARY OFFERING UNDERWRITER DEFENDANTS FOR VIOLATION OF SECTION 11 RELATING TO THE SECONDARY OFFERING REGISTRATION STATEMENT)

74. Plaintiffs repeat and reallege the allegations set forth above as if set forth fully herein, except to the extent that any such allegation may be deemed to sound in fraud.

75. This Claim is brought pursuant to Section 11 of the Securities Act, 15 U.S.C. § 77k, on behalf of Plaintiffs and other members of the Classes who purchased or otherwise

acquired the Issuer Defendant's common stock traceable to the Secondary Offering against the Issuer Defendant and the Secondary Offering Underwriter Defendants, and were damaged.

76. As set forth above, the Secondary Offering Registration Statement, when it became effective, contained untrue statements of material fact and omitted to state material facts required to be stated therein or necessary to make the statements therein not misleading.

77. The Issuer Defendant is the registrant for the Secondary Offering shares sold to Plaintiffs and other members of the Classes. The Issuer Defendant issued, caused to be issued and participated in the issuance of materially false and misleading written statements and/or omissions of material facts to the investing public that were contained in the Secondary Offering Registration Statement.

78. Each of the Additional Persons, either personally or through an attorney-in-fact, signed the Secondary Offering Registration Statement on behalf of the Issuer Defendant or was a director or person performing similar functions for the Issuer Defendant at the time of the Secondary Offering.

79. Each of the Secondary Offering Underwriter Defendants is liable as an underwriter in connection with the Secondary Offering.

80. The Defendants named in this Claim are liable to Plaintiffs and other members of the Classes who purchased or otherwise acquired shares of the Issuer Defendant's common stock traceable to the Secondary Offering.

81. By virtue of the foregoing, Plaintiffs and other members of the Classes who purchased or otherwise acquired shares of the Issuer Defendant's common stock traceable to the Secondary Offering are entitled to damages pursuant to Section 11.

82. This Claim was brought within one year after discovery of the untrue statements and omissions in the Secondary Offering Registration Statement, or after such discovery should have been made by the exercise of reasonable diligence, and within three years after the Issuer Defendant's common stock was bona fide offered to the public in connection with the Secondary Offering.

VIOLATIONS OF THE EXCHANGE ACT

**APPLICABILITY OF PRESUMPTION OF RELIANCE:
FRAUD-ON-THE-MARKET DOCTRINE**

83. Plaintiffs will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:

(a) Defendants named under Claims brought pursuant to the Exchange Act made public misrepresentations or failed to disclose material facts during the Class Period regarding the Issuer as alleged herein;

(b) The omissions and misrepresentations were material;

(c) Following the IPO and continuing throughout the Class Period, the Issuer's stock was traded on a developed national stock exchange, namely the NASDAQ National Market, which is an open and efficient market;

(d) The Issuer filed periodic reports with the SEC;

(e) The Issuer was followed by numerous securities analysts and commentators before, during and after the IPO, including the "quiet period;"

(f) The market rapidly assimilated information about the Issuer which was publicly available and communicated by the foregoing means and that information was promptly reflected in the price of the Issuer's common stock;

(g) The misrepresentations and omissions and the manipulative conduct alleged herein would tend to induce a reasonable investor to misjudge the value of the Issuer's common stock; and

(h) The Registration Statements/Prospectuses are intended to, and do purportedly provide some of the best information about the Issuer during the Offerings, including during the "quiet period," and the due diligence on those Offerings was purportedly performed by the most reputable investment banks/underwriters in the world.

EXCHANGE ACT CLAIMS - THE UNDERWRITER DEFENDANTS

THE UNDERWRITER DEFENDANTS ACTED WITH SCIENTER

84. As alleged herein, the Underwriter Defendants acted with scienter in that they:

(a) knowingly or recklessly engaged in acts and practices and a course of conduct which had the effect of artificially inflating the price of the Issuer's common stock in the aftermarket;

(b) knowingly or recklessly disregarded that the IPO Registration Statement/Prospectus as set forth herein was materially false and misleading; (c) knowingly or recklessly disregarded that the Secondary Offering Registration Statement/Prospectus as set forth herein was materially false and misleading; and/or (d) knowingly or recklessly misused their analysts in connection with analyst reports.

