
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the Fiscal Year Ended December 31, 2007

Commission File Number 001-16249

INTERNET CAPITAL GROUP, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State of Other Jurisdiction of
Incorporation or Organization)

690 Lee Road, Suite 310, Wayne, PA
(Address of Principal Executive Offices)

23-2996071
(I.R.S. Employer
Identification Number)

19087
(Zip Code)

(610) 727-6900
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
Common stock, par value \$.001 per share
(Title of Class)

The NASDAQ Stock Market LLC
(The NASDAQ Global Market)
(Name of Exchange on Which Registered)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" filer in Rule 12b-2 of the Exchange Act. Check one:

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller Reporting Company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes ☐ No ☒

The aggregate market value of the 37,792,233 shares of Common Stock held by non-affiliates of the registrant as of February 29, 2008 was \$468.6 million, based upon the closing price of \$12.40 on the NASDAQ Global Market on June 29, 2007. (For this computation, the registrant has excluded the market value of all shares of its Common Stock held by (a) its executive officers and (b) directors; such exclusion shall not be deemed to constitute an admission that any such person is an "affiliate" of the Registrant.)

As of February 29, 2008, there were 38,699,646 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement (the "Definitive Proxy Statement") to be filed with the Securities and Exchange Commission (the "SEC") relative to the Company's Annual Meeting of Stockholders for the fiscal year ended December 31, 2007 are incorporated by reference into Part III of this Report.

INTERNET CAPITAL GROUP, INC.
FORM 10-K
DECEMBER 31, 2007
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Forward-Looking Statements

Forward-looking statements made with respect to our financial condition and results of operations and business in this Annual Report on Form 10-K (this “Report”) and those made from time to time by us through our senior management are made pursuant to the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on our current expectations and projections about future events but are subject to known and unknown risks, uncertainties and assumptions about us and our partner companies that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements.

Factors that could cause our actual results, levels of activity, performance or achievements to differ materially from those anticipated in forward-looking statements include, but are not limited to, factors discussed elsewhere in this Report and include, among other things:

- capital spending by enterprises and customers;
- our partner companies’ collective ability to compete successfully against their respective competitors;
- rapid technological developments in the respective markets in which our partner companies operate and our partner companies’ collective ability to respond to such changes in a timely and effective manner;
- our ability to deploy capital effectively and on acceptable terms;
- our ability to maximize value in connection with divestitures;
- our ability to retain key personnel; and
- our ability to effectively manage existing capital resources.

In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “could,” “would,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “continue” or the negative of such terms or other similar expressions. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements included in this Report. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Report might not occur.

PART I

Although we refer in this Report to companies in which we have acquired a convertible debt or an equity ownership interest as our “partner companies” and indicate that we have a “partnership” with these companies, we do not act as an agent or legal representative for any of our partner companies, we do not have the power or authority to legally bind any of our partner companies, and we do not have the types of liabilities in relation to our partner companies that a general partner of a partnership would have.

Most of our partner companies operate in the information technology industry. In this industry, certain terms are often used to describe the nature of a company’s business, including the following terms: internet company, business to business e-commerce, business to consumer e-commerce, software company, on-demand internet software, on-demand software, software as a service (“SaaS”) and application service provider. One or more of these terms applies, in varying degrees, to most of our partner companies. Some of our other partner companies provide outsourcing, procurement and supply chain services. Our partner companies also typically provide customers with systems integration consulting services or stand alone services. For convenience throughout this Report, we generally refer to our partner companies’ businesses as software and services.

ITEM 1. Business

Business Overview

Internet Capital Group, Inc. (“ICG” or the “Company”) acquires and builds internet software and services companies that drive business productivity and reduce transaction costs between firms. ICG was formed on March 4, 1996 and is headquartered in Wayne, Pennsylvania. We view the Company as having two primary components: corporate and our partner companies. Corporate primarily holds our cash, short-term investments, marketable securities and ownership interests in partner companies. Our partner companies are grouped into two operating segments, consisting of the core segment and the other holdings segment. The core operating segment includes those partner companies in which the Company’s management takes a very active role in providing strategic direction and management assistance. ICG devotes its expertise and capital to maximizing the success of these core companies. The other holdings operating segment includes holdings in companies over which, in general, we have less influence due to the fact that they are public and/or we have a relatively small ownership stake. As of December 31, 2007, we have ownership interests in 17 companies.

The current market environment creates a substantial opportunity for providers of software and services that improve sales results, reduce costs and increase efficiencies by streamlining business processes both within an enterprise and across the value chain. An increasing number of enterprises are focusing on their core competencies to drive differentiation and competitive advantage for their firms. This means that these enterprises are looking for ways to outsource non-core or non-strategic processes that cost time and money and distract them from their top priorities. Our partner companies deliver software and services to help businesses focus on their core competencies.

Our operating strategy is to build and develop our partner companies by providing them with both human and financial resources. This support leverages the collective knowledge and best practices both within ICG and across our network of partner companies. Our resources include the experience, industry relationships and specific expertise of our management team, our partner companies’ management teams and our Board of Directors. We use these resources to actively support the business strategies, operations and management teams of our partner companies.

In 2005, following a period of years marked by the need to reduce costs and debt and a focus on a limited number of existing partner companies, the Company began looking to acquire stakes in new partner companies. Our goal is to acquire and build software companies that deliver on-demand or SaaS applications through the internet, and that automate a complex workflow process, and deliver a comprehensive solution comprised of software, content data and transaction capabilities. Some of these companies will have the potential to develop into an ecosystem whereby the growth in the number of customers improves the value to all customers. From a financial standpoint, we generally are targeting

companies that have recurring customer revenue models under multi-year contracts with a relatively high proportion of costs being fixed.

Industry Overview

The internet's growth creates substantial market opportunities for companies that provide software and services to help traditional businesses attract customers and increase efficiency and cost savings by leveraging the internet and other technologies. Historically, e-commerce has occurred through electronic data interchange over proprietary networks, which are costly and available only to a limited number of participants. The internet provides an open platform with common communication protocols to build efficient, cost-effective networks that facilitate e-commerce.

During 2005, 2006 and 2007, the e-commerce market continued a period of development and growth as enterprises of all sizes and across all industries looked for vehicles to help them:

- expand access to new and existing customers and suppliers;
- increase efficiency and reduce costs; and
- focus on core competencies and outsource non-core, non-strategic processes.

Expand access to new and existing customers and suppliers

Traditional businesses have relied on their sales forces and purchasing departments to develop and maintain customer and supplier relationships. This model is constrained by the time and cost required to exchange current information regarding requirements, prices and product availability, and the difficulty of cost-effectively locating new customers and suppliers and managing existing relationships. Traditional businesses can leverage the internet to obtain and communicate real-time, accurate information regarding requirements, prices and products to a global audience, including suppliers, customers and business partners. This should make it easier for businesses to attract new customers and suppliers, improve service and increase revenue.

Increase efficiency and reduce costs

Traditional businesses are utilizing the internet to automate their internal operations, including manufacturing, finance, sales and purchasing functions. The internet is also used to increase information flow and access throughout the value chain. This increases operational efficiency by reducing the time, costs and resources required to transact business, lowering inventory levels and procurement costs and improving responsiveness to customers and suppliers. Additionally, the internet has created high levels of price and cost transparency for customers. As a result, companies are being forced to become more efficient and to reduce their cost structures. Challenging market conditions have only served to increase the need for companies to reduce bottom line costs and increase operational efficiencies to support growth.

Focus on core competencies and outsource non-core, non-strategic processes

There are an increasing number of enterprises focusing on their core competencies to drive differentiation and competitive advantage for their firms. This means that they are looking for ways to outsource non-core, or non-strategic, processes that cost time and money, and more importantly distract them from their top priorities. In some cases, this outsourcing will be to labor-based firms who provide deep expertise, and in some cases, the outsourcing will be to technology intensive firms that provide a platform to automate a function.

Because e-commerce can be used to build top line revenues in times of growth and new levels of efficiency in times of contraction, we believe that the benefits of e-commerce will be realized by businesses in times of economic growth or contraction.

Our Solution and Strategy

Our goal is to generate value for our stockholders by acquiring and building significant stakes in a network of partner companies comprised of leading software and services companies that drive productivity and reduce transaction costs between firms.

We were very active in acquiring new partner companies across many industries during 1999 and 2000, increasing our partner company network to 80 companies by late 2000. In late 2000, due to capital constraints, we reallocated our resources to focus on those certain partner companies that we believed presented the greatest potential value creation for ICG stockholders. Due to this increased focus on certain existing partner companies and our unwillingness to fund other existing partner companies, from early 2001 through the end of 2004, the number of companies in our network decreased and we did not acquire stakes in any new partner companies. In light of an improved financial position, in 2005 we began seeking to expand our existing network of partner companies. Since 2005, we have acquired interests in three new partner companies, WhiteFence, Inc. (f/k/a Qcorps Residential, Inc.) (“WhiteFence”), Vcommerce Corporation (“Vcommerce”) and Channel Intelligence, Inc. (“Channel Intelligence”). We continue to look to acquire interests in new partner companies and to increase our ownership positions in existing partner companies that we believe have the potential to create significant value for our stockholders.

Specifically, we seek to acquire interests in companies that offer solutions with one or more of the following attributes:

- delivery through a Web-enabled software platform (ASP model);
- automation of a complex workflow process, with focus on the “white space” between companies;
- provision of a comprehensive solution, which includes software, content data and transaction capabilities (with content being a long-term differentiator);
- ability to generate recurring revenue streams and to retain fixed costs;
- delivery to clients through long-term relationships; and
- potential to evolve into an ecosystem.

We believe that the expertise we have developed during our twelve-year active involvement with internet software and services companies allows us to identify companies that are positioned to succeed. We intend to continue to expand the network and focus on partner companies that we believe have significant long-term value potential.

After we identify an attractive potential partner company, we negotiate the acquisition of a stake in the company, in most cases seeking an interest with primary control. As a condition to an acquisition, we generally require representation on the company’s board of directors to ensure our ability to provide active guidance to the partner company. We structure acquisitions to permit the partner company’s management and key personnel to retain an equity stake in the company. During our negotiations with potential partner companies, we emphasize the value of our network and resources, which we believe give us a competitive advantage over other acquirers in successfully consummating transactions.

Upon acquiring an interest in a partner company, we assume an active role in building such company by providing both strategic guidance and operational support. We provide strategic guidance to our partner companies regarding market positioning, business model development and market trends. Our focus on the software and services markets and the knowledge base of our partner companies, our management and our Board of Directors give us valuable experience that we share with our partner companies. We assign an operations and finance team to the majority of our partner companies; this ICG team advises our partner companies’ management on day-to-day business and operational issues. Additionally, we provide operational support to our partner companies in the areas of finance, sales and marketing, business development, human resources and legal services. Once a company is integrated into our partner company network, our collective expertise is leveraged to help position these companies to produce high-margin, recurring and predictable earnings and generate long-term value that we believe can ultimately be captured for our stockholders through either a consolidation with ICG, an initial public offering, a strategic sale or a merger.

At December 31, 2007, our consolidated core partner companies consisted of:

ICG Commerce Holdings, Inc. (“ICG Commerce”)

ICG Commerce is a procurement services provider delivering total procurement cost savings through a combination of deep expertise and hosted technology. ICG Commerce provides a comprehensive range of solutions to help companies identify savings through sourcing, realize savings through implementation of purchase-to-pay automation and drive continuous improvements through ongoing category management.

Investor Force Holdings, Inc. (“Investor Force”)

Investor Force is a financial software company specializing in the development of online applications for the financial services industry. InvestorForce provides pension consultants and other financial intermediaries with a web-based enterprise platform that integrates data management with robust analytic and reporting capabilities in support of its institutional and other clients. This private-labeled application provides investment consultants with the ability to conduct real-time analysis and research into client, manager and market movement as well as to produce timely, automated client reporting.

At December 31, 2007, our core partner companies accounted for under the equity method consisted of:

Channel Intelligence

Channel Intelligence is a data solutions company that provides innovative suites of services for manufacturers, retailers and publishers that help consumers work with retailers to find and buy products, whether they start at retailer sites, manufacturer sites or destination shopping sites, through the use of Channel Intelligence’s patented optimization technology and data solutions.

Freeborders, Inc. (“Freeborders”)

Freeborders is a provider of technology solutions and outsourcing from China. Freeborders provides industry expertise to North American and European companies in financial services, technology, retail/consumer goods, manufacturing and transportation and logistics. Freeborders solutions help companies seeking cost-effective technology solutions.

Metastorm Inc. (“Metastorm”)

Metastorm is an enterprise software and service provider that enables its customers to turn business strategies into business processes by fully integrating the work that people do with software systems that optimize business performance. Metastorm delivers a complete set of scalable business process management solutions that leverage existing IT investments to unite people, processes and technology in a service-based architecture.

StarCite, Inc. (“StarCite”)

StarCite provides a comprehensive suite of software applications and services to the meeting and events industry. StarCite helps drive efficiencies and cost savings to both corporate buyers and suppliers. Corporate, association and third-party meeting buyers rely on StarCite’s Enterprise Meeting Solutions for workflow, procurement, supply chain management, spend analysis and attendee management. Thousands of industry suppliers rely on the StarCite Online Marketplace, supplier marketing programs and enabling technologies to increase meeting revenues. StarCite’s international division represents destination management companies and other premier international travel suppliers, using both technology and traditional means.

Vcommerce

Vcommerce provides on-demand commerce and fulfillment solutions for multi-channel retailers and direct-to-consumer companies of all types. Vcommerce offers turn-key solutions and customized features that allow customers to rely on Vcommerce for some or all of their e-commerce functions, from hosting an entire e-commerce site to supporting back-end functions such as managing drop-ship suppliers. As a complete solution, Vcommerce enables retailers, distributors and manufacturers to merchandise products, accept orders from customers, authorize and settle credit card transactions, ship products directly to the consumer, handle returns and manage customer service through the Vcommerce platform with minimal operating overhead and no IT infrastructure. Vcommerce generates revenue primarily through usage-based transactions.

WhiteFence

WhiteFence is a web services provider used by household consumers to compare and purchase essential home services, such as electricity, natural gas, telephone and cable/satellite television. WhiteFence reaches customers directly through company-owned websites and through its network of exclusive channel partners who integrate the web services applications into their own business processes and websites.

At December 31, 2007, our other holdings partner companies primarily consisted of:

Anthem Ventures Fund, L.P. (“Anthem”)

Anthem provides resources to enhance the development of emerging technology companies by providing financial investment, operational and management advice, and access to a network of professional relationships.

Blackboard, Inc. (“Blackboard”) (Nasdaq:BBBB)

Blackboard is a provider of enterprise learning software applications and related services. Blackboard enables educational innovations by connecting people and technology.

Captive Capital Corporation (“Captive Capital”)

Captive Capital creates and manages turn-key, multi-lender financing under its customers’ brand names. Through funding relationships with lenders, and syndication capabilities for large transactions, Captive Capital serves manufacturers and distributes throughout the U.S. and Canada.

Creditex Group Inc. (“Creditex”)

Creditex is a global market leader and innovator in the execution and processing of credit derivatives. A leading e-trading platform in credit derivatives, Creditex is used by credit derivatives traders at the world’s top financial institutions. The platform electronically executes credit default swap (“CDS”) indices, single-name CDS and standardized structured credit products. Creditex is also leading the industry in “straight-through processing” initiatives, allowing its growing client base to reduce operational risk and transaction costs.

Emptoris, Inc. (“Emptoris”)

Emptoris integrates spend analysis, sourcing, contract management, compliance, supplier performance management, and program management solutions that help customers optimize their businesses.

Entegrity Solutions Corporation (“Entegrity Solutions”)

Entegrity Solutions is a provider of Application Security for Java-based web, portal and web services applications.

GoIndustry plc (“GoIndustry”) (LSE:AIM:GOI)

GoIndustry is a leader in auction sales and valuations of used industrial machinery and equipment. GoIndustry combines traditional asset sales experience with innovative e-commerce technology and advanced direct marketing to service the needs of multi-national corporations, insolvency practitioners, dealers and asset based lenders around the world.

Jamcracker, Inc. (“Jamcracker”)

The Jamcracker Services Delivery Network (“JSDN”) enables global on-demand service delivery by bringing together on-demand services vendors (content providers) and solution providers/resellers (resellers) to foster channel development, delivery and on-demand market growth.

Tibersoft Corporation (“Tibersoft”)

Tibersoft strengthens the trading relationships in the foodservice industry by using an integrated blend of services and technology.

Concentration of Customer Base and Credit Risk

For the year ended December 31, 2007, one customer of ICG Commerce represented approximately 24% of the Company’s consolidated revenue. For the years ended December 31, 2007, 2006 and 2005, a second customer of ICG Commerce represented approximately 10%, 10% and 14%, respectively, of the Company’s consolidated revenue. Accounts receivable at December 31, 2007 related to the first customer referenced above was \$1.4 million. Accounts receivable related to the second customer referenced above was less than \$0.1 million and \$1.1 million at December 31, 2007 and December 31, 2006, respectively.