85. In addition, each of the Underwriter Defendants violated the federal securities laws as they sold the Issuer's shares in and/or after the Offerings and/or recommended the Issuer's stock while in possession of material, non-public information, which they failed to disclose.

86. The Underwriter Defendants knew from their direct participation in the manipulation of the Offerings, or recklessly disregarded as a result of their experience with other

manipulated offerings as set forth in the “Matrix” section of the Master Allegations, that the manipulations alleged herein were taking place with respect to the Offerings and were not disclosed.

87. As required by NASD Conduct Rule 3010(c), each of the Underwriter Defendants had in place compliance procedures so as to better inform itself whether it was acting in the unlawful manner alleged herein.

88. Senior management of each of the Underwriter Defendants had regular access to and received timely written reports tracking the account activity of certain customers. By comparing the ratio of brokerage firm commission income per account with the amount of dollars invested by such account that received allocations of shares in the IPO, senior management knew, or was reckless in not knowing, that such commissions were disproportionately high relative to that customer’s total investment and imposed on management a duty of inquiry as is customary in the industry. Such inquiry would have revealed the illegal practices described herein. Any failure to conduct such inquiry was, at the very least, reckless and further demonstrates that the Underwriter Defendants knew or recklessly disregarded the misconduct alleged herein.

89. Certain of the Underwriter Defendants also had the motive and opportunity to engage in the wrongful conduct described herein for the following reasons, among others:

(a) Such conduct increased the likelihood that the Issuer would retain certain of the Underwriter Defendants to undertake future investment banking services such as public offerings of equity or debt securities, financial consulting, and possible future acquisitions, thus permitting the Underwriter Defendants to receive additional fees in connection with those services. Whereas the IPO garnered fees totaling \$5,040,000 for the underwriters, the Secondary

Offering provided more than twice that with underwriter fees of \$11,978,750. While Defendant Merrill Lynch received disclosed compensation of \$956,025 as lead underwriter of the IPO, it received \$2.7 million in disclosed compensation in connection with the Secondary Offering. Likewise, Robertson Stephens (BancBoston) received \$382,410 in connection with the IPO and an additional \$1,167,928 as an underwriter of the Secondary Offering.

(b) Additionally, Defendant Merrill Lynch acted as an advisor to iXL in its private placement of 2 million shares of common stock concurrent with the IPO and collected significant fees in connection therewith. According to the IPO Registration Statement/Prospectus, Merrill Lynch also collected a \$500,000 fee to provide a valuation of certain of iXL's assets. (See also "Additional Investment Banking Business" section of the Master Allegations).

(c) Such conduct increased the likelihood of attracting the business of new issuers for the underwriting of initial and secondary public offerings, as well as debt and convertible offerings, and related investment banking fees, while simultaneously sustaining and/or enhancing their reputations as investment banks. (See "Attracting New Investment Banking Clients" section of the Master Allegations).

(d) The Undisclosed Compensation of the Underwriter Defendants was often proportional to the amount of the aftermarket price increase achieved by the manipulative scheme as certain customers were required to pay a percentage of their profits. The larger the profits, the greater the payment. (See "Maximizing Undisclosed Compensation" section of the Master Allegations).

(e) Certain of the Underwriter Defendants' analysts were motivated to and did issue favorable recommendations for companies they covered because their compensation was,

at least in part, tied to the amount of investment banking fees received by their respective firms in connection with financial services provided to such companies. (See “Analyst Compensation” section of the Master Allegations).

(f) Certain of the Underwriter Defendants’ analysts were further motivated to and did issue favorable recommendations because they personally owned pre-IPO stock in companies they were recommending. (See “Personal Investments of Analysts” section of the Master Allegations).

THIRD CLAIM

(FOR VIOLATIONS OF SECTION 10(b) AND RULE 10b-5 THEREUNDER AGAINST THE IPO UNDERWRITER DEFENDANTS BASED UPON DECEPTIVE AND MANIPULATIVE PRACTICES IN CONNECTION WITH THE IPO)

90. Plaintiffs repeat and reallege the allegations set forth above as though fully set forth herein at length except for Claims brought pursuant to the Securities Act.

91. This Claim is brought pursuant to Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, on behalf of Plaintiffs and other members of the Classes against the IPO Underwriter Defendants. This Claim is based upon the deceptive and manipulative practices of the IPO Underwriter Defendants.

92. During the Class Period, the IPO Underwriter Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (a) deceive the investing public, including Plaintiffs and other members of the Classes by means of material misstatements and omissions, as alleged herein; (b) artificially inflate and maintain the market price and trading volume of the Issuer’s common stock; and (c) induce Plaintiffs and other members of the Classes to purchase or otherwise acquire the Issuer’s common stock at

artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, the IPO Underwriter Defendants took the actions set forth herein.

93. The IPO Underwriter Defendants employed devices, schemes, and artifices to defraud and/or engaged in acts, practices and a course of business which operated as a fraud and deceit upon the Plaintiffs and other members of the Classes in an effort to inflate and artificially maintain high market prices for the Issuer's common stock in violation of Section 10(b) of the Exchange Act and Rule 10b-5. The IPO Underwriter Defendants are sued as primary participants in the unlawful conduct charged herein.

94. The IPO Underwriter Defendants, individually and in concert, directly and indirectly, by the use of means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal their unlawful practices and course of business which operated as a fraud and deceit upon Plaintiffs and other members of the Classes.

95. The IPO Underwriter Defendants had actual knowledge of and/or recklessly disregarded the existence of the Tie-in Agreements, the requirement that certain customers pay Undisclosed Compensation and the manipulations alleged herein.

96. Each of the IPO Underwriter Defendants held itself out as an NASD member and was required to observe high standards of commercial honor and just and equitable principles of trade (NASD Conduct Rule 2110). The IPO Underwriter Defendants owed to Plaintiffs and other members of the Classes the duty to conduct the IPO and the trading of the Issuer's common stock in a fair, efficient and unmanipulated manner.

97. By virtue of the foregoing, the IPO Underwriter Defendants violated Section 10(b) of the Exchange Act and Rule 10b-5.

98. As a result of the manipulative conduct set forth herein, Plaintiffs and other members of the Classes purchased or otherwise acquired the Issuer's common stock during the Class Period at artificially inflated prices and were damaged.

FOURTH CLAIM

**(FOR VIOLATIONS OF SECTION 10(b) AND RULE 10b-5
THEREUNDER AGAINST THE SECONDARY OFFERING UNDERWRITER
DEFENDANTS BASED UPON DECEPTIVE PRACTICES
IN CONNECTION WITH THE SECONDARY OFFERING)**

99. Plaintiffs repeat and reallege the allegations set forth above as though fully set forth herein at length except for Claims brought pursuant to the Securities Act.

100. This Claim is brought pursuant to Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, on behalf of Plaintiffs and other members of the Classes who purchased or otherwise acquired the Issuer Defendant's common stock in or after the Secondary Offering against the Secondary Offering Underwriter Defendants. This Claim is based upon the deceptive practices of the Secondary Offering Underwriter Defendants.

101. The Secondary Offering Underwriter Defendants carried out a plan, scheme and course of conduct which was intended to and did: (a) deceive the investing public, including Plaintiffs and other members of the Classes by means of material misstatements and omissions, as alleged herein; (b) artificially inflate and maintain the market price and trading volume of the Issuer Defendant's common stock; and (c) induce Plaintiffs and other members of the Classes to purchase or otherwise acquire the Issuer Defendant's common stock at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, the Secondary Offering Underwriter Defendants took the actions set forth herein.

102. The Secondary Offering Underwriter Defendants employed devices, schemes, and artifices to defraud and/or engaged in acts, practices and a course of business which operated as a fraud and deceit upon Plaintiffs and other members of the Classes in an effort to artificially inflate and maintain high market prices for the Issuer Defendant's common stock in violation of Section 10(b) of the Exchange Act and Rule 10b-5. The Secondary Offering Underwriter Defendants are sued as primary participants in the unlawful conduct charged herein.

103. The Secondary Offering Underwriter Defendants, individually and in concert, directly and indirectly, by the use of means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal their unlawful practices and course of business which operated as a fraud and deceit upon Plaintiffs and other members of the Classes.