Competition

Competition Facing our Partner Companies

Competition for information technology and internet products and services is intense. As the market for e-commerce continues to grow, we expect that competition will continue to intensify. Barriers to entry are minimal and competitors can offer products and services at a relatively low cost. Our partner companies compete with established information systems and management consulting firms, as well as traditional distribution channels and other online providers, for a share of a customer’s purchasing budget for information technology and consulting services and related materials and supplies.

Many companies offer competitive solutions that compete with one or more of our partner companies. We expect that additional companies will offer competing solutions on a stand-alone or combined basis in the future. Furthermore, our partner companies’ competitors may develop information technology and internet products or services that are superior to, or have greater market acceptance than, the solutions offered by our partner companies. Many of our partner companies’ competitors have greater brand recognition and greater financial, marketing and other resources than our partner companies. This may place our partner companies at a disadvantage in responding to their competitors’ pricing strategies, technological advances, advertising campaigns, strategic partnerships and other initiatives.

If our partner companies are unable to compete successfully against their competitors, our partner companies may fail.

Competition From Within our Network

We may compete with our partner companies to acquire interests in software and services companies and our partner companies may compete with each other for such opportunities. This competition may deter companies from partnering with us and may limit our business opportunities.

Employees

Our corporate headcount as of February 29, 2008 is 24. Headcount at our consolidated partner companies as of February 29, 2008 is 410. Although we believe our consolidated partner companies' current staffing levels are adequate to conduct business, we cannot ensure that we and our consolidated partner companies will not need to increase headcount in the future.

Financial Information About Segments and Geographic Areas

Segment and geographic area information is set forth in Note 8 to our Consolidated Financial Statements included in Item 8 below and incorporated herein by reference.

Availability of Reports and Other Information

Our internet website address is www.internetcapital.com. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports filed by us with the SEC pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are accessible free of charge through our website as soon as reasonably practicable after we electronically file those documents with, or otherwise furnish them to, the SEC.

The public may read and copy any of the reports that are filed with the SEC at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet site (<http://www.sec.gov>) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

ITEM 1A. Risk Factors

Our business involves a number of risks, some of which are beyond our control. You should carefully consider each of the risks and uncertainties we describe below and all of the other information in this Report before deciding to invest in our shares. The risks and uncertainties we describe below are not the only ones we face. Additional risks and uncertainties about which we currently do not know or that we currently believe to be immaterial may also adversely affect our business.

If general economic conditions are unfavorable, our partner companies may be unable to attract or retain customers, and the condition of our business may be adversely affected.

Numerous external forces, including an economic downturn, lack of consumer confidence, interest rate or currency rate fluctuations, fear of and actual acts of global terrorism and global military conflict, including hostilities in the Middle East involving United States armed forces, could affect the global and/or U.S. economy. If the economy is unfavorable, our partner companies' customers and potential customers may be unwilling to spend money on technology-related goods or services. If our partner companies are unable to attract new customers or retain existing customers, the condition of our business may be adversely affected.

We may not be able to deploy capital effectively and on acceptable terms.

Our strategy includes effectively deploying capital by acquiring interests in new partner companies. We may not be able to identify attractive acquisition candidates that fit our strategy and, even if we are able to identify such candidates, we may not be able to reach agreement with potential acquisition candidates to acquire an interest in such companies on acceptable terms.

Our stock price has been volatile in the past and may continue to be volatile in the future.

Our stock price has historically been volatile. Stock prices of technology companies have generally been volatile as well. This volatility may continue in the future.

The following factors, among others, may add to our Common Stock price's volatility:

- general economic conditions, such as a recession or interest rate or currency rate fluctuations, and the reluctance of enterprises to increase spending on new technologies;
- actual or anticipated variations in our quarterly results and those of our partner companies;
- changes in the market valuations of our partner companies and other technology and internet companies;
- conditions or trends in the information technology and e-commerce industries;
- changes in our financial estimates and those of our partner companies by securities analysts;
- new products or services offered by us, our partner companies and their competitors;
- announcements by our partner companies and their competitors of technological innovations;
- announcements by us, our partner companies or our competitors of significant acquisitions, strategic partnerships or joint ventures;
- additional sales or repurchases of our securities; and
- additions to or departures of our key personnel or key personnel of our partner companies.

Many of these factors are beyond our control. These factors may decrease the market price of our Common Stock.

Fluctuations in our quarterly results may adversely affect our stock price.

We expect that our quarterly results will fluctuate significantly due to many factors, including:

- the acquisition of interests in partner companies;
- the operating results of our partner companies;
- sales of our ownership interests in our partner companies, which could cause us to recognize gains or losses under applicable accounting rules;
- significant fluctuations in the financial results of information technology and e-commerce companies generally;
- changes in equity losses or income;
- changes in our methods of accounting for our partner company interests, which may result from changes in our ownership percentages of our partner companies;
- the pace of development or a decline in growth of the information technology and e-commerce markets;
- competition for the goods and services offered by our partner companies; and
- our ability to effectively manage our growth and the growth of our partner companies.

If our operating results in one or more quarters do not meet securities analysts' or investors' expectations, the price of our Common Stock could decrease.

Fluctuation in the price of the common stock of our publicly-traded partner companies may affect the price of our Common Stock.

Currently, Blackboard and GoIndustry are our publicly-traded partner companies. Fluctuations in the price of Blackboard's, GoIndustry's or other future publicly-traded partner companies' common stock are likely to affect the price of our Common Stock. The price of our publicly-traded partner companies' common stock has been highly volatile. As of December 31, 2007, the market value of our interest in publicly-traded partner companies was \$102.6 million, which was based upon a \$40.25 per share closing price for Blackboard. On February 29, 2008, Blackboard closed at \$28.77 per share. The results of operations and, accordingly, the price of the stock, of Blackboard and GoIndustry may be adversely affected by the occurrence of the risk factors contained in this Annual Report. In addition, the results of operations and stock price of Blackboard may be adversely affected by the risk factors in Blackboard's SEC filings, which are publicly available at www.sec.gov, and the results of operations and common stock price of GoIndustry may be adversely affected by the factors set forth in GoIndustry's submissions on the AIM market of the London Stock Exchange, which are publicly available at www.londonstockexchange.com.

Our business depends upon the performance of our partner companies, which is uncertain.

If our partner companies do not succeed, the value of our assets and the price of our Common Stock may decline. Economic, governmental, industry and company factors outside our control affect each of our partner companies. The material risks relating to our partner companies include:

- fluctuations in the market price of the stock of Blackboard and GoIndustry, our publicly-traded partner companies, which are likely to affect the price of our Common Stock;
- the fact that many of our partner companies have limited operating histories, have not yet attained significant revenues, are operating at or near break-even and may not achieve profitability in the near-term or at all;
- decreased spending on information technology software and services and elongated sales cycles, which may prevent our partner companies from succeeding; and

- intensifying competition for the products and services our partner companies offer, which could lead to the failure of some of our partner companies.

Of our \$332.4 million in total assets as of December 31, 2007, \$127.9 million, or 38.5%, consisted of ownership interests in our partner companies accounted for under the equity and cost methods of accounting. The carrying value of our partner company ownership interests includes our original acquisition cost, the effect of accounting for certain of our partner companies under the equity method of accounting and the effect of impairment charges recorded for the decrease in value of certain partner companies. The carrying value of our partner companies will be impaired and decrease if one or more of our partner companies do not succeed. This decline would likely affect the price of our Common Stock. As of December 31, 2007, the value of our publicly-traded partner companies reflected as “Marketable Securities” in our Consolidated Financial Statements net of “Hedges of Marketable Securities” was \$84.4 million. A decline in the market value of our publicly-traded partner companies will likely cause a decline in the price of our Common Stock.

The companies that we have identified as core partner companies may not succeed.

Although we have identified certain of our partner companies as core partner companies, this categorization does not necessarily imply that every one of our core partner companies is a success at this time or will become successful in the future. There is no guarantee that a core partner company will remain categorized as core or that it will be able to successfully continue operations.

We have had a general history of losses and expect continued losses in the foreseeable future.

We have had significant operating losses and, excluding the effect of any future non-operating gains, such as from the sale of partner companies, we expect to continue incurring operating losses in the future. As a result, we may not have sufficient resources to expand or maintain our operations in the future. We can give no assurances as to when or whether we will achieve profitability, and if we ever have profits, we may not be able to sustain them.

Certain of our partner companies have a limited operating history and may never be profitable.

Certain of our partner companies are early-stage companies with limited operating histories, have significant historical losses and may never be profitable. Many of these companies have incurred substantial costs to develop and market their products and expand operations, have incurred net losses and cannot fund their cash needs from operations. Operating expenses of these companies could increase in the foreseeable future as they continue to develop products, increase sales and marketing efforts and expand operations.

Even if a number of our partner companies achieve profitability, we may not be able to extract cash from such companies, which could have a negative impact on our operations.

One of our goals is to help our partner companies achieve profitability. Even if a number of our partner companies do meet that goal, we may not be able to access cash generated by such partner companies to fund our own operations, which could have a negative impact on our operations.

Our partner companies may not be able to compete successfully.

If our partner companies are unable to compete successfully against their competitors, our partner companies may fail. Competition for information technology and e-commerce products and services is intense. As the markets for information technology and e-commerce grow, we expect that competition will intensify. Barriers to entry are minimal and competitors can offer products and services at a relatively low cost. Our partner companies compete with established information systems and management consulting firms, as well as traditional distribution channels and other online providers, for a share of a customer's purchasing budget for information technology and consulting services and related materials and supplies.

In addition, some of our partner companies compete to attract and retain a critical mass of buyers and sellers. Many companies offer solutions that compete with one or more of those offered by our partner companies. We expect that additional companies will offer competing solutions on a stand-alone or combined basis in the future. Furthermore, our partner companies' competitors may develop products or services that are superior to, or have greater market acceptance than, the solutions offered by our partner companies.

Many of our partner companies' competitors have greater brand recognition and greater financial, marketing and other resources than our partner companies. This may place our partner companies at a disadvantage in responding to their competitors' pricing strategies, technological advances, advertising campaigns, strategic partnerships and other initiatives.

Our partner companies may fail to retain significant customers.

During the year ended December 31, 2007, approximately 24% of our consolidated revenue related to one customer of ICG Commerce. For the years ended December 31, 2007, 2006 and 2005, approximately 10%, 10% and 14%, respectively, of our consolidated revenue related to a different customer of ICG Commerce. If our partner companies are not able to retain significant customers, such partner companies and our results of operations and financial position could be adversely affected.

The inability of our partner companies' customers to pay their obligations to them in a timely manner, if at all, could have an adverse effect on our partner companies.

Some of the customers of our partner companies may have inadequate financial resources to meet all their obligations. If one or more significant customers are unable to pay amounts owed to a partner company, such partner company's results of operations and financial condition could be adversely affected.

When we divest partner company interests, we may be unable to obtain maximum value for such interests.

When we divest all or part of an interest in a partner company, we may not receive maximum value for our position. We may divest our interests in partner companies to generate cash or for strategic reasons. For partner companies with publicly-traded stock, we may be unable to sell our interest at then-quoted market prices. Because we hold significant stakes of securities in thinly-traded public companies, we may have difficulty selling our interest in such companies. Furthermore, for those partner companies that do not have publicly-traded stock, the realizable value of our interests may ultimately prove to be lower than the carrying value currently reflected in our Consolidated Financial Statements. We continually evaluate the carrying value of our ownership interests in and advances to each of our partner companies for possible impairment based on achievement of business plan objectives and milestones, the value of each ownership interest in the partner company relative to carrying value, the financial condition and prospects of the partner company and other relevant factors. We cannot guarantee that we will receive maximum value in connection with the disposition of our stakes in partner companies. Additionally, we may be unable to find buyers for certain of our assets, which could adversely affect our business.

We may not maintain or be able to increase our ownership stakes in high growth partner companies.

One of our strategies is to maintain and increase our ownership in a small group of companies that we believe have major growth opportunities. We may not be able to achieve this goal because of limited resources and/or the unwillingness of such other comparison the other stockholders of such companies to enter into a transaction that would result in an increase in our ownership stake. Moreover, certain transactional growth opportunities, such as mergers and consolidations, may arise with respect to any of these select partner companies that would result in us owning a smaller percentage of the surviving or resulting company in the merger or consolidation (or an affiliate of any such company) than we held in our partner company prior to the consummation of any such transaction. In the event that any of these select partner companies enters into such a transaction, with or without our support, we may have a decreased ability to direct the policies and affairs of the partner company or the surviving entity following the consummation of the transaction.

We may have to buy, sell or retain assets when we would otherwise choose not to in order to avoid registration under the Investment Company Act, which would impact our business strategy.

Under the Investment Company Act of 1940, as amended (the “Investment Company Act”), a company is considered to be an investment company if, among other things, it is primarily engaged in the business of investing, reinvesting, owning, holding or trading in securities. It is not feasible for us to be regulated as an investment company because the Investment Company Act rules are inconsistent with our strategy of actively managing, operating and promoting collaboration among our network of partner companies. On August 23, 1999, the SEC granted our request for an exemption under Section 3(b)(2) of the Investment Company Act, declaring us to be primarily engaged in a business other than that of investing, reinvesting, owning, holding or trading in securities. This exemptive order reduces, but does not eliminate, the risk that we may have to take action to avoid registration as an investment company. For example, we might be considered to be in violation of our exemptive order if more than a certain percentage of our total assets consist of, or more than certain percentages of our income/loss and revenue over the last four quarters is derived from, ownership interests in companies that we do not primarily control. Because we do not have primary control of many of our partner companies, changes in the value of our interests in such partner companies and the income/loss and revenue attributable to such partner companies could subject us to regulation under the Investment Company Act unless we take precautionary steps. For example, we may retain interests in partner companies we would otherwise want to sell and we may sell stakes in non-controlled partner companies that we would otherwise want to retain. In order to ensure that the requisite percentage of our total assets relates to partner companies that we primarily control, we may participate in follow-on financings at our controlled partner companies and refrain from participating in such financings at our non-controlled partner companies. In addition, we may have to acquire additional income or loss generating majority-owned or controlled interests that we might not otherwise have acquired and may not be able to acquire “non-controlling” interests in companies that we would otherwise want to acquire.

Our accounting estimates with respect to the ultimate recoverability of our basis in our partner companies could change materially in the near term.

Our accounting estimates with respect to the useful life and ultimate recoverability of our carrying basis, including goodwill, in our partner companies could change in the near-term, and the effect of such changes on the financial statements could be significant. As of December 31, 2007, our recorded amount of carrying basis including goodwill is not impaired, but we cannot assure that our future results will confirm this assessment. We performed our latest annual impairment test during the fourth

quarter of 2007 and will perform our next annual impairment test in the fourth quarter of 2008. In 2005, in conjunction with the CommerceQuest and Metastorm merger, we reevaluated our then current carrying value of CommerceQuest goodwill and recorded a goodwill impairment charge of \$1.8 million and a \$0.9 million intangible asset charge. It is possible that a significant write-down or write-off of partner company carrying basis, including goodwill, may be required in the future, or that a significant loss will be recorded in the future upon the sale of a partner company. A write-down or write-off of this type could cause a decline in the price of our Common Stock.

The loss of any of our or our partner companies' executive officers or other key personnel or our or our partner companies' inability to attract additional key personnel could disrupt our business and operations.

If one or more of our executive officers or key personnel, or our partner companies' executive officers or key personnel, were unable or unwilling to continue in their present positions, or if we or our partner companies were unable to hire qualified personnel, our business and operations could be disrupted and our operating results and financial condition could be seriously harmed. The success of some of our partner companies also depends on their having highly trained technical and marketing personnel. A shortage in the number of trained technical and marketing personnel could limit the ability of our partner companies to increase sales of their existing products and services and launch new product offerings.

Our partner companies could make financial or other business decisions that are not in our best interests or that we do not agree with, which could impair the value of our partner company interests.

Although we generally seek a significant equity interest and participation in the management of our partner companies, we may not be able to control significant financial or other business decisions of our partner companies. In addition, although we currently own a large interest in several of our partner companies, we may not acquire or maintain a controlling interest in each partner company. Equity interests in partner companies in which we lack control or share control involve additional risks that could cause the performance of our interest and our operating results to suffer, including the management or a significant equity holder of a partner company having economic or business interests or objectives that are different from ours and partner companies or their significant equity holders disagreeing with our positions with respect to the financial or operating decisions made by the partner companies.

Our inability to prevent dilution of our ownership interests in our partner companies or our inability to otherwise have a controlling influence over the management and operations of our partner companies could have an adverse impact on our status under the Investment Company Act. Our inability to adequately control our partner companies could also prevent us from assisting them, or could prevent us from liquidating our interest in them at a time or at a price that is favorable to us. Additionally, our partner companies may not collaborate with each other or act in ways that are consistent with our business strategy. These factors could hamper our ability to capture value on our interests and cause us to recognize losses on our interests in partner companies.

Our stakes in some partner companies have been and are likely to be diluted, which could materially reduce the value of our stake in such partner companies.

Since we allocate our financial resources to certain partner companies, our ownership interests in other partner companies have been and are likely to continue to be diluted due to our decision not to participate in financings. Additionally, in connection with new rounds of financing, our partner companies may create liquidation preferences that are senior to existing preferences. If we do not participate in these rounds, our rights to receive liquidation preferences upon a sale of the Company may be diminished at certain valuations. This dilution and the creation of senior liquidation preferences could result in a reduction in the value of our stakes in such partner companies.

We may compete with some of our partner companies, and our partner companies may compete with each other, which could deter companies from partnering with us and may limit future business opportunities.

We may compete with our partner companies to acquire interests in software and services companies, and our partner companies may compete with each other for software and services opportunities. This competition may deter companies from partnering with us and may limit our business opportunities.

We have implemented certain anti-takeover provisions that could make it more difficult for a third party to acquire us.

Provisions of our amended certificate of incorporation and bylaws, as well as provisions of Delaware law, could make it more difficult for a third party to acquire us, even if doing so would be beneficial to our stockholders. Our amended certificate of incorporation provides that our board of directors may issue preferred stock without stockholder approval and also provides for a staggered board of directors. We are subject to the provisions of Section 203 of the Delaware General Corporation Law, which restricts certain business combinations with interested stockholders. Additionally, we have a rights agreement which has the effect of discouraging any person or group from beneficially owning more than 15% of our outstanding Common Stock unless our board has amended the plan or redeemed the rights. The combination of these provisions may inhibit a non-negotiated merger or other business combination.

Some of our partner companies may be unable to protect their proprietary rights and may infringe on the proprietary rights of others.

The complexity of international trade secret, copyright, trademark and patent law, coupled with the limited resources of our partner companies and the demands of quick delivery of products and services to market, create the risk that our partner companies will be unable to protect their proprietary rights. Further, the nature of internet business demands that considerable detail about their innovative processes and techniques be exposed to competitors, because it must be presented on the websites in order to attract clients. Some of our partner companies also license content from third parties, and it is possible that they could become subject to infringement actions based upon the content licensed from those third parties. Our partner companies generally obtain representations as to the origin and ownership of such licensed content. However, these representations may not adequately protect them. Any claims against our partner companies' proprietary rights, with or without merit, could subject our partner companies to costly litigation and the diversion of their technical and management personnel. If our partner companies incur costly litigation and their personnel are not effectively deployed, the expenses and losses incurred by our partner companies will increase and their profits, if any, will decrease.

Government regulation of the internet and e-commerce may harm our partner companies' businesses.

Government regulation of the internet and e-commerce continues to evolve and unfavorable changes could harm our partner companies' respective businesses. Our partner companies are subject to general business regulations and laws specifically governing the internet and e-commerce. Such existing and future laws and regulations may impede the growth of the internet or other online services. These regulations and laws may cover taxation, user privacy, pricing content, copyrights, distribution, electronic contracts, consumer protection, the provision of online payment services, broadband residential internet access and the characteristics and quality of products and services. The scope of the applicability of existing laws governing issues such as property ownership, sales and other taxes, libel and personal privacy to the internet and e-commerce continues to evolve. Unfavorable resolution of these issues may harm our partner companies' businesses.

Our partner companies that publish or distribute content over the internet may be subject to legal liability.

Some of our partner companies may be subject to legal claims relating to the content on their websites, or the downloading and distribution of this content. Claims could involve matters such as defamation, invasion of privacy and copyright infringement. Providers of internet products and services have been sued in the past, sometimes successfully, based on the content of material. In addition, some of the content provided by our partner companies on their websites is drawn from data compiled by other parties, including governmental and commercial sources. The data may have errors. If any of our partner companies' website content is improperly used, or if any of our partner companies supply incorrect information, an unexpected liability could result. Any of our partner companies that incur this type of unexpected liability may not have insurance to cover the claim or its insurance may not provide sufficient coverage. If our partner companies incur substantial cost because of this type of unexpected liability, the expenses incurred by our partner companies will increase and their profits, if any, will decrease.

Our partner companies' computer and communications systems may fail, which may discourage parties from using our partner companies' systems.

Some of our partner companies' businesses depend on the efficient and uninterrupted operation of their computer and communications hardware systems. Any system interruptions that cause our partner companies' websites to be unavailable to web browsers may reduce the attractiveness of our partner companies' websites to third parties. If third parties are unwilling to use our partner companies' websites, our business, financial condition and operating results could be adversely affected. Interruptions could result from natural disasters as well as power loss, telecommunications failure and similar events.

Our partner companies' businesses may be disrupted if they are unable to upgrade their systems to meet increased demand.

Capacity limits on some of our partner companies' technology, transaction processing systems and network hardware and software may be difficult to project, and our partner companies may not be able to expand and upgrade their systems to meet increased use. As traffic on our partner companies' websites continues to increase, our partner companies must expand and upgrade their technology, transaction processing systems and network hardware and software. Our partner companies may be unable to accurately project the rate of increase in use of their websites. In addition, our partner companies may not be able to expand and upgrade their systems and network hardware and software capabilities to accommodate increased use of their websites. If our partner companies are unable to appropriately upgrade their systems and network hardware and software, the operations and processes of our partner companies may be disrupted.

Our partner companies may be unable to acquire or maintain easily identifiable website addresses or prevent third parties from acquiring website addresses similar to theirs.

Some of our partner companies hold various website addresses relating to their brands. These partner companies may not be able to prevent third parties from acquiring website addresses that are similar to their addresses, which could adversely affect the use by businesses of our partner companies' websites. In these instances, our partner companies may not grow as we expect. The acquisition and maintenance of website addresses generally is regulated by governmental agencies and their designees. The regulation of website addresses in the United States and in foreign countries is subject to change. As a result, our partner companies may not be able to acquire or maintain relevant website addresses in all countries where they conduct business. Furthermore, the relationship between regulations governing such addresses and laws protecting trademarks is unclear.

If public and private capital markets are not favorable for the information technology and e-commerce sectors, we may not be able to execute on our strategy.

The information technology and e-commerce markets have experienced significant volatility and the market for initial public offerings of information technology and e-commerce companies has experienced periods of weakness since 2000. If these markets are weak, we may not be able to create stockholder value by taking our partner companies public. In addition, reduced market interest in our industry may reduce the market value of our publicly-traded partner companies.

Our operations and growth could be impaired by limitations on our and our partner companies' ability to raise money.

If we, or our partner companies, are unable to obtain credit on favorable terms, our ability and the ability of our partner companies to grow may be impaired. This may require us or our partner companies to take other actions, such as borrowing money on terms that may be unfavorable, or divesting of assets prematurely to raise capital. While we attempt to operate our business in such a manner so as to be independent from the capital markets, there is no assurance that we will be successful in doing so. Our partner companies are also dependent on the capital markets to raise capital for their own purposes.

Because we have limited resources to dedicate to our partner companies, some of our partner companies may not be able to raise sufficient capital to sustain their operations.

If our partner companies are not able to raise capital from us or other outside sources, then they may need to cease operations. Our allocation of resources to our partner companies is mostly discretionary. Because our resources and our ability to raise capital are limited, we may not commit to provide our partner companies with sufficient capital resources to allow them to reach a cash flow positive position. We allocate our resources to focus on those partner companies that we believe present the greatest potential to increase stockholder value. We cannot ensure that the companies we identified in this process are those that actually have the greatest value proposition. As a result of our limited resources, we will not allocate capital to all of our existing partner companies. Our decision to not provide additional capital support to some of our partner companies could have a material adverse impact on the operations of such partner companies.

ITEM 1B. Unresolved Staff Comments

None.

ITEM 2. Properties

The location and general description of our properties as of February 29, 2008 are as follows:

Corporate Offices

Our corporate headquarters are located at 690 Lee Road, Suite 310 in an office facility located in Wayne, Pennsylvania, where we lease approximately 11,000 square feet.

Partner Company Properties

Our consolidated partner companies lease approximately 75,100 square feet of office, administrative, sales and marketing, operations and data center space, principally in Georgia, New York, Pennsylvania and Texas in the United States and an administrative office in China.

ITEM 3. Legal Proceedings

In May and June 2001, certain of the Company's present directors, along with the Company, certain of its former directors, certain of its present and former officers and its underwriters, were named as defendants in nine class action complaints filed in the United States District Court for the Southern District of New York. The plaintiffs and the putative classes they seek to represent include present and former stockholders of the Company. The complaints generally allege violations of Sections 11 and 12 of the Securities Act of 1933, as amended (the "Securities Act"), and Rule 10b-5 promulgated under the Exchange Act, based on, among other things, the dissemination of statements allegedly containing material misstatements and/or omissions concerning the commissions received by the underwriters of the initial public offering and follow-on public offering of the Company as well as failure to disclose the existence of purported agreements by the underwriters with some of the purchasers in these offerings to buy additional shares of the Company's stock subsequently in the open market at pre-determined prices above the initial offering prices. The plaintiffs seek for themselves and the alleged class members an award of damages and litigation costs and expenses. The claims in these cases have been consolidated for pre-trial purposes (together with claims against other issuers and underwriters) before one judge in the Southern District of New York federal court. In April 2002, a consolidated, amended complaint was filed against these defendants which generally alleges the same violations and also refers to alleged misstatements or omissions that relate to the recommendations regarding the Company's stock by analysts employed by the underwriters. In June and July 2002, defendants, including the Company defendants, filed motions to dismiss plaintiffs' complaints on numerous grounds. The Company's motion was denied in its entirety in an opinion dated February 19, 2003. In July 2003, a committee of the Company's Board of Directors approved a proposed settlement with the plaintiffs in this matter, which was preliminarily approved by the District Court overseeing the litigation in February 2005. A final fairness hearing on the settlement was held on April 24, 2006. On December 5, 2006, however, the Second Circuit Court of Appeals reversed the certification of plaintiff classes in six actions related to other issuers that had been designated as test cases with respect to the non-settling defendants in those matters (the "Focus Cases") and made other rulings that drew into question the legal viability of the claims in the Focus Cases. The Court of Appeals later rejected the plaintiffs' request that it reconsider that decision. As a result, on June 25, 2007, the District Court approved a stipulation and order terminating the proposed settlement. While the Court of Appeals decision does not automatically apply to the case against the Company, the defendants have moved for an order that would apply the decision to all cases, including the consolidated action against the Company. On August 14, 2007, the plaintiffs filed an amended "master" complaint containing allegations purportedly common to all defendants in all actions and filed amended complaints containing specific allegations against the six issuer defendants in the Focus Cases. In addition, on September 27, 2007, the plaintiffs again moved to certify classes in each of the Focus Cases. The defendants in the Focus Cases have moved to dismiss the amended complaints. Rulings on both the motion to certify the Focus Cases as class actions and to dismiss those cases remain outstanding. The Court has approved a stipulation extending the time within which the plaintiffs must file amended pleadings containing specific allegations against the other issuer defendants, including the Company, and the time within which those defendants must move, answer or otherwise respond to those specific allegations.

ITEM 4. Submission of Matters to a Vote of Security Holders

No matter was submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the fourth quarter of fiscal year 2007.

PART II**ITEM 5. Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

Market Information. Our Common Stock is currently traded on the NASDAQ Global Market under the symbol "ICGE." The price range per share reflected in the table below is the highest and lowest sale price for our Common Stock (post-split) as reported by the NASDAQ Global Market during each quarter period of our two most recent fiscal years.

	2007				2006			
	March 31 (1st)	June 30 (2nd)	Sept. 30 (3rd)	Dec. 31 (4th)	March 31 (1st)	June 30 (2nd)	Sept. 30 (3rd)	Dec. 31 (4th)
High	\$ 12.54	\$12.53	\$13.30	\$13.94	\$ 10.04	\$ 9.66	\$ 9.65	\$11.26
Low	\$ 9.81	\$10.50	\$10.15	\$10.51	\$ 7.90	\$ 7.57	\$ 8.05	\$ 9.04

Holders. As of February 29, 2008, there were 1,018 holders of record of our Common Stock, although there is a much larger number of beneficial owners.

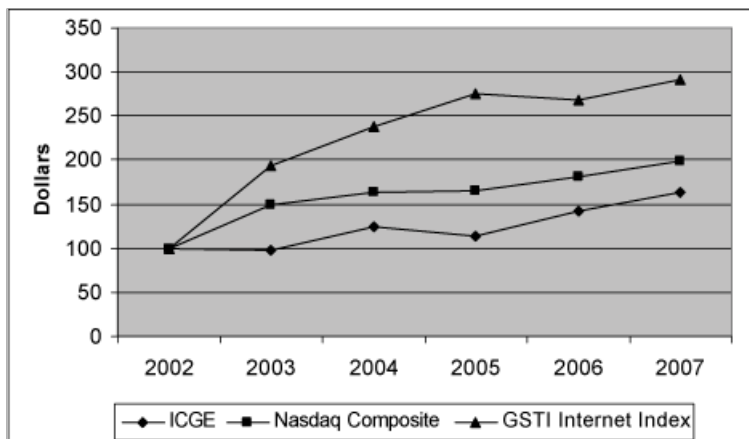
Dividends. We have never declared or paid cash dividends on our capital stock and we do not intend to pay cash dividends in the foreseeable future. We plan to retain any earnings for use in the operation of our business and to fund future growth.

Stock Performance Graph

The following graph shall not be deemed “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities under that section, and shall not be deemed to be incorporated by reference into any filing of the Company under the Securities Act or the Exchange Act.

The following graph presents a comparison of the Company’s stock performance with that of the Nasdaq Composite Index and the Goldman Sachs Technology Internet Index from December 31, 2002 to December 31, 2007.

**COMPARISON OF CUMULATIVE TOTAL RETURN* SINCE DECEMBER 31, 2002
AMONG INTERNET CAPITAL GROUP, INC.,
THE NASDAQ COMPOSITE INDEX AND
THE GSTI INTERNET INDEX**



* \$100 invested at closing prices on December 31, 2002 in ICGE shares or in a stock index, including reinvestment of dividends.

ITEM 6. Selected Consolidated Financial Data

The following table summarizes certain selected historical consolidated financial information of ICG that has been derived from our audited Consolidated Financial Statements for each one-year period for the five years ended December 31, 2007, 2006, 2005, 2004 and 2003. The financial information may not be indicative of our future performance. The information set forth below should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our Consolidated Financial Statements and the related Notes thereto included in this Report.

	Year Ended December 31,				
	2007	2006	2005	2004	2003
	(in thousands, except per share data)				
Consolidated Statements of Operations Data:					
Revenues	\$ 52,923	\$ 64,749	\$ 47,568	\$ 41,857	\$ 57,915
Operating Expenses					
Cost of revenue	39,523	42,439	28,460	21,464	33,565
Selling, general and administrative	32,781	42,108	40,795	31,239	43,138
Research and development	6,033	8,755	12,276	8,660	13,705
Amortization of intangibles	129	1,695	2,123	2,711	7,955
Impairment related and other	59	178	3,448	758	(1,777)
Total operating expenses	78,525	95,175	87,102	64,832	96,586
	(25,602)	(30,426)	(39,534)	(22,975)	(38,671)
Other income (loss), net	(167)	34,605	135,489	(106,178)	(58,706)
Interest income (expense), net	5,038	7,345	523	(3,630)	(15,301)
Income (loss) before income taxes, minority interest and equity loss	(20,731)	11,524	96,478	(132,783)	(112,678)
Income tax benefit (expense)	3,992	40	(18,640)	—	—
Minority interest	(468)	1,232	2,513	771	2,384
Equity loss	(14,416)	(5,461)	(6,703)	(5,893)	(14,540)
Income (loss) from continuing operations	(31,623)	7,335	73,648	(137,905)	(124,834)
Income (loss) on discontinued operations	995	8,289	(1,130)	2,588	(11,050)
Net income (loss)	\$ (30,628)	\$ 15,624	\$ 72,518	\$ (135,317)	\$ (135,884)
Basic Income (loss) Per Share:					
Income (loss) from continuing operations	\$ (0.83)	\$ 0.20	\$ 1.98	\$ (3.86)	\$ (8.25)
Income (loss) on discontinued operations	0.02	0.22	(0.03)	0.07	(0.73)
Basic income (loss) per share	\$ (0.81)	\$ 0.42	\$ 1.95	\$ (3.79)	\$ (8.98)
Shares used in computation of basic income (loss) per share	37,916	37,570	37,109	35,713	15,130
Diluted Income (loss) Per Share:					
Income (loss) from continuing operations	\$ (0.83)	\$ 0.19	\$ 1.76	\$ (3.86)	\$ (8.25)
Income (loss) on discontinued operations	0.02	0.22	(0.03)	0.07	(0.73)
Diluted income (loss) per share	\$ (0.81)	\$ 0.41	\$ 1.73	\$ (3.79)	\$ (8.98)
Shares used in computation of diluted income (loss) per share	37,916	38,106	43,670	35,713	15,130
Consolidated Balance Sheet Data:					
Cash, cash equivalents and short-term investments	\$ 82,031	\$ 120,808	\$ 147,912	\$ 86,951	\$ 77,590
Working capital (deficit)	\$ 78,749	\$ 78,939	\$ 140,504	\$ 72,932	\$ (124,479)
Total assets	\$ 332,431	\$ 354,427	\$ 346,532	\$ 277,606	\$ 231,163
Other long-term debt, net of current portion	\$ 191	\$ 544	\$ 4,407	\$ 11	\$ 30
Senior convertible notes	\$ —	\$ 26,590	\$ 37,000	\$ 60,000	\$ —
Convertible subordinated notes	\$ —	\$ —	\$ —	\$ —	\$ 173,919
Total stockholders' equity (deficit)	\$ 304,658	\$ 298,538	\$ 256,245	\$ 165,107	\$ (19,294)

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth elsewhere in this Report and the risks discussed in our other SEC filings. The following discussion should be read in conjunction with our audited Consolidated Financial Statements and the related Notes thereto included in this Report.