104. The Secondary Offering Underwriter Defendants had actual knowledge of and/or recklessly disregarded the material fact that demand for the Secondary Offering was artificially inflated, due in large part, to the requirement of the Secondary Offering Underwriter Defendants that certain customers could only obtain allocations in "hot" initial public offerings by purchasing shares in the Secondary Offering.

105. Each of the Secondary Offering Underwriter Defendants held itself out as an NASD member and was required to observe high standards of commercial honor and just and equitable principles of trade (NASD Conduct Rule 2110). The Secondary Offering Underwriter Defendants owed to Plaintiffs and other members of the Classes the duty to conduct the Secondary Offering and the trading of the Issuer Defendant's common stock in a fair, efficient and unmanipulated manner.

106. By virtue of the foregoing, the Secondary Offering Underwriter Defendants violated Section 10(b) of the Exchange Act and Rule 10b-5.

107. As a result of the deceptive conduct set forth herein, Plaintiffs and other members of the Classes purchased or otherwise acquired the Issuer Defendant's common stock during the Class Period without knowledge of the fraud alleged herein at artificially inflated prices and were damaged.

FIFTH CLAIM

**(FOR VIOLATIONS OF SECTION 10(b) AND RULE 10b-5
THEREUNDER AGAINST THE UNDERWRITER DEFENDANTS
BASED UPON MATERIALLY FALSE AND MISLEADING
STATEMENTS AND OMISSIONS OF MATERIAL FACTS)**

108. Plaintiffs repeat and reallege the allegations set forth above as though fully set forth herein at length except for Claims brought pursuant to the Securities Act.

109. This Claim is brought pursuant to Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, on behalf of Plaintiffs and other members of the Classes who purchased or otherwise acquired the Issuer Defendant's common stock during the Class Period against the Underwriter Defendants. This Claim is based upon materially false and misleading statements and omissions of material facts.

110. Each of the Underwriter Defendants: (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices and a course of business which operated as a fraud and deceit upon Plaintiffs and other members of the Classes in violation of Section 10(b) of the Exchange Act and Rule 10b-5.

111. During the Class Period, the Underwriter Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period did: (a) deceive the investing public, including Plaintiffs and other members of the Classes, as alleged herein; (b) artificially inflate and maintain the market price of and demand for the Issuer's common stock; and (c) induce Plaintiffs and other members of Classes to purchase or otherwise acquire the Issuer's common stock at artificially inflated prices. In furtherance of this unlawful course of conduct, the Underwriter Defendants took the actions set forth herein.

112. The Underwriter Defendants, directly and indirectly, by the use of means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal material information as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon Plaintiffs and other members of the Classes.

113. The Underwriter Defendants, either directly or through their designated representatives, prepared and reviewed the IPO Registration Statement/Prospectus and/or the Secondary Offering Registration Statement/Prospectus for those Offerings in which they served as underwriters. In addition, the Underwriter Defendants had access to drafts of said documents prior to their filing with the SEC and the dissemination to the public.

114. The material misrepresentations and/or omissions were made knowingly or recklessly and for the purpose and effect of, *inter alia*: (a) securing and concealing the Tie-in Agreements; (b) securing and concealing the Undisclosed Compensation; (c) concealing that the price and demand for the Secondary Offering were artificially inflated; and/or (d) concealing that certain of the Underwriter Defendants improperly utilized their analysts to artificially inflate or maintain the price of iXL stock.

115. As a result of making affirmative statements in the IPO Registration Statement/Prospectus, the Secondary Offering Registration Statement/Prospectus or otherwise, or participating in the making of such affirmative statements, the Underwriter Defendants had a duty to speak fully and truthfully regarding such representations and to promptly disseminate any other information necessary to make the statements made, in the light of the circumstances in which they were made, not misleading.

116. The Underwriter Defendants also had a duty to disclose the material, non-public information complained of herein or to abstain from selling the Issuer's common stock in the IPO, the Secondary Offering and/or recommending the Issuer's stock in the aftermarket while in possession of such information.

117. By reason of the foregoing, the Underwriter Defendants violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

118. As a result of the dissemination of materially false and misleading information described above, Plaintiffs and other members of the Classes purchased or otherwise acquired the Issuer's common stock during the Class Period without knowledge of the fraud alleged herein at artificially inflated prices and were damaged.