Although we refer in this Report to companies in which we have acquired a convertible debt or an equity ownership interest as our "partner companies" and indicate that we have a "partnership" with these companies, we do not act as an agent or legal representative for any of our partner companies, we do not have the power or authority to legally bind any of our partner companies, and we do not have the types of liabilities in relation to our partner companies that a general partner of a partnership would have.

The Consolidated Financial Statements include the consolidated accounts of Internet Capital Group, Inc., a company incorporated in Delaware, and its subsidiaries, both wholly-owned and consolidated (Internet Capital Group, Inc. and all such subsidiaries, are hereinafter referred to as "we," "ICG," the "Company" or "Internet Capital Group"), and have been prepared in accordance with Generally Accepted Accounting Principles in the United States of America ("GAAP").

Executive Summary

The Company acquires and builds internet software and services companies that drive business productivity and reduce transaction costs between firms. The Company devotes its expertise and capital to maximizing the success of these platform companies, which are delivering software and service applications to customers worldwide. We view the Company as primarily having two components: corporate and our partner companies. Corporate primarily holds our cash, marketable securities and ownership interests in partner companies. Our partner companies are grouped into two operating segments consisting of the core segment and the Other Holdings segment. The core operating segment includes those partner companies in which the Company's management takes a very active role in providing strategic direction and management assistance. The other holdings operating segment includes holdings in companies over which, in general, we have less influence due to the fact that they are public and/or we have a relatively small ownership stake. From time to time, partner companies are disposed of by ICG or cease operations.

The various interests that we acquire in our partner companies are accounted for under one of three accounting methods: the consolidation method, the equity method or the cost method. The applicable accounting method is generally determined based on our voting interest in a partner company. Generally, if we own more than 50% of the outstanding voting securities of a partner company, and for which other stockholders do not possess the right to affect significant management decisions, a partner company's accounts are reflected within our Consolidated Financial Statements. Generally, if we own between 20% and 50% of the outstanding voting securities, a partner company's accounts are not reflected within our Consolidated Financial Statements; however, our share of the earnings or losses of the partner company is reflected in the caption "Equity loss" in our consolidated statements of operations. Partner companies not accounted for under either the consolidation or the equity method of accounting are accounted for under the cost method of accounting. Under this method, our share of the earnings or losses of these companies is not included in our consolidated statements of operations.

Because we own significant interests in software and services companies, many of which have generated net losses, we have experienced, and expect to continue to experience, significant volatility in our quarterly results. While many of our partner companies have consistently reported losses, we have recorded net income in certain periods and experienced significant volatility from period-to-period due to infrequently occurring transactions and other events relating to our ownership interests in partner companies.

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These transactions and events are described in more detail in our Notes to Consolidated Financial Statements and include dispositions of, and changes to, our partner company ownership interests, dispositions of our holdings of marketable securities and debt repurchases.

Liquidity and Capital Resources

The following table summarizes our and our consolidated subsidiaries' cash and cash equivalents, restricted cash, marketable securities and senior convertible notes as of December 31, 2007 and 2006:

	December 31, 2007			December 31, 2006		
	Corporate	Consolidated Subsidiaries	Total (in thousands)	Corporate	Consolidated Subsidiaries	Total
Cash and cash equivalents	\$ 69,125	\$ 12,906	\$ 82,031	\$ 104,249	\$ 16,559	\$ 120,808
Restricted Cash (1)	—	5	5	—	33	33
	\$ 69,125	\$ 12,911	\$ 82,036	\$ 104,249	\$ 16,592	\$ 120,841
Marketable securities (2)	\$ 84,376	\$ —	\$ 84,376	\$ 66,075	\$ —	\$ 66,075
Senior convertible notes due April 2009 (3)	\$ —	\$ —	\$ —	\$ (26,590)	\$ —	\$ (26,590)

- (1) Restricted cash at December 31, 2007 and 2006 does not include \$0.2 million and \$0.3 million, respectively, of long-term restricted cash included in "Other" assets on the Company's consolidated balance sheets.
- (2) Includes an offsetting liability of \$3.7 million at December 31, 2007 and a contributing asset of \$0.4 million at December 31, 2006 related to derivative instruments associated with the Company's marketable securities.
- (3) ICG repurchased all outstanding senior convertible notes on February 12, 2007 for approximately \$37.1 million in cash plus accrued interest.

We believe existing cash and cash equivalents and proceeds from the potential sales of all or a portion of our interests in certain marketable securities and partner companies to be sufficient to fund our cash requirements for the foreseeable future, including any future commitments to partner companies, debt obligations and general operations requirements. At December 31, 2007, as well as the date of this filing, we were not obligated for any significant funding and guarantee commitments to existing partner companies. We will continue to evaluate acquisition opportunities and may acquire additional ownership interests in new and existing partner companies in the next twelve months; however, such acquisitions will generally be made at our discretion.

Consolidated working capital remained relatively consistent from December 31, 2006 to December 31, 2007, primarily due to the proceeds received in the sale of Marketron partially offset by the repurchase of our convertible notes in February 2007.

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Summary of Statements of Cash Flows

	Year Ended December 31,		
	2007	2006 (in thousands)	2005
Cash used in operating activities	\$(16,075)	\$(7,203)	\$(51,055)
Cash provided by (used in) investing activities	\$ 15,329	\$(7,141)	\$192,693
Cash provided by (used in) financing activities	\$(37,960)	\$(9,454)	\$(29,179)

The increase in cash used in operating activities from 2006 to 2007 is primarily due to the receipt of a \$8.1 million refund received in 2006 related to \$26.9 million of estimated federal income tax payments paid in 2005. The decrease in cash used in operating activities from 2005 to 2006 is due to a reduction in operating loss in 2006 versus 2005 and the receipt in 2006 of the previously referred to tax refund.

The variability in cash provided by (used in) investing activities in 2007 versus 2006 versus 2005 is the result of net monetizations of ownership interests in partner companies and marketable securities in 2007 and 2005 versus net acquisition of ownership interests in partner companies in 2006.

The increase in cash used in financing activities from 2006 to 2007 is primarily related to repurchases of notes in 2007 versus proceeds from employee loan repayments in 2006 and a lower amount of notes repurchased in 2006. The decrease in cash used in financing activities from 2005 to 2006 is primarily related to proceeds from employee loan repayments in 2006 and a lower amount of notes repurchased in 2006 than 2005.

We and our consolidated subsidiaries are involved in various claims and legal actions arising in the ordinary course of business. We do not expect any ultimate liability with respect to these actions will materially affect our financial position or cash flows.

Contractual Cash Obligations and Commercial Commitments

The following table summarizes our contractual cash obligations and commercial commitments as of December 31, 2007:

	Payments due by period				
	Total	Less than 1 year	1-3 years (in thousands)	3-5 years	More than 5 years
Operating leases	\$ 3,793	\$ 1,227	\$ 1,713	\$ 853	\$ —
Capital leases	226	106	120	—	—
Other borrowings	578	507	40	31	—
	<u>\$ 4,597</u>	<u>\$ 1,840</u>	<u>\$ 1,873</u>	<u>\$ 884</u>	<u>\$ —</u>

Off-Balance Sheet Arrangements

We are not involved in any off-balance sheet arrangements that have or are reasonably likely to have a material future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Our Partner Companies

As of December 31, 2007, we owned interests in 17 partner companies that are categorized below based on segment and method of accounting.

CORE PARTNER COMPANIES (%Voting Interest)		
Consolidated	Equity	Cost
ICG Commerce (65%)	Channel Intelligence (41%)	(none)
Investor Force (80%)	Freeborders (32%)	
	Metastorm (32%)	
	StarCite (26%)	
	Vcommerce (48%)	
	WhiteFence (35%)	
OTHER HOLDINGS COMPANIES (%Voting Interest)		
Consolidated	Equity	Cost
(none)	GoIndustry (31%) (2)	Anthem (9%)
		Blackboard (1)
		Captive Capital (5%)
		Creditex (13%)
		Emptoris (5%)
		Integrity Solutions (2%)
		Jamcracker (2%)
		Tibersoft (5%)

- (1) As of February 29, 2008, we own 2,187,060 shares of Blackboard (NASDAQ:BBBB) See “Note 4 — Marketable Securities” to Consolidated Financial Statements.
- (2) As of February 29, 2008, we own 133,832,852 shares, or approximately 29% of the voting securities, of GoIndustry. GoIndustry’s common stock is traded on the AIM market of the London Stock Exchange under ticker symbol GOI. See “Note 3 – Ownership Interests in Partner Companies, Goodwill and Intangibles, net” to Consolidated Financial Statements.

Results of Operations

The following table summarizes the unaudited selected financial information related to our segments. Each segment includes the results of our consolidated partner companies and records our share of the earnings and losses of partner companies accounted for under the equity method of accounting. The partner companies included within the segments are consistently the same 17 partner companies for 2007, 2006 and 2005. Additionally, Channel Intelligence, Vcommerce and WhiteFence, the partner companies in which we acquired an interest after January 1, 2005, are included in the core segment from their respective acquisition dates. The method of accounting for any particular partner company may change based on our ownership interest.

“Discontinued Operations and Dispositions” are those partner companies that have been sold or ceased operations and are no longer included in a segment for all periods presented. Corporate expenses represent the general and administrative expenses of our business operations, which include supporting the partner companies and operating as a public company. The measure of segment net loss reviewed by us does not include items such as gains on the disposition of partner company ownership interests and marketable securities holdings, losses on convertible note repurchases and transactions, income taxes and accounting changes, which are reflected in other reconciling items in the information that follows.

Segment Information
(in thousands)

				Reconciling Items			Consolidated Results
	Core	Other Holdings	Total Segment	Discontinued Operations and Dispositions	Corporate	Other	
For the Year Ended December 31, 2007							
Revenues	\$ 52,923	\$ —	\$ 52,923	\$ —	\$ —	\$ —	\$ 52,923
Net income (loss)	\$(18,194)	\$ (856)	\$(19,050)	\$ 1,849	\$(17,022)	3,595	\$ (30,628)
For the Year Ended December 31, 2006							
Revenues	\$ 64,749	\$ —	\$ 64,749	\$ —	\$ —	\$ —	\$ 64,749
Net income (loss)	\$(15,089)	\$ 592	\$(14,497)	\$ 7,824	\$(13,788)	36,085	\$ 15,624
For the Year Ended December 31, 2005							
Revenues	\$ 47,568	\$ —	\$ 47,568	\$ —	\$ —	\$ —	\$ 47,568
Net income (loss)	\$(21,386)	\$(5,597)	\$(26,983)	\$ 195	\$(18,473)	\$117,779	\$ 72,518

For the Years Ended December 31, 2007, 2006 and 2005

Results of Operations — Core Companies

The following presentation of our Results of Operations – Core Companies includes the results of our consolidated core partner companies and our share of the results of our equity method core partner companies.

Selected data:	Year Ended December 31,		
	2007	2006	2005
		(in thousands)	
Revenues	\$ 52,923	\$ 64,749	\$ 47,568
Cost of revenue	(39,523)	(42,840)	(28,460)
Selling, general and administrative	(11,101)	(20,809)	(22,420)
Research and development	(6,033)	(8,779)	(12,276)
Amortization of intangibles	(129)	(1,695)	(2,123)
Impairment related and other	(59)	(178)	(347)
Operating expenses	(56,845)	(74,301)	(65,626)
Interest and other	451	51	(897)
Income taxes	(309)	—	—
Equity loss	(14,414)	(5,588)	(2,431)
Net loss	\$ (18,194)	\$ (15,089)	\$ (21,386)

Revenues

Revenue decreased \$11.8 million, from \$64.7 million in 2006 to \$52.9 million in 2007. The primary driver of the decrease is attributable to the deconsolidation of StarCite for all of 2007. StarCite completed a transaction to merge with OnVantage, Inc. on December 29, 2006. Following the closing of the transaction, our ownership interest in the combined entity is accounted for under the equity method of accounting and StarCite revenue is not consolidated. The 2007 revenue decrease was partially offset by increased revenues at ICG Commerce.

Revenue increased \$17.2 million, from \$47.6 million in 2005 to \$64.7 million in 2006. The primary drivers of the revenue increase were increased revenues at ICG Commerce and StarCite being consolidated through December 29, 2006 versus only the second half of 2005; the increase was offset by CommerceQuest being deconsolidated in the fourth quarter of 2005.

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Operating Expenses

Operating expenses decreased \$17.5 million, from \$74.3 million in 2006 to \$56.8 million in 2007. The primary driver of the decrease is attributable to the deconsolidation of StarCite for all of the 2007 period versus being included for all of the 2006 period.

Operating expenses increased \$8.7 million, from \$65.6 million in 2005 to \$74.3 million in 2006. The increase was the result of the consolidation of StarCite through December 29, 2006 versus only the second half of 2005 and increased operating expenses at ICG Commerce.

Equity Loss

A portion of our net results from our core companies is derived from those partner companies in which we hold a substantial minority ownership interest. Our share of the net income or net losses of these companies is recorded in our Consolidated Statements of Operations under "Equity loss."

Selected data:	Year Ended December 31,		
	2007	2006 (in thousands)	2005
Total revenues	\$ 167,161	\$ 74,887	\$ 25,867
Total net loss	\$ (35,874)	\$ (17,900)	\$ (7,443)
Our share of total net loss ("equity loss")	\$ (14,414)	\$ (5,588)	\$ (2,431)

The 2007 increases over 2006 are primarily the result of the inclusion of StarCite as an equity method core company for all of 2007 after its previously mentioned merger with OnVantage and the addition of Channel Intelligence for all of 2007. The 2006 increase over 2005 is primarily the result of the additions of Metastorm and WhiteFence for all of 2006 and Vcommerce from the date of its acquisition early in 2006. Our share of the net loss also increased in 2007 versus the prior periods as those companies where our ownership had increased relative to prior years (primarily Channel Intelligence and Vcommerce) experienced an increase in net losses as these companies continue to increase operating expenses to expand market share.

Results of Operations – Other Holdings Companies

The following presentation of our Results of Operations – Other Holdings Companies includes the results of our consolidated other holdings partner companies and our share of the results of our equity method other holdings partner companies.

Selected data:	Year Ended December 31,		
	2007	2006 (in thousands)	2005
Revenues	\$ —	\$ —	\$ —
Operating expenses	—	—	—
Interest and other	—	—	—
Equity income (loss)	(856)	592	(5,597)
Net income (loss)	\$ (856)	\$ 592	\$ (5,597)

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Equity loss related to our other holdings increased from 2006 to 2007 as a result of GoIndustry recording more net losses in 2007 versus 2006. Equity income (loss) improved for 2006 versus 2005 primarily due to GoIndustry recording an impairment to their goodwill in 2005.

Results of Operations – Reconciling Items

Discontinued Operations and Dispositions

The following is a summary of the components included in “Discontinued Operations and Dispositions,” a reconciling item for segment reporting purposes:

	Year Ended December 31,		
	2007	2006 (in thousands)	2005
Discontinued operations	\$ 995	\$ 8,289	\$ (1,130)
Equity income (loss) of partner companies sold/disposed of	854	(465)	1,325
Net income	<u>\$ 1,849</u>	<u>\$ 7,824</u>	<u>\$ 195</u>

In 2006, Investor Force completed the sale of its database division to Morningstar, Inc. (“Morningstar”) for \$10.0 million. In 2005, ICG Commerce entered into an agreement to sell its German subsidiary for nominal consideration. In 2007 and 2006, the Company received \$0.2 million and \$0.1 million, respectively, of additional proceeds from the sale of the assets of Delphion, Inc. In accordance with Statement of Financial Accounting Standards (“SFAS”) SFAS No. 144, these three operations have been treated as discontinued operations. Accordingly, the operating results of these discontinued operations have been presented separately from continuing operations and include the gains or losses recognized on disposition. See Note 7 to our Consolidated Financial Statements.

Cash proceeds to Investor Force of \$9.0 million were received in August 2006 and \$1.0 million was received in August 2007. The Company recorded a gain of approximately \$7.0 million and \$1.0 million on this transaction in 2006 and 2007, respectively. The remaining \$0.2 million loss for 2007 and the \$1.2 million of income from discontinued operations related to the 2006 operating activities of the Investor Force database division.