EXCHANGE ACT CLAIM - THE ISSUER DEFENDANT

THE ISSUER DEFENDANT ACTED WITH SCIENTER

119. As alleged herein, the Issuer Defendant acted with scienter in that it: (a) knowingly or recklessly engaged in acts and practices and a course of conduct which had the effect of artificially inflating the price of the Issuer Defendant's common stock in the aftermarket; (b) knowingly or recklessly disregarded that the IPO Registration Statement/Prospectus as set forth herein was materially false and misleading; (c) knowingly or

recklessly disregarded that the Secondary Offering Registration Statement/Prospectus as set forth herein was materially false and misleading; and/or (d) knowingly or recklessly disregarded the misconduct of the Underwriter Defendants alleged herein.

120. The Issuer Defendant and Additional Persons had numerous interactions and contacts with the IPO Underwriter Defendants prior to the IPO from which they knew or recklessly disregarded that the manipulative and deceptive scheme described herein had taken place.

121. In this regard, the IPO Underwriter Defendants provided detailed presentations to the Issuer Defendant and Additional Persons regarding the registration process leading up to the IPO and the expected price performance in aftermarket trading based upon previous companies taken public by these underwriters. In addition, the IPO Underwriter Defendants explained the process by which the Issuer Defendant and Additional Persons could utilize the Issuer Defendant's publicly traded stock as currency in stock based acquisitions, the analyst coverage they would provide for the Issuer Defendant upon the successful completion of the IPO and the effect that such positive coverage would have on the aftermarket price of the Issuer Defendant's stock. Such presentation also included a discussion of the potential for secondary or add-on offerings.

122. Once the Issuer Defendant had determined to retain the IPO Underwriter Defendants with respect to the Issuer Defendant's initial public offering, the Issuer Defendant and certain Additional Persons worked closely with the IPO Underwriter Defendants in preparing the IPO Registration Statement/Prospectus, as well as generating interest in the IPO by speaking with various, but select, groups of investors.

123. During the course of these presentations, known as “Road Shows,” the Issuer Defendant and Additional Persons learned of and/or recklessly disregarded the misconduct described herein. In this regard, the Chief Executive Officer, the Chief Financial Officer and/or other high-ranking Issuer Defendant employees worked side by side with representatives of the IPO Underwriter Defendants while visiting with several potential investors in a given city on a daily basis over a two to three-week period to promote interest in the IPO. These presentations were all scheduled and attended by representatives of the IPO Underwriter Defendants.

124. As a result of the close interaction between the Issuer Defendant, the Additional Persons and the IPO Underwriter Defendants, the Issuer Defendant and Additional Persons learned of, became aware of or recklessly disregarded the misconduct described herein. (*See* “Issuer Defendants” section of the Master Allegations).

125. In addition, the Issuer Defendant and certain of the Additional Persons had the motive and opportunity to engage in the wrongful conduct described herein for, among others, the following reasons:

(a) The Issuer Defendant and the Additional Persons were motivated by the fact that the artificially inflated price of the Issuer Defendant’s shares in the aftermarket would enable the Additional Persons to sell personal holdings in the Issuer Defendant’s securities at artificially inflated prices in the aftermarket or otherwise. In this regard, the Issuer Defendant sold shares pursuant to a Secondary Offering on November 24, 1999, fetching estimated proceeds of over \$70 million for the Issuer Defendant and over \$176 million for the selling stockholders.

(b) The Issuer Defendant and the Additional Persons were further motivated by the fact that the Issuer Defendant’s artificially inflated stock price could be utilized as

currency in negotiating and/or consummating stock-based acquisitions after the IPO. In this regard, the Issuer Defendant continued making acquisitions until the Issuer Defendant's own acquisition by Scient Corp. in November 2001. As the iXL Enterprise's 10-K for the fiscal year ending December 31, 1999 notes, "[h]istorically, we have used our common stock for substantially all of the consideration for our acquisitions." Indeed, according to 10-Ks filed by the Issuer Defendant, 25 companies were acquired during 1998 and 1999. In addition, the Issuer Defendant acquired Tessera Enterprises on January 12, 2000 for a combination of cash and approximately 3.4 million shares of stock. Also in the year 2000, the Issuer Defendant acquired Living Abroad Publishing, iClick, Health Pages and Interactive Corporate Communications, all on undisclosed terms.

SIXTH CLAIM

**(FOR VIOLATIONS OF SECTION 10(b) AND RULE 10b-5
THEREUNDER AGAINST THE ISSUER DEFENDANT
BASED UPON MATERIALLY FALSE AND MISLEADING STATEMENTS
AND OMISSIONS OF MATERIAL FACTS)**

126. Plaintiffs repeat and reallege the allegations set forth above as though fully set forth herein at length except for Claims brought pursuant to the Securities Act.

127. This Claim is brought pursuant to Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, on behalf of Plaintiffs and other members of the Classes against the Issuer Defendant. This Claim is based upon materially false and misleading statements and omissions of material facts made by the Issuer Defendant during the Class Period.

128. The Issuer Defendant: (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices and a course of business

which operated as a fraud and deceit upon Plaintiffs and other members of the Classes in violation of Section 10(b) of the Exchange Act and Rule 10b-5.

129. During the Class Period, the Issuer Defendant carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (a) deceive the investing public, including Plaintiffs and other members of the Classes, as alleged herein; (b) artificially inflate and maintain the market price of and demand for the Issuer Defendant's common stock; and (c) induce Plaintiffs and other members of the Classes to acquire the Issuer Defendant's common stock at artificially inflated prices. In furtherance of this unlawful course of conduct, the Issuer Defendant took the actions set forth herein.

130. The Issuer Defendant, directly and indirectly, by the use of means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal material information as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon Plaintiffs and other members of the Classes.

131. The Issuer Defendant prepared and reviewed documents alleged to contain the materially false and misleading statements and/or omissions complained of herein and culpably participated in the wrongdoing. In addition, the Additional Persons had access to drafts of these documents prior to their filing with the SEC and dissemination to the public.

132. The material misrepresentations and/or omissions were made knowingly or recklessly and for the purpose and effect of concealing that the Underwriter Defendants had engaged in the manipulative and deceptive scheme alleged herein and that the Issuer Defendant would benefit financially as a result of said scheme.

133. As a result of making such affirmative statements, or participating in the making of such affirmative statements, the Issuer Defendant had a duty to speak fully and truthfully regarding such representations and to promptly disseminate any other information necessary to make the statements made, in the light of the circumstances in which they were made, not misleading.

134. By reason of the foregoing, the Issuer Defendant violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

135. As a result of the dissemination of materially false and misleading information described above, Plaintiffs and other members of the Classes purchased or otherwise acquired the Issuer Defendant's common stock during the Class Period without knowledge of the fraud alleged herein at artificially inflated prices and were damaged.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs, individually and on behalf of the Classes, pray for judgment as follows:

A. Declaring this action to be a class action pursuant to Rule 23(a) and (b)(3) of the Federal Rules of Civil Procedure and certifying Plaintiffs as representatives and their counsel as class counsel;

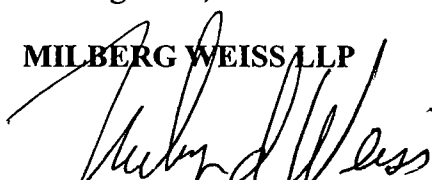
B. Awarding damages, prejudgment and post-judgment interest, reasonable attorneys' and experts' witness fees and other costs and such other and further relief as this Court may deem just and proper to Plaintiffs and the Classes.

JURY DEMAND

Plaintiffs demand a trial by jury.

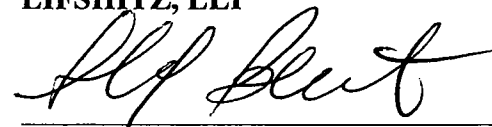
DATED: August 14, 2007

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Plaintiffs' Executive Committee

CERTIFICATE OF SERVICE

I hereby certify that on the 14th day of August, 2007, I caused true and accurate copies of the Second Amended Class Action Complaint for Violations of the Federal Securities Law for *In re iXL Enterprises, Inc. Initial Public Offering Securities Litigation* to be served upon the following by hand delivery and File and Serve:

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