The impact to our consolidated results of equity method partner companies in which we have sold or disposed of our ownership interest, or which have ceased operations during 2007, 2006 and 2005 is also included in the caption “Dispositions” for segment reporting purposes. Equity income primarily relating to Marketron in 2007, 2006 and 2005 is partially offset by the equity income (loss) relating to additional losses at eCredit.com, Inc. (“eCredit”) and ComputerJobs.com, Inc. (“ComputerJobs”) in 2006 and 2005.

Corporate

	Year Ended December 31,		
	2007	2006 (in thousands)	2005
General and administrative	\$ (21,680)	\$ (20,874)	\$ (18,779)
Interest income (expense), net	4,658	7,086	306
Net loss	<u>\$ (17,022)</u>	<u>\$ (13,788)</u>	<u>\$ (18,473)</u>

General and Administrative

Our general and administrative expenses increased \$0.8 million in 2007 from 2006, primarily due to increased employee costs and other outside services of \$1.7 million partially offset by a decrease in stock-based compensation of \$0.9 million.

Our general and administrative expenses increased \$2.1 million in 2006 from 2005, primarily due to an increase in stock-based compensation of \$3.3 million, offset by reductions in legal costs associated with the settlement of litigation.

Interest Income/Expense

The net \$2.4 million decrease in our net interest income (expense) from 2006 to 2007 is attributable to a decrease in the average cash balance from 2006 to 2007.

The net \$6.8 million increase in our net interest income (expense) from 2005 to 2006 is attributable to a reduction in average principal amount of convertible notes outstanding from 2005 to 2006 and an increase in the average cash balance and interest rates during the same period.

Other

	Year Ended December 31,		
	2007	2006 (in thousands)	2005
Other income (loss), net	\$ (238)	\$ 34,813	\$ 136,603
Income tax benefit (expense)	4,301	40	(18,640)
Impairments	—	—	(2,697)
Minority interest	(468)	1,232	2,513
Net income (loss)	<u>\$ 3,595</u>	<u>\$ 36,085</u>	<u>\$ 117,779</u>

Other Income (Loss), Net

Other income (loss), net was a loss of \$0.2 million in 2007. The primary driver of the loss was the loss on the note repurchases offset by the gain on the sale of Marketon. See Note 15 to our Consolidated Financial Statements.

Other income (loss), net was income of \$34.8 million in 2006 and income of \$136.6 million in 2005. The income in 2006 and 2005 is primarily the result of gains on the sales of partner companies and marketable securities. See Note 15 to our Consolidated Financial Statements.

Income Tax

Our net deferred tax asset of \$476.8 million at December 31, 2007 consists of deferred tax assets of \$506.5 million, relating primarily to partner company basis differences, capital and net operating loss carry forwards, offset by deferred tax liabilities of \$29.7 million, primarily related to unrealized appreciation in marketable securities. We have recorded a full valuation allowance against our net deferred tax assets at December 31, 2006 and 2007.

The income tax benefit recorded in 2007 represents the amount that can be carried back to 2005. The income tax expense in 2005 was the result of the income for the year being greater than the amount of carry forward losses that we were permitted to utilize due to the limitations imposed as a result of the change in ownership experienced by us in 2004.

See Note 12 to our Consolidated Financial Statements.

Impairment Charges

We continually evaluate the carrying values of our partner companies. Additionally, we operate in industries that are rapidly evolving, extremely competitive and where many businesses have experienced difficulty in raising additional capital necessary to fund operating losses. Based on our periodic review of our partner company carrying values, impairment charges of \$2.7 million were recorded in 2005. Additionally, we recorded other than temporary impairment charges related to our marketable securities totaling \$1.3 million in 2005. These charges are included in "Other income (loss)" above.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to our interests in our partner companies, marketable securities, revenues, income taxes and commitments and contingencies. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies are important to the presentation of our financial statements and require the most difficult, subjective and complex judgments.

Valuation of Goodwill, Intangible Assets and Ownership Interests in Partner Companies

We perform ongoing business reviews and annual goodwill impairment tests in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," and other impairment tests in accordance with Accounting Principles Board ("APB") Opinion No. 18, "Equity Method Investments" and SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," and use quantitative and qualitative measures to assess the need to record impairment losses on goodwill, intangible assets and ownership interests in our partner companies when impairment indicators are present. Where impairment indicators are present, we determine the amount of the impairment charge as the excess of the carrying value over the fair value. We determine fair value using a combination of the discounted cash flow methodology, which is based upon converting expected future cash flows to present value, and the market approach, which includes analysis of market price multiples of companies engaged in lines of business similar to the company being evaluated. The market price multiples are selected and applied to the company based on relative performance, future prospects and risk profile of the company in comparison to the guideline companies. Significant assumptions relating to

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future operating results must be made when estimating the future cash flows associated with these companies. Significant assumptions relating to achievement of business plan objectives and milestones must be made when evaluating whether impairment indicators are present. Should unforeseen events occur or should operating trends change significantly, additional impairment losses could occur.

Revenue Recognition

ICG Commerce may assume all or a part of a customer's procurement function as part of sourcing arrangements. Typically, in these engagements, ICG Commerce is paid a fixed fee agreed upon in advance and/or a fee based on a percentage of the amount spent by its customers' respective purchasing departments in the specified areas ICG Commerce manages. Additionally, in some cases, ICG Commerce has the opportunity to earn additional fees based on the level of savings achieved for customers. ICG Commerce recognizes revenue as earned, which is typically over the life of the customer contract, which approximates the life of the customer relationship, and any additional fees as earned.

StarCite was a consolidated company through December 29, 2006, at which time it merged with another company, reducing our ownership interest to 26%, and became an equity method company. StarCite's revenues were primarily derived from hotel media marketing packages, attendee management software, site selection and various enabling technologies. Marketing package, attendee management software and enabling technology revenues were recognized over the life of the contract, which approximated the life of the customer relationship and typically ranged from one to three years. Site selection revenues were recognized at the time the meeting occurred, which assumed no significant performance obligation remained.

CommerceQuest was a consolidated company through September 30, 2005, at which time it was acquired by Metastorm (which was an unrelated entity at the time) and became an equity method company. CommerceQuest recognized revenue from software license fees and services. CommerceQuest sold its software directly to end users, as well as through resellers. Fees from licenses were recognized as revenue upon contract execution (provided that all delivery obligations had been met), fees were fixed or determinable, collection was probable, and vendor-specific objective evidence existed for the undelivered elements of the arrangement. Maintenance revenue was recognized ratably over the term of the maintenance contract. Consulting and training revenue was recognized when the services were performed. Implementation fees, which did not relate to software license fees including start-up fees, were deferred and generally recognized as revenue over the term of the arrangement.

Deferred Income Taxes

We record a valuation allowance to reduce our net deferred tax assets to the amount that is more likely than not to be realized. We consider future taxable income and prudent and feasible tax planning strategies in determining the need for a valuation allowance. In the event that we determine that we would not be able to realize all or part of our net deferred tax assets, an adjustment to the deferred tax assets would be charged to earnings in the period such determination is made. Likewise, if we later determine that it is more likely than not that the net deferred tax assets would be realized, then the previously provided valuation allowance would be reversed.

Commitments and Contingencies

From time to time, we are a defendant or plaintiff in various legal actions that arise in the normal course of business. From time to time, we are also a guarantor of various third-party obligations and commitments. We are required to assess the likelihood of any adverse judgments or outcomes to these matters, as well as potential ranges of probable losses. A determination of the amount of reserves required for these contingencies, if any, which would be charged to earnings, is made after careful analysis of each individual matter. The required reserves may change in the future due to new developments in each matter or changes in circumstances, such as a change in settlement strategy. Changes in required reserves could increase or decrease our earnings in the period the changes are made.

Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board (“FASB”) issued Financial Interpretation No. 48 (“FIN 48”), “Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement 109.” FIN 48 clarified the accounting for uncertainty in income taxes recognized in accordance with SFAS No. 109, “Accounting for Income Taxes.” This interpretation also provided guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. This interpretation was effective for fiscal years beginning after December 15, 2006, the first of which was the fiscal year beginning January 1, 2007 for the Company. The adoption of FIN 48 did not have a material effect on our financial statements.

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements”, which is applicable for fiscal years beginning after November 15, 2007. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Although SFAS No. 157 does not require any new fair value measurements, its application may, for some entities, change current practices related to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. SFAS No. 157 is effective for us for the fiscal year beginning January 1, 2008 and will be applied prospectively. We do not expect the adoption of SFAS No. 157 and its related pronouncements to have a material impact on our financial statements. In February 2008 the FASB issued a Staff Position that will partially defer the effective date of SFAS No. 157 for one year for certain non-financial assets and non-financial liabilities and remove certain leasing transactions from the scope of SFAS No. 157.

On February 15, 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities.” Under this Standard, we may elect to report cost and equity partner companies, marketable securities, hedges and certain other items at fair value on a contract-by-contract basis with changes in value reported in earnings. This election is irrevocable. SFAS No. 159 is effective for us for the fiscal year beginning January 1, 2008. We have elected not to apply the fair value option to any of our current eligible financial assets and liabilities.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), “Business Combinations.” SFAS No. 141(R) amends the principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS No. 141(R) also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS No. 141(R) is effective for our fiscal year beginning on January 1, 2009, and we will apply prospectively to all business combinations subsequent to our effective date.

In December 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements—an amendment of Accounting Research Bulletin No. 51.” SFAS No. 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 also establishes disclosure requirements that clearly identify and distinguish between the controlling and noncontrolling interests and requires the separate disclosure of income attributable to controlling and noncontrolling interests. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008, which is our fiscal year beginning January 1, 2009. We are currently evaluating the impact that the adoption of SFAS No. 160 will have on our consolidated financial statements.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to equity price risks on the marketable portion of our equity securities. Our public holdings at December 31, 2007 include equity positions in companies in sectors that have experienced significant historical volatility in their stock prices. A 20% adverse change in equity prices, based on a sensitivity analysis of our public holdings as of December 31, 2007, would result in approximately a \$18 million decrease in the fair value of our public holdings. Through December 31, 2007, the Company has entered into cashless collar contracts with various expiration dates in 2010 to hedge 1,625,000 shares of its total holdings of 2,187,060 shares of Blackboard common stock at weighted average minimum and maximum prices per share of \$24.27 and \$56.35, respectively. Each of these contracts limits the Company's exposure to price declines in the underlying equity securities. Additionally, each of these contracts limits the Company's maximum benefits from price increases in the underlying equity securities.

Cash and cash equivalents, accounts receivable and accounts payable are carried at cost, which approximates fair value due to the short-term maturity of these instruments. Marketable securities are carried at fair value.

We have historically had very low exposure to changes in foreign currency exchange rates and, as such, have not used derivative financial instruments to manage foreign currency fluctuation risk.

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ITEM 8. Financial Statements and Supplementary Data

The following Consolidated Financial Statements, and the related Notes thereto, of Internet Capital Group, Inc. and the Report of Independent Registered Public Accounting Firm are filed as a part of this Annual Report on Form 10-K.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Internet Capital Group, Inc.:

We have audited the accompanying consolidated balance sheets of Internet Capital Group, Inc. and subsidiaries (the Company) as of December 31, 2007 and 2006, and the related consolidated statements of operations, stockholders' equity, comprehensive income (loss) and cash flows for each of the years in the three-year period ended December 31, 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Internet Capital Group, Inc. and subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2007, in conformity with U. S. generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, effective January 1, 2006, the Company adopted the fair value method of accounting for stock-based compensation as required by Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment*.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Internet Capital Group, Inc.'s internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 17, 2008 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Philadelphia, Pennsylvania
March 17, 2008

**INTERNET CAPITAL GROUP, INC.
CONSOLIDATED BALANCE SHEETS**

	December 31, 2007	December 31, 2006
	(in thousands, except per share data)	
Assets		
Current Assets		
Cash and cash equivalents	\$ 82,031	\$ 120,808
Restricted cash	5	33
Accounts receivable, net of allowance (\$44-2007; \$137-2006)	7,769	6,273
Prepaid expenses and other current assets	6,883	2,557
Total current assets	96,688	129,671
Marketable securities	88,029	65,718
Fixed assets, net	1,723	1,847
Ownership interests in Partner Companies	127,888	137,911
Goodwill	17,084	17,084
Intangibles, net	139	182
Other	880	2,014
Total Assets	<u>\$ 332,431</u>	<u>\$ 354,427</u>
Liabilities and Stockholders' Equity		
Current Liabilities		
Senior convertible notes	\$ —	\$ 26,590
Current maturities of other long-term debt	613	947
Accounts payable	1,624	4,123
Accrued expenses	2,871	4,420
Accrued compensation and benefits	9,554	9,222
Deferred revenue	3,277	5,430
Total current liabilities	17,939	50,732
Other long-term debt	191	544
Hedges of marketable securities	3,653	—
Other	847	490
Minority interests	5,143	4,123
	<u>27,773</u>	<u>55,889</u>
Stockholders' Equity		
Preferred stock, \$0.01 par value; 10,000 shares authorized, none issued or outstanding	—	—
Common stock, \$0.001 par value; 2,000,000 shares authorized, 38,651 (2007) and 38,598 (2006) issued and outstanding	39	39
Additional paid-in capital	3,567,495	3,552,681
Accumulated deficit	(3,347,723)	(3,317,095)
Accumulated other comprehensive income	84,847	62,913
Total Stockholders' Equity	304,658	298,538
Total Liabilities and Stockholders' Equity	<u>\$ 332,431</u>	<u>\$ 354,427</u>

See accompanying notes to Consolidated Financial Statements.

INTERNET CAPITAL GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2007	2006	2005
	(in thousands, except per share data)		
Revenues	\$ 52,923	\$ 64,749	\$ 47,568
Operating expenses			
Cost of revenue	39,523	42,439	28,460
Selling, general and administrative	32,781	42,108	40,795
Research and development	6,033	8,755	12,276
Amortization of intangibles	129	1,695	2,123
Impairment related and other	59	178	3,448
Total operating expenses	78,525	95,175	87,102
	(25,602)	(30,426)	(39,534)
Other income (loss), net	(167)	34,605	135,489
Interest income	5,338	9,519	3,890
Interest expense	(300)	(2,174)	(3,367)
Income (loss) before income taxes, minority interest and equity loss	(20,731)	11,524	96,478
Income tax benefit (expense)	3,992	40	(18,640)
Minority interest	(468)	1,232	2,513
Equity loss	(14,416)	(5,461)	(6,703)
Income (loss) from continuing operations	(31,623)	7,335	73,648
Income (loss) on discontinued operations	995	8,289	(1,130)
Net income (loss)	\$ (30,628)	\$ 15,624	\$ 72,518
Basic income (loss) per share:			
Income (loss) from continuing operations	\$ (0.83)	\$ 0.20	\$ 1.98
Income (loss) on discontinued operations	0.02	0.22	(0.03)
	\$ (0.81)	\$ 0.42	\$ 1.95
Shares used in computation of basic income (loss) per share	37,916	37,570	37,109
Diluted income (loss) per share:			
Income (loss) from continuing operations	\$ (0.83)	\$ 0.19	\$ 1.76
Income (loss) on discontinued operations	0.02	0.22	(0.03)
	\$ (0.81)	\$ 0.41	\$ 1.73
Shares used in computation of diluted income (loss) per share	37,916	38,106	43,670

See accompanying notes to Consolidated Financial Statements.

INTERNET CAPITAL GROUP, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Unamortized Deferred Compensation (in thousands)	Notes Receivable- Stockholders	Accumulated Other Comprehensive Income	Total
Balance as of December 31, 2004	38,388	\$ 38	\$ 3,525,596	\$ (3,405,237)	\$ (3,634)	\$ (300)	\$ 48,644	\$ 165,107
Amortization of deferred compensation	—	—	—	—	3,507	—	—	3,507
Impact of partner company equity transactions (Note 3)	—	—	2,271	—	—	—	—	2,271
Issuance of restricted stock	819	1	6,013	—	(6,014)	—	—	—
Amortization of stock appreciation rights	—	—	824	—	—	—	—	824
Issuance of deferred stock units to Board of Directors	109	—	809	—	(543)	—	—	266
Repurchase of Common Stock from former employees	(2)	—	—	—	—	—	—	—
Stock-based compensation tax benefit	—	—	133	—	—	—	—	133
Net unrealized appreciation in marketable securities and reclassification adjustments	—	—	—	—	—	—	11,619	11,619
Net income	—	—	—	72,518	—	—	—	72,518
Balance as of December 31, 2005	39,314	39	3,535,646	(3,332,719)	(6,684)	(300)	60,263	256,245
Reclassification of unamortized deferred compensation upon adoption of SFAS No. 123R	—	—	(6,684)	—	6,684	—	—	—
Share-based compensation expense related to restricted stock	—	—	2,559	—	—	—	—	2,559
Impact of partner company equity transactions (Note 3)	—	—	15,169	—	—	—	—	15,169
Issuance of restricted stock	50	—	—	—	—	—	—	—
Forfeitures of restricted stock	(37)	—	(129)	—	—	—	—	(129)
Share-based compensation related to stock appreciation rights and stock options	—	—	4,716	—	—	—	—	4,716
Issuance of deferred stock units to Board of Directors	56	—	674	—	—	—	—	674
Repurchase of Common Stock from current and former employees	(785)	—	—	—	—	128	—	128
Stockholder loans principal payments	—	—	730	—	—	125	—	855
Forgiveness of stockholder loans	—	—	—	—	—	47	—	47
Net unrealized appreciation in marketable securities and reclassification adjustments	—	—	—	—	—	—	2,650	2,650
Net income	—	—	—	15,624	—	—	—	15,624
Balance as of December 31, 2006	38,598	39	3,552,681	(3,317,095)	—	—	62,913	298,538
Share-based compensation expense related to restricted stock	—	—	2,334	—	—	—	—	2,334
Impact of partner company equity transactions (Note 3)	—	—	7,309	—	—	—	—	7,309
Issuance of restricted stock	15	—	—	—	—	—	—	—
Forfeitures of restricted stock	(36)	—	—	—	—	—	—	—
Share-based compensation related to stock appreciation rights and stock options	—	—	4,031	—	—	—	—	4,031
Issuance of deferred stock units to Board of Directors	74	—	808	—	—	—	—	808
Equity-based compensation tax benefit	—	—	332	—	—	—	—	332
Minority owners share of AOCI of consolidated subsidiary	—	—	—	—	—	—	(19)	(19)
Net unrealized appreciation in marketable securities and reclassification adjustments	—	—	—	—	—	—	21,953	21,953
Net income (loss)	—	—	—	(30,628)	—	—	—	(30,628)
Balance as of December 31, 2007	<u>38,651</u>	<u>\$ 39</u>	<u>\$ 3,567,495</u>	<u>\$ (3,347,723)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 84,847</u>	<u>\$ 304,658</u>

See accompanying notes to Consolidated Financial Statements.

INTERNET CAPITAL GROUP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Year Ended December 31,		
	2007	2006 (in thousands)	2005
Net income (loss)	\$ (30,628)	\$ 15,624	\$ 72,518
Other comprehensive income (loss)			
Unrealized holding gains in marketable securities	22,333	7,674	25,940
Reclassification adjustments/realized net (gains) loss on marketable securities	(380)	(5,024)	(14,567)
Other accumulated other comprehensive income (loss)	(19)	—	246
Sub-total	21,934	2,650	11,619
Comprehensive income (loss)	\$ (8,694)	\$ 18,274	\$ 84,137

See accompanying notes to Consolidated Financial Statements.

INTERNET CAPITAL GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2007	2006	2005
	(in thousands)		
Operating Activities			
Net income (loss)	\$ (30,628)	\$ 15,624	\$ 72,518
Adjustments to reconcile net loss to cash used in operating activities:			
(Income) loss from discontinued operations	(995)	(8,289)	1,130
Depreciation and amortization	1,502	3,395	3,691
Impairment related and other	59	373	2,941
Equity-based compensation	7,781	7,680	4,339
Equity loss	14,416	5,461	6,703
Other (income) loss	167	(34,605)	(135,489)
Minority interest	468	(1,232)	(2,513)
Changes in assets and liabilities, net of effect of acquisitions:			
Restricted cash	99	122	156
Accounts receivable, net	(1,452)	(1,395)	(4,631)
Prepaid expenses and other assets	(4,526)	6,990	949
Accounts payable	486	(3,019)	(6,711)
Accrued expenses	(1,247)	1,075	2,506
Deferred revenue	(2,153)	(762)	600
Other liabilities	(52)	3,261	3,553
Cash flows provided by (used in) operating activities of continuing operations	(16,075)	(5,321)	(50,258)
Cash flows from operating activities of discontinued operations	—	(1,882)	(797)
Cash used in operating activities	(16,075)	(7,203)	(51,055)
Investing Activities			
Capital expenditures, net	(1,226)	(2,265)	(965)
Purchases of short-term investments	—	—	(10,597)
Proceeds of short-term investments	—	5,000	63,537
Proceeds from sales of marketable securities	24	5,554	19,153
Proceeds from sales of partner company ownership interests	34,725	40,720	141,719
Proceeds from sale of discontinued operations	1,200	9,125	—
Acquisitions of ownership interests in Partner Companies, net	(19,394)	(63,292)	(22,471)
Other acquisitions, net	—	(536)	—
Increase in cash due to consolidation of Partner Companies	—	—	2,331
Reduction in cash due to deconsolidation of partner company	—	(1,447)	—
Cash flows provided by (used in) investing activities of continuing operations	15,329	(7,141)	192,707
Cash flows from investing activities of discontinued operations	—	—	(14)
Cash provided by (used in) investing activities	15,329	(7,141)	192,693
Financing Activities			
Repurchase of senior convertible notes	(37,087)	(12,768)	(28,405)
Long term debt and capital lease obligations, net	(873)	(1,310)	(774)
Repayments of loans from employees	—	4,624	—
Cash flows provided by (used in) financing activities of continuing operations	(37,960)	(9,454)	(29,179)
Cash flows from financing activities of discontinued operations	—	—	—
Cash provided by (used in) financing activities	(37,960)	(9,454)	(29,179)
Net increase (decrease) in Cash and Cash Equivalents	(38,706)	(23,798)	112,459
Effect of exchange rates on cash	(71)	65	496
Cash and Cash Equivalents at the beginning of year	120,808	144,541	31,586
Cash and Cash Equivalents at end of year	82,031	120,808	144,541
Less Cash and Cash Equivalents of discontinued operations at the end of year	—	—	1,882
Cash and Cash Equivalents of continuing operations at the end of year	\$ 82,031	\$ 120,808	\$ 142,659

See accompanying notes to Consolidated Financial Statements.

INTERNET CAPITAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The Company*Description of the Company*

Internet Capital Group, Inc. (the “Company”) acquires and builds internet software and services companies that drive business productivity and reduce transaction costs between firms. Founded in 1996, the Company devotes its expertise and capital to maximizing the success of these platform companies, which deliver software and service applications to customers worldwide.

Although the Company refers to companies in which it has acquired a convertible debt or an equity ownership interest as its “Partner Companies” and indicates that it has a “partnership” with these companies, it does not act as an agent or legal representative for any of its Partner Companies, it does not have the power or authority to legally bind any of its Partner Companies and it does not have the types of liabilities in relation to its Partner Companies that a general partner of a partnership would have.

2. Significant Accounting Policies*Basis of Presentation*

The Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries. The Consolidated Financial Statements also include the following majority-owned subsidiaries for all or a portion of the periods indicated, each of which has been consolidated since the date the Company acquired majority voting control (collectively, the “Consolidated Subsidiaries”):

Year Ended December 31,		
2007	2006	2005
ICG Commerce	ICG Commerce	ICG Commerce
Investor Force	Investor Force	CommerceQuest (2)
	StarCite (1)	Investor Force (3)
		StarCite (4)

The Consolidated Balance Sheets include the following majority-owned subsidiaries:

December 31,	
2007	2006
ICG Commerce	ICG Commerce
Investor Force	Investor Force

- (1) On December 29, 2006, StarCite completed a transaction in which it merged with OnVantage, Inc. Beginning on December 29, 2006, the Company’s ownership interest in the combined entity is accounted for under the equity method of accounting. See Note 3.
- (2) In October 2005, CommerceQuest, a consolidated Partner Company, was acquired by Metastorm in exchange for an equity interest in Metastorm. Beginning October 1, 2005 (see Note 3), Metastorm was accounted for as an equity method Partner Company.
- (3) Investor Force became a consolidated Partner Company on January 1, 2005.
- (4) StarCite became a consolidated Partner Company on June 8, 2005. The results of operations of StarCite from June 8, 2005 to June 30, 2005 were not material and were not included in the Consolidated Statements of Operations through June 30, 2005. StarCite’s results of operations are included in the Consolidated Statements of Operations beginning July 1, 2005.

INTERNET CAPITAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

2. Significant Accounting Policies — (Continued)

Principles of Accounting for Ownership Interests in Partner Companies

The various interests that the Company acquires in its Partner Companies are accounted for under three methods: the consolidation method, the equity method and the cost method. The applicable accounting method is generally determined based on the Company's voting interest in a Partner Company.

Consolidation. Partner Companies in which the Company directly or indirectly owns more than 50% of the outstanding voting securities, and for which other stockholders do not possess the right to affect significant management decisions, are accounted for under the consolidation method of accounting. Under this method, a Partner Company's balance sheet and results of operations are reflected within the Company's Consolidated Financial Statements, and all significant intercompany accounts and transactions have been eliminated. Participation of other Partner Company stockholders in the net assets and in the earnings or losses of a consolidated Partner Company is reflected in the caption "Minority interest" in the Company's Consolidated Balance Sheet and Statements of Operations. Minority interest adjusts the Company's consolidated results of operations to reflect only the Company's share of the earnings or losses of the consolidated Partner Company. The results of operations and cash flows of a consolidated Partner Company are included through the latest interim period in which the Company owned a greater than 50% direct or indirect voting interest for the entire interim period or otherwise exercised control over the Partner Company. Upon a reduction of the Company's ownership interest to below 50% of the outstanding voting securities, the accounting method is adjusted to the equity or cost method of accounting, as appropriate, for subsequent periods.

Although the Company's ownership percentage in GoIndustry AG exceeded 50% at December 31, 2005, the Company did not consolidate GoIndustry AG, due to the existence of certain minority voting rights in accordance with Emerging Issues Task Force ("EITF") No. 96-16, "Investor's Accounting for an Investee When an Investor Has a Majority of the Voting Interest but the Minority Shareholder or Shareholders Have Certain Approval or Veto Rights." At December 31, 2007, the Company owns 31% of GoIndustry. See Note 4.

Equity Method. Partner Companies that are not consolidated, but over which the Company exercises significant influence, are accounted for under the equity method of accounting. Whether or not the Company exercises significant influence with respect to a Partner Company depends on an evaluation of several factors, including, among others, representation on the Partner Company's board of directors and ownership level, which is generally a 20% to 50% interest in the voting securities of the Partner Company, including voting rights associated with the Company's holdings in common stock, preferred stock and other convertible instruments in the Partner Company. Under the equity method of accounting, a Partner Company's accounts are not reflected within the Company's Consolidated Balance Sheets and Statements of Operations; however, the Company's share of the earnings or losses of the Partner Company is reflected in the caption "Equity loss" in the Consolidated Statements of Operations. The carrying value of equity method Partner Companies is reflected in "Ownership interests in Partner Companies" in the Company's Consolidated Balance Sheets.

When the Company's interest in an equity method Partner Company is reduced to zero, no further losses are recorded in the Company's Consolidated Financial Statements, unless the Company guaranteed obligations of the Partner Company or has committed to additional funding. When the Partner Company subsequently reports income, the Company will not record its share of such income until it equals the amount of its share of losses not previously recognized.

INTERNET CAPITAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

2. Significant Accounting Policies — (Continued)

Cost Method. Partner Companies not accounted for under the consolidation or the equity method of accounting are accounted for under the cost method of accounting. Under this method, the Company's share of the earnings or losses of such companies is not included in the Consolidated Balance Sheet or Consolidated Statements of Operations. However, cost method Partner Company impairment charges are recognized in the Consolidated Statements of Operations. If circumstances suggest that the value of the Partner Company has subsequently recovered, such recovery is not recorded.

When a cost method Partner Company qualifies for use of the equity method, the Company's interest is adjusted retroactively for its share of the past results of its operations. Therefore, prior losses could significantly decrease the Company's carrying value balance at that time.

The Company records its ownership interest in equity securities of Partner Companies accounted for under the cost method at cost, unless these securities have readily determinable fair values based on quoted market prices, in which case these interests are valued at fair value and classified as marketable securities or some other classification in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities."

Ownership Interests in Partner Companies, Goodwill and Intangibles, net

The Company follows the guidance in SFAS No. 142, "Goodwill and Other Intangible Assets." The Company is required to test intangible assets and goodwill for impairment in accordance with the provisions of SFAS No. 142. The Company follows the guidance in APB No. 18, "The Equity Method of Accounting for Investments in Common Stock," to evaluate its equity method ownership interests in Partner Companies for impairment.

The Company continually evaluates the carrying value of its ownership interests in each of its Partner Companies for possible impairment based on achievement of business plan objectives and milestones, the value of each ownership interest in the Partner Company relative to carrying value, the financial condition and prospects of the Partner Company, and other relevant factors. The business plan objectives and milestones the Company considers include, among others, those related to financial performance, such as achievement of planned financial results or completion of capital raising activities, and those that are not primarily financial in nature, such as obtaining key business partnerships or the hiring of key employees. Impairment charges are determined by comparing the estimated fair value of a Partner Company with its carrying value. Fair value is determined by estimating the cash flows related to the asset, including estimated proceeds on disposition.

The Company's policy is to perform its annual impairment testing for all Partner Companies and goodwill in the fourth quarter of each fiscal year. The Company performed its annual impairment test during the fourth quarter of fiscal 2007 and concluded that the carrying value of its ownership interest in Partner Companies, goodwill and intangibles, net was not impaired. At December 31, 2007, the Company's carrying value of its ownership interests in Partner Companies totaled \$127.9 million, goodwill totaled \$17.1 million and intangibles, net totaled \$0.1 million.

INTERNET CAPITAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

2. Significant Accounting Policies — (Continued)

Revenue Recognition

During 2007, the Company's revenues were primarily attributable to ICG Commerce. During 2006, the Company's revenues were primarily attributable to ICG Commerce and StarCite. During 2005, the Company's revenues were primarily attributable to ICG Commerce, StarCite and CommerceQuest.

ICG Commerce generates revenue from sourcing consulting and procurement outsourcing services. Procurement outsourcing services generally include a combination of services and technology designed to help companies achieve unit cost savings and process efficiencies. ICG Commerce earns fees for implementation services, start-up services, content and category management (which may include sourcing as described below), hosting fees, buying center management fees, and certain transaction fees. ICG Commerce estimates the total contract value under these arrangements and generally recognizes revenue under these arrangements, excluding transaction fees and gain-share fees, on a straight-line basis over the term of the contract, which approximates the life of the customer relationship. Fees subject to guaranteed savings provisions are deferred until the contingency is achieved or it is determined from existing data and past experience that the savings will be achieved, and then recognized on a straight-line basis over the remaining life of the contract, which approximates the life of the customer relationship. Sourcing programs are engagements in which ICG Commerce negotiates prices from certain suppliers on behalf of its customers in certain categories in which ICG Commerce has sourcing expertise. Under sourcing programs, either the customer pays a fixed-fee or a gain-share amount for use of the negotiated rates. In fixed-fee sourcing arrangements, revenue is recognized on a proportional performance basis, provided that there is no uncertainty as to ICG Commerce's ability to fulfill its obligations under the contract or other services that are to be rendered under the contract. Gain-share sourcing revenue is recognized when earned.

StarCite was a consolidated company through December 29, 2006. StarCite's revenues were primarily derived from hotel media marketing packages, attendee management software, site selection and various enabling technologies. Marketing packages, attendee management software and enabling technology revenues were recognized over the life of the contract, which approximated the life of the customer relationship and typically ranged from one to three years. Site selection revenues were recognized at the time the meeting occurred, when no significant performance obligation remained.

CommerceQuest was a consolidated company through September 30, 2005, at which time it was acquired by Metastorm and became an equity method company. CommerceQuest recognized revenue from software license fees and services. CommerceQuest sold its software directly to end users, as well as through resellers. Fees from licenses were recognized as revenue upon contract execution, provided all delivery obligations had been met, fees were fixed or determinable, collection was probable, and vendor-specific objective evidence existed for the undelivered elements of the arrangement. Maintenance revenue was recognized ratably over the term of the maintenance contract. Consulting and training revenue was recognized when the services were performed. Implementation fees, which did not relate to software license fees, including start-up fees, were deferred and generally recognized as revenue over the term of the arrangement.

Deferred Revenue

Deferred revenue consists primarily of payments received in advance of revenue being earned under procurement sourcing arrangements.

INTERNET CAPITAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

2. Significant Accounting Policies — (Continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. These estimates include evaluation of the Company's holdings in its Partner Companies, holdings in marketable securities, asset impairment, revenue recognition, income taxes and commitments and contingencies. Certain amounts recorded to reflect the Company's share of losses of Partner Companies accounted for under the equity method are based on unaudited results of operations of those Partner Companies and may require adjustments in the future when audits of these entities are made final. In 2007, those amounts were not material. It is reasonably possible that the Company's accounting estimates with respect to the useful life of intangible assets and the ultimate recoverability of ownership interests in Partner Companies and goodwill could change in the near term and that the effect of such changes on the financial statements could be material. At year end, the Company believes the recorded amount of ownership interests in Partner Companies and goodwill is not impaired.

Cash and Cash Equivalents

The Company considers all highly liquid instruments with an original maturity of 90 days or less at the time of purchase to be cash equivalents. Cash and cash equivalents at December 31, 2007 and 2006 were invested principally in money market accounts and commercial paper.

Restricted Cash

The Company considers cash that is legally restricted and cash that is held as a compensating balance for letter of credit arrangements as restricted cash. At December 31, 2007 and 2006, restricted cash was held primarily in money market accounts. Long-term restricted cash of \$0.2 million at December 31, 2007 and \$0.3 million at December 31, 2006 is included in "Other" assets on the Company's Consolidated Balance Sheets.

Short-term Investments

Short-term investments are debt securities, principally commercial paper and certificates of deposit, maturing in less than one year, are classified as available for sale and are recorded at market value using the specific identification method. Short-term investments consisted of \$5.0 million in certificates of deposit at December 31, 2005. All of the short-term investments outstanding at December 31, 2005 matured in 2006.

Marketable Securities

Marketable securities are reported at fair value, based on quoted market prices, with the net unrealized gain or loss reported as a component of "Accumulated other comprehensive income" in stockholders' equity.

Financial Instruments

Cash and cash equivalents, accounts receivable and accounts payable are carried at cost, which approximates fair value due to the short-term maturity of these instruments. Marketable securities are carried at fair value. The Company's senior convertible notes had a fair value of approximately \$32.5 million at December 31, 2006 versus a carrying value of \$26.6 million as of the same date. Fair value of the Company's senior convertible notes was determined by obtaining thinly traded market quotes. The Company repurchased the remaining \$26.6 million in principal amount of outstanding senior convertible notes on February 12, 2007 for \$37.1 million in cash plus accrued interest. See Note 5.

Research and Development

Research and development costs are charged to expense as incurred.

INTERNET CAPITAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

2. Significant Accounting Policies — (Continued)

Income Taxes

Income taxes are accounted for under the asset and liability method, whereby deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Net Income (Loss) Per Share

Basic net income (loss) per share ("EPS") is computed using the weighted average number of common shares outstanding during each period. Diluted EPS includes shares, unless anti-dilutive, that would arise from the exercise of stock options and conversion of other convertible securities and is adjusted, if applicable, for the effect on net income (loss) of such transactions. If a consolidated or equity method Partner Company has dilutive options or securities outstanding, diluted net income per share is computed by deducting from income (loss) from continuing operations the income attributable to the potential exercise of the dilutive options or securities of the Partner Company.

Because the Company has incurred losses for 2007, the effects of potentially dilutive securities are not included, as they would be anti-dilutive. See Note 17.

Issuances of Stock by Partner Companies

The effects of any changes in the Company's ownership interest resulting from the issuance of equity capital by a Partner Company accounted for under the consolidation or equity method of accounting are accounted for pursuant to Staff Accounting Bulletin ("SAB") No. 51, "Accounting for the Sales of Stock of a Subsidiary." SAB No. 51 requires the difference between the carrying amount of the Company's investment in the Partner Company and the underlying net book value of the Partner Company after the issuance of stock by the Partner Company be reflected as either a gain or loss in the Company's Consolidated Statements of Operations if the appropriate recognition criteria has been met or reflected as an equity transaction in the Company's Consolidated Statements of Stockholders' Equity. During the years ended December 31, 2007, 2006 and 2005, all such gains and losses have been recorded in the Company's Consolidated Statements of Stockholders' Equity. See Note 3.

Escrowed Proceeds

When an interest in one of the Company's partner companies is sold, a portion of the sale consideration may be held in escrow primarily to satisfy purchase price adjustments and/or indemnity claims. The Company records escrow arrangements at the time the Company is entitled to the escrow proceeds, the amount is fixed or determinable and realization is assured. At December 31, 2007, the Company has aggregate contingent gains of \$6.6 million associated with these outstanding escrows set to lapse at various dates within the next three years, subject to indemnity claims pursuant to the terms of the specific sale agreements. See Note 3.

Concentration of Customer Base and Credit Risk

For the year ended December 31, 2007, one customer of ICG Commerce represented approximately 24% of the Company's consolidated revenue. For the years ended December 31, 2007, 2006 and 2005, a second customer of ICG Commerce represented approximately 10%, 10% and 14%, respectively, of the Company's consolidated revenue. Accounts receivable at December 31, 2007 related to the first customer referenced above was \$1.4 million. Accounts receivable related to the second customer referenced above was less than \$0.1 million and \$1.1 million at December 31, 2007 and December 31, 2006, respectively.

INTERNET CAPITAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

2. Significant Accounting Policies — (Continued)

Stock Based Compensation

The Company adopted SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123R") on January 1, 2006 using the modified prospective method. Under the modified prospective method, stock-based compensation expense recognized in the year ended December 31, 2006 includes (i) compensation expense for all share-based payments granted prior to, but not yet vested as of, January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," and (ii) compensation expense for all share-based payments granted, modified or settled subsequent to January 1, 2006. The Company generally recognizes compensation expense for awards granted after December 31, 2005 on a straight-line basis over the vesting period of the awards. Fair value for stock options and stock appreciation rights ("SARs") is determined using the Black-Scholes model and the expense is amortized over the vesting period. See Note 11.

As permitted by SFAS No. 123, which was amended by SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure — an amendment of FASB Statement No. 123" through December 31, 2005, the Company measured compensation cost in accordance with APB Opinion No. 25. Accordingly, no compensation expense was recorded for stock options issued to employees that were granted where the exercise price was equal to fair market value on the grant date.

The following table illustrates the effect on the Company's net income (loss) and net income (loss) per share as if the fair value based method of SFAS No. 123 had been applied to all awards:

	Year Ended December 31, 2005
	(in thousands, except per share data)
Net income (loss), as reported	\$ 72,518
Stock-based employee compensation expense included in reported net income (loss)	4,339
Total stock-based employee compensation expense determined under fair-value-based method for all awards	(8,305)
Pro forma net income (loss)	\$ 68,552
Net income (loss) per basic share, as reported	\$ 1.95
Net income (loss) per diluted share, as reported	\$ 1.73
Pro forma net income (loss) per basic share	\$ 1.85
Pro forma net income (loss) per diluted share	\$ 1.64

The Company also included its share of its Partner Companies' SFAS No. 123 pro forma expense in the Company's SFAS No. 123 pro forma expense. Private Partner Companies utilized a the minimum value method for valuing their stock options.

INTERNET CAPITAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

2. Significant Accounting Policies — (Continued)

Recent Accounting Pronouncements

In June 2006, the FASB issued Financial Interpretation No. 48 (“FIN 48”), “Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement 109.” FIN 48 clarified the accounting for uncertainty in income taxes recognized in accordance with SFAS No. 109, “Accounting for Income Taxes.” This interpretation also provided guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. This interpretation was effective for fiscal years beginning after December 15, 2006, the first of which was the fiscal year beginning January 1, 2007 for the Company. The adoption of FIN 48 did not have a material effect on the Company’s financial statements.

In September 2006, FASB issued SFAS No. 157, “Fair Value Measurements,” which is applicable for fiscal years beginning after November 15, 2007. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Although SFAS No. 157 does not require any new fair value measurements, its application may, for some entities, change current practices related to the definition of fair value, the methods used to measure fair value and the expanded disclosures about fair value measurements. SFAS No. 157 is effective for the Company for fiscal year beginning January 1, 2008 and will be applied prospectively. In February 2008, the FASB issued a staff position that will partially defer the effective date of SFAS No. 157 for one year for certain non-financial assets and non-financial liabilities and remove certain leasing transactions from the scope of SFAS No. 157. The Company does not expect the adoption of SFAS No. 157 and its related pronouncements to have a material impact on the Company’s financial statements.

On February 15, 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities.” Under this Standard, the Company may irrevocably elect to report cost and equity method partner companies, marketable securities, hedges and certain other items at fair value on a contract-by-contract basis with changes in value reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. This election is irrevocable. The Company has elected not to apply the fair value option to any of the Company’s current eligible financial assets and liabilities.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), “Business Combinations.” SFAS No. 141(R) amends the principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS No. 141(R) also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS No. 141(R) is effective for the Company on January 1, 2009, and the Company will apply prospectively to all business combinations subsequent to the effective date.

In December 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements—an amendment of Accounting Research Bulletin No. 51.” SFAS No. 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 also establishes disclosure requirements that clearly identify and distinguish between the controlling and noncontrolling interests and requires the separate disclosure of income attributable to controlling and noncontrolling interests. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008, which is January 1, 2009 for the Company. The Company is currently evaluating the impact that the adoption of SFAS No. 160 will have on the Company’s consolidated financial statements.

INTERNET CAPITAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

2. Significant Accounting Policies — (Continued)

SFAS No. 160 requires retroactive adoption of the presentation and disclosure requirements for existing minority interests. All other requirements of SFAS No. 160 shall be applied prospectively. SFAS No. 160 would have an impact on the presentation and disclosure of the noncontrolling interests of any non wholly-owned businesses acquired in the future. The Company is currently evaluating the impact of the adoption of SFAS No. 160 on its financial statements.

Comprehensive Income (Loss)

The Company reports and displays comprehensive income (loss) and its components in the Consolidated Statements of Comprehensive Income (loss). Comprehensive income (loss) is the change in equity of a business enterprise during a period from non-owner sources. Excluding net income (loss), the Company's sources of comprehensive income (loss) are from net unrealized appreciation on its marketable securities and foreign currency translation adjustments. Reclassification adjustments result from the recognition in net income of gains or losses that were included in comprehensive income (loss) in prior periods.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. The impact of these changes is not material and did not affect net income (loss). See Note 7.

3. Ownership Interests in Partner Companies, Goodwill and Intangibles, net

The following table summarizes the Company's goodwill, other intangibles, and ownership interests in Partner Companies.

	December 31, 2007	December 31, 2006
	(in thousands)	
Goodwill	\$ 17,084	\$ 17,084
Intangibles, net	\$ 139	\$ 182
Ownership interests in Partner Companies — Equity Method	\$ 98,144	\$ 109,288
Ownership interests in Partner Companies — Cost Method	29,744	28,623
	<u>\$ 127,888</u>	<u>\$ 137,911</u>

In 2007, the Company acquired 14.0% of an early stage technology company for \$2.2 million in cash which will be accounted for under the cost method of accounting.

The following table summarizes the activity related to Goodwill:

Goodwill at December 31, 2005	\$ 17,794
Additional acquisition of ICG Commerce	697
Deconsolidation of StarCite	(2,102)
Additional acquisition of Investor Force	695
Goodwill at December 31, 2006	17,084
No 2007 activity	—
Goodwill at December 31, 2007	<u>\$ 17,084</u>

As of December 31, 2007 and December 31, 2006, all of the Company's goodwill was allocated to the core segment.

INTERNET CAPITAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

3. Ownership Interests in Partner Companies, Goodwill and Intangibles, net — (Continued)

Intangibles, net are shown in the tables below:

Intangible Assets	Useful Life	As of December 31, 2007		
		Gross Carrying Amount	(in thousands) Accumulated Amortization	Net Carrying Amount
Technology(1)	3 years	\$ 7,580	\$ (7,441)	\$ 139

(1) Net carrying amount primarily represents purchased software

In 2007, ICG Commerce wrote off \$10.6 million in gross carrying amount and \$10.6 million of accumulated amortization. These intangibles were fully amortized prior to write off.

Intangible Assets	Useful Life	As of December 31, 2006		
		Gross Carrying Amount	(in thousands) Accumulated Amortization	Net Carrying Amount
Technology(1)	1.5-5 years	\$ 18,051	\$ (17,869)	\$ 182

(1) Net carrying amount primarily represents purchased software

Amortization expense for intangible assets during the three years ended December 31, 2007, 2006 and 2005 was \$0.1 million, \$1.7 million and \$2.1 million, respectively. The Company amortizes intangibles using the straight line method. Estimated amortization expense for the fiscal year ending December 31, 2008 is \$0.1 million.

Remaining estimated amortization expense is as follows (in thousands):

December 31, 2008	\$ 97
December 31, 2009	31
December 31, 2010	11
Remaining amortization expense	\$ 139

Other Consolidated Company Information

During the year ended December 31, 2006, ICG Commerce cancelled outstanding employee stock options and issued restricted stock to employees and issued equity with vesting restrictions to ICG Commerce's new CEO. Accordingly, the Company recorded its share of this Partner Company's equity adjustment of \$1.5 million as a decrease to "Additional paid-in capital" on the Consolidated Balance Sheets.

INTERNET CAPITAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

3. Ownership Interests in Partner Companies, Goodwill and Intangibles, net — (Continued)

Acquisitions — Consolidated Companies

During 2006 and 2005, the Company acquired additional ownership positions in three Partner Companies, Investor Force, ICG Commerce and StarCite, which were accounted for under the purchase method of accounting. The purchase price, including the carrying value of the ownership interest for Partner Companies previously accounted for under the equity method, has been allocated to the assets and the liabilities based upon their fair values at the date of the acquisition. The assets and liabilities for these acquisitions were allocated as follows (in thousands):

	Investor Force	ICG Commerce	StarCite
Net Assets Acquired:			
Goodwill	\$ 695	\$ 697	\$ 2,102
Customer base	—	—	2,513
Technology	—	—	75
Tradenname	—	—	179
Other net assets (liabilities)	(695)	233	(1,659)
	<u>\$ —</u>	<u>\$ 930</u>	<u>\$ 3,210</u>

The following reflects unaudited selected pro forma financial information had the Company consolidated StarCite for the year ended December 31, 2005: revenue, net income (loss) and net income (loss) per diluted share would have been \$54.9 million, \$72.3 million and \$1.73 per diluted share, respectively.

Deconsolidation/Disposition

On December 29, 2006, StarCite merged with OnVantage, Inc. Following completion of the transaction, the Company's ownership interest is 26% in the combined entity and is accounted for under the equity method of accounting. Based on the estimated fair value of the combined entity, the Company recorded its share of the difference between the fair value and book value of StarCite deemed sold in relation to StarCite's merger with OnVantage of \$11.3 million as an increase to "Additional paid-in capital" on its Consolidated Balance Sheets. The amount of goodwill and intangibles, net on the Company's Consolidated Balance Sheets related to StarCite prior to the transaction was \$2.1 million and \$1.4 million, respectively.

In October 2005, CommerceQuest, then a consolidated Partner Company, was acquired by Metastorm. Metastorm was an unrelated entity at the time of the transaction. In exchange for its interest in CommerceQuest and as a result of a concurrent financing and a subsequent financing, the Company now owns 32% of Metastorm. Based on the estimated fair value of the Company's ownership interest in Metastorm, the Company recorded an impairment charge of approximately \$2.7 million during the year ended December 31, 2005 related to \$1.8 million of goodwill and \$0.9 million of intangibles. The amount of goodwill on the Company's Consolidated Balance Sheet related to CommerceQuest prior to the impairment was \$27.1 million. Beginning October 1, 2005, Metastorm has been accounted for under the equity method of accounting.

The Company received \$0.7 million in cash in February 2006 representing payment under a net working capital adjustment provision associated with the Metastorm acquisition. This amount is reflected as "Other income (loss), net" on the Company's Consolidated Statements of Operations for the year ended December 31, 2005.

INTERNET CAPITAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

3. Ownership Interests in Partner Companies, Goodwill and Intangibles, net — (Continued)

Equity Method Companies

The following unaudited summarized financial information relates to the Company's Partner Companies accounted for under the equity method of accounting at December 31, 2007 and 2006. This aggregate information has been compiled from the financial statements of the respective equity method Partner Companies.

Balance Sheets (Unaudited)

	As of December 31,	
	2007 (1)	2006 (2)
	(in thousands)	
Cash, cash equivalents and short-term investments	\$ 41,317	\$ 52,170
Other current assets	85,806	50,763
Other non-current assets	171,609	128,946
Total assets	<u>\$ 298,732</u>	<u>\$ 231,879</u>
Current liabilities	\$ 105,158	\$ 81,145
Non-current liabilities	11,584	13,470
Long-term debt	15,992	14,377
Stockholders' equity	165,998	122,887
Total liabilities and stockholders' equity	<u>\$ 298,732</u>	<u>\$ 231,879</u>
Total carrying value	<u>\$ 98,144</u>	<u>\$ 109,288</u>

(1) Includes (ICG voting ownership): Channel Intelligence (41%), Freeborders (32%), GoIndustry (31%), Metastorm (32%), StarCite (26%), Vcommerce (48%) and WhiteFence (35%).

(2) Includes (ICG voting ownership): Channel Intelligence (40%), Freeborders (34%), GoIndustry (35%), Marketron (38%), Metastorm (41%), StarCite (26%), Vcommerce (43%) and WhiteFence (36%).

As of December 31, 2007, the Company's carrying value in equity method Partner Companies, in the aggregate, exceeded the Company's share of the net assets of these equity method Partner Companies by approximately \$45.9 million. This excess is allocated \$44.5 million to goodwill, which is not amortized, and \$1.4 million to intangibles, which are generally being amortized over 3 years.

In 2006, GoIndustry, in connection with a reverse merger, began listing its securities on the AIM market of the London Stock Exchange. As of December 31, 2007, the Company held 81,141,902 shares of GoIndustry stock with a fair value of approximately \$18.2 million (determined using the closing price on the AIM market) versus a carrying value of \$10.1 million. Also, see subsection "Other Equity Company Information" below.

INTERNET CAPITAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

3. Ownership Interests in Partner Companies, Goodwill and Intangibles, net — (Continued)

Results of Operations (Unaudited)

	Year Ended December 31,		
	2007(1)	2006(2) (in thousands)	2005 (3)
Revenues	\$ 212,457	\$ 203,547	\$ 210,635
Net income (loss)	\$ (35,027)	\$ (22,640)	\$ (8,514)
Total equity income (loss)	\$ (14,416)	\$ (5,461)	\$ (6,703)

(1) Includes Channel Intelligence, Freeborders, GoIndustry, Marketron (to date of disposition), Metastorm, StarCite, Vcommerce and WhiteFence.

(2) Includes Channel Intelligence (from date of acquisition), ComputerJobs (to date of disposition), eCredit (to date of disposition), Freeborders, GoIndustry, Marketron, Metastorm, Vcommerce (from date of acquisition) and WhiteFence.

(3) Includes ComputerJobs, Co-nect (to date of disposition), CreditTrade (to date of disposition), eCredit, Freeborders, GoIndustry, LinkShare (to date of disposition), Marketron, Metastorm (from date of acquisition) and WhiteFence (from date of acquisition).

Other Equity Company Information

In 2007, Metastorm issued equity in conjunction with a financing and an acquisition transaction. As a result of these transactions, the company's ownership in Metastorm was reduced from 41% to 32%. The reduction in the Company's ownership interest in Metastorm was accounted for as a disposition of shares and resulted in a dilution gain for accounting purposes. The dilution gain totaled \$2.2 million and was recorded as a equity transaction, with an increase to "Additional paid-in capital," primarily due to Metastorm being a private company.

Additionally in 2007, two of the Company's equity method Partner Companies completed respective financing rounds. Accordingly, the Company recorded its share of these Partner Companies equity adjustments of a \$0.1 million net increase to "Additional paid-in capital" on the Consolidated Balance Sheets.

In 2007 and 2006, GoIndustry issued equity in conjunction with a financing round and reverse merger. As a result of these transactions, the Company's ownership in GoIndustry was reduced from 35% to 31%. The reduction in the Company's ownership interest in GoIndustry was accounted for as a disposition of shares and resulted in a dilution gain for accounting purposes. The dilution gains totaled \$5.0 million in 2007 and \$5.4 million in 2006 and were recorded as equity transactions, with increases to "Additional paid-in capital," primarily due to additional capital transactions being contemplated as set forth in SAB No. 51. Additionally, in February 2008, GoIndustry issued equity in conjunction with a financing and an acquisition transaction. In conjunction with the financing, the Company purchased an additional 52,690,950 shares of GoIndustry in exchange for \$10.5 million. At February 29, 2008, the Company owns 133,832,852 shares of GoIndustry, or approximately 29% of the outstanding shares.

During the year ended December 31, 2005, one of the Company's equity method Partner Companies completed a financing round. Accordingly, the Company recorded its share of this Partner Company's equity adjustment of \$2.3 million as an increase to "Additional paid-in capital" on the Consolidated Balance Sheets.

In 2007, the Company sold its ownership in Marketron for gross proceeds of \$36.7 million, of which approximately \$4.8 million was placed in escrow and is to be released over a three-year period, subject to purchase price adjustment and indemnity claims pursuant to the terms of the related agreement. The Company recorded a gain on the transaction of \$8.2 million, which is included in "Other income (loss), net" on the Company's Consolidated Statements of Operations. Additionally, the Company received \$0.6 million of the escrowed amounts during the three months ended September 30, 2007 and recorded a gain of \$0.6 million which is included in "Other income (loss), net" on the Company's Consolidated Statements of Operations. The remaining \$4.2 million in escrow will be recognized as additional gains if and when the amount of the escrow proceeds is fixed or determinable and realization is assured.

INTERNET CAPITAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

3. Ownership Interests in Partner Companies, Goodwill and Intangibles, net — (Continued)

In 2006, CreditTrade completed a merger with a subsidiary of Creditex. The Company received approximately \$19.0 million in cash for its ownership interest in CreditTrade, of which approximately \$1.8 million has been placed in escrow for eighteen months and is subject to potential indemnification claims under the terms of the merger agreement. The Company's carrying value in CreditTrade on its Consolidated Balance Sheets prior to the transaction was approximately \$4.0 million. In a separate transaction in November 2006, the Company purchased capital stock of Creditex representing an approximate 15% ownership interest in Creditex for approximately \$27.7 million. The Company recorded these transactions based upon the fair value of each entity. The fair value of CreditTrade was based upon the sales transaction (and an independent appraisal) and the fair value of the Company's ownership in Creditex was based upon an independent appraisal. As a result, the Company recorded a gain of \$10.2 million in 2006 related to this transaction that is reflected in "Other income (loss), net" on the Company's Consolidated Statements of Operations and will record an additional gain to the extent any escrow releases are received. Because of the Company's level of ownership in Creditex, Creditex is accounted for under the cost method of accounting as of the transaction completion in November 2006.

During 2005, the Company sold its ownership interest in LinkShare Corporation ("LinkShare") for approximately \$150.1 million in net consideration. The Company received \$135.4 million in 2005 and \$14.7 million in 2006, and recorded a gain of \$118.8 million in 2005 and \$14.0 million in 2006. The gain in 2006 primarily related to the escrow release. The gains are reflected on the line item "Other income (Loss), net" on the Company's Consolidated Statements of Operations.

Additionally, during 2007, 2006 and 2005, the Company sold its ownership interests in various other Partner Companies in exchange for cash and contingent consideration. The residual gain of \$1.0 million in 2007 primarily related to the gains associated with the escrow releases at Co-nect and ComputerJobs. The residual gain of \$6.8 million in 2006 primarily related to the gains on the sales of ComputerJobs and eCredit. A gain of \$6.5 million in 2005 primarily related to the gain on the sale of the Company's ownership interest in Co-nect of \$5.3 million other and escrow releases.

4. Marketable Securities and Related Derivatives

Marketable securities represent the Company's holdings in equity securities. The cost, unrealized holding gains/(losses), and fair value of marketable securities at December 31, 2007 and December 31, 2006 were as follows:

	Common Shares Owned	Cost (in thousands, except shares)	Unrealized Holding Gains/(Losses)	Fair Value
December 31, 2007				
Blackboard	2,187,060	\$ 3,162	\$ 84,867	\$ 88,029
		<u>\$ 3,162</u>	<u>\$ 84,867</u>	<u>\$ 88,029</u>
December 31, 2006				
Blackboard	2,187,060	\$ 3,162	\$ 62,536	\$ 65,698
Other		—	20	20
		<u>\$ 3,162</u>	<u>\$ 62,556</u>	<u>\$ 65,718</u>

During the year ended December 31, 2006, the Company sold 693,042 shares of Traffic.com, Inc. ("Traffic.com") for proceeds of \$5.5 million. Traffic.com became a public company in January 2006. During the year ended December 31, 2005, the Company sold 825,000 shares of Blackboard and received proceeds of \$16.1 million. During the year ended December 31, 2005, the Company sold its holdings of Arbinet-thexchange Inc. ("Arbinet") and Verticalnet, Inc. ("Verticalnet") and received aggregate proceeds of \$3.1 million. The gains on the Traffic.com, Blackboard, Arbinet and Verticalnet sales are reflected in

INTERNET CAPITAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

4. Marketable Securities and Related Derivatives — (Continued)

“Other income (loss), net” in the Company’s Consolidated Statements of Operations for the year ended December 31, 2006 and 2005, respectively.

The amounts reflected as the Company’s cost for Blackboard, Arbinet and Verticalnet include the carrying value on the date these Partner Companies converted to marketable securities and the value of warrants exercised.

The Company manages its exposure to, and benefits from, price fluctuations of Blackboard common stock by using derivatives (hedges). Through December 31, 2007, the Company has entered into cashless collar contracts with various expiration dates in 2010 to hedge 1,625,000 shares of its total holdings of 2,187,060 shares of Blackboard common stock at weighted average minimum and maximum prices per share of \$24.27 and \$56.35, respectively. These instruments are marked to market through earnings. In future quarters, the marked to market impact will generally be an expense if Blackboard’s stock price rises or income if Blackboard’s stock price declines. If the Company holds these hedges through their maturity dates and Blackboard’s stock price remains within the weighted average minimum and maximum prices per share, the value of the hedges will be zero at maturity. The fair value of these instruments was a liability of \$3.7 million at December 31, 2007, which is included in “Hedges of marketable securities” in the Company’s Consolidated Balance Sheets. The marked to market impact to earnings of these instruments was an expense of \$3.7 million for the year ended December 31, 2007, respectively, based on Blackboard’s closing stock price of \$40.25 at the end of the year, which is reflected in “Other income (loss), net” on the Company’s Consolidated Statements of Operations.

5. Debt

Senior Convertible Notes

In April 2004, the Company issued \$60.0 million of senior convertible notes. The notes bore interest at an annual rate of 5%, payable semi-annually, and were set to mature in April 2009. The notes were convertible at the option of the holder, at any time on or before maturity into shares of the Company’s Common Stock at a conversion price of \$9.108 per share. Additionally, subsequent to October 8, 2004, provided that at the time of redemption the Company was in compliance with certain other requirements, the notes could be redeemed by the Company if the Company’s closing stock price had exceeded \$15.94 per share for at least 20 out of 30 consecutive trading days.

Except for certain permitted senior indebtedness and liens created in connection with certain hedging transactions, the notes (i) were senior to all other indebtedness, (ii) prohibited incurring or guaranteeing additional indebtedness, (iii) prohibited liens on Company assets, (iv) prohibited redemptions of the Company’s Common Stock, except in certain instances and (v) prohibited the payment of dividends and the distribution of any material assets of the Company to stockholders.

In May 2006, the Company repurchased \$10.4 million of face value of its senior convertible notes for \$12.8 million in cash, including accrued interest. The Company recorded a \$2.5 million loss on the repurchase (including \$0.1 million for the acceleration of deferred financing fees) during the year ended December 31, 2006 related to this transaction. Between October and November 2005, the Company repurchased an aggregate of \$23.0 million of principal amount in total of the April 2009 senior convertible notes for \$28.4 million in cash. The Company recorded a \$5.9 million loss on the repurchase during the year ended December 31, 2005, including approximately \$0.5 million related to the acceleration of deferred financing fees. These losses are included in “Other income (loss), net” on the Company’s Consolidated Statements of Operations.

In February 2007, the Company repurchased and extinguished the remaining \$26.6 million in principal amount of its April 2009 senior convertible notes for \$37.1 million plus accrued interest. The Company recorded a loss of \$10.9 million on these repurchases, including \$0.3 million for the acceleration of deferred financing fees. The loss was included in “Other income (loss), net” for the year ended December 31, 2007.

INTERNET CAPITAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

5. Debt — (Continued)

The Company recorded interest expense related to these notes of \$0.2 million, \$1.5 million and \$2.8 million for the years ended December 31, 2007, 2006 and 2005, respectively. Deferred financing fees related to the senior convertible notes of \$1.6 million were being amortized over the life of the notes. Included in "Prepaid expenses and other current assets" in the accompanying Consolidated Balance Sheets at December 31, 2006 were \$0.4 million of deferred financing fees. The Company expensed \$0.1 million, \$0.2 million and \$0.3 million relating to these fees in the years ended December 31, 2007, 2006 and 2005, respectively.

Other Long-Term Debt

The Company's other long-term debt at December 31, 2007 and 2006 relates to its consolidated Partner Companies, ICG Commerce and Investor Force, and primarily consists of secured notes due to the current shareholders of ICG Commerce's former German subsidiary.

	Interest Rates	As of December 31,	
		2007	2006
		(in thousands)	
Capital leases	10.1 -11.5%	\$ 226	\$ 168
Other Debt	5.0-10.3%	578	1,323
		804	1,491
Current maturities		(613)	(947)
Other long-term debt		\$ 191	\$ 544

The Company's other long-term debt matures as follows: \$0.6 million, \$0.1 million and \$0.1 million in 2008, 2009 and 2010, respectively.

Loan and Credit Agreements

On September 30, 2002, the Company entered into a loan agreement with Comerica Bank (the "Loan Agreement") to provide for the issuance of letters of credit up to \$20 million, subject to a cash-secured borrowing base as defined by the Loan Agreement. The Loan Agreement was reduced to \$10 million in 2004. In December 2007, the Loan Agreement was extended to December 13, 2008. Issuance fees of 0.50% per annum of the face amount of each letter of credit will be paid to Comerica Bank subsequent to issuance. The Loan Agreement also is subject to a 0.25% per annum unused commitment fee payable to the bank quarterly. No amounts were outstanding at December 31, 2007 or 2006.

INTERNET CAPITAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

6. Fixed Assets

Fixed assets consist of the following:

	Useful Life	As of December 31,	
		2007	2006
		(in thousands)	
Computer equipment and software, office equipment and furniture	3-10 years	\$ 15,808	\$ 14,768
Leasehold improvements	1-5 years	787	677
		16,595	15,445
Less: accumulated depreciation and amortization		(14,872)	(13,598)
		<u>\$ 1,723</u>	<u>\$ 1,847</u>

Depreciation expense for the years ended December 31, 2007, 2006 and 2005 was \$1.4 million, \$1.7 million and \$1.1 million, respectively. The Company uses the straight line method of depreciation.

7. Discontinued Operations

In August 2006, Investor Force completed the sale of its database division to Momingstar for \$10.0 million. Cash proceeds to Investor Force of \$9.0 million were received in August 2006, and \$1.0 million was received in August 2007. The Company recorded a gain of approximately \$7.0 million on this transaction in 2006 and \$1.0 million in 2007.

Investor Force's database division had revenues of \$1.6 million until the sale in August 2006 and \$3.0 million for the year ended December 31, 2005. The Company's share of net loss for the 2006 operating activities of Investor Force's database division was \$0.2 million in the year ended December 31, 2007 and net income of \$1.2 million for the year ended December 31, 2006.

In 2005, ICG Commerce entered into an agreement to sell its German subsidiary for nominal consideration. The sale closed in January 2006. ICG Commerce's German subsidiary had revenues of \$9.8 million for the year ended December 31, 2005. The Company recorded a loss of \$2.3 million on this transaction in December 2005. The Company's share of net losses for ICG Commerce's German subsidiary was \$0.7 million for the year ended December 31, 2005.

During 2007 and 2006, the Company received \$0.2 million and \$0.1 million, respectively, of additional proceeds from the sale of the assets of Delphion, Inc.

In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," these partner companies have been treated as discontinued operations. Accordingly, the operating results of these discontinued operations have been presented separately from continuing operations and include the gains or losses recognized on disposition in the line item "Income (loss) on discontinued operations" in the Company's Consolidated Statements of Operations.

INTERNET CAPITAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

8. Segment Information

The Company's reportable segments using the "management approach" under SFAS No. 131, "Disclosure About Segments of a Business Enterprise and Related Information," consist of two operating segments, the core operating segment and the other holdings operating segment. Each segment includes the results of the Company's Consolidated Partner Companies and records the Company's share of earnings and losses of Partner Companies accounted for under the equity method of accounting and captures the Company's basis in the assets of all of its partner companies. Any marketable securities are considered "corporate" assets whereas, prior to becoming marketable securities, the Partner Company would have been included in the core or other holdings category.

The core operating segment includes those partner companies in which the Company's management takes a very active role in providing strategic direction and management assistance. The other holdings operating segment includes holdings in companies over which, in general, we have less influence due to the fact that they are public or we have a relatively small ownership stake.

Approximately 10% of the Company's consolidated revenues for the year ended December 31, 2007 relates to sales generated in the United Kingdom. As of December 31, 2007, 2006 and 2005, the Company's assets were located primarily in the United States.

The following summarizes selected information related to the Company's segments for the years ended December 31, 2007, 2006 and 2005. All significant intersegment activity has been eliminated. Assets are owned or allocated assets are used by each operating segment.

Segment Information (in thousands)							
	Core	Other Holdings	Total Segment	Reconciling Items			Consolidated Results
				Discontinued Operations and Dispositions*	Corporate	Other**	
Year Ended December 31, 2007							
Revenues	\$ 52,923	\$ —	\$ 52,923	\$ —	\$ —	\$ —	\$ 52,923
Net income (loss)	\$ (18,194)	\$ (856)	\$ (19,050)	\$ 1,849	\$ (17,022)	\$ 3,595	\$ (30,628)
Assets	\$153,365	\$14,982	\$168,347	\$ —	\$164,084	\$ —	\$ 332,431
Capital Expenditures, net	\$ (1,163)	\$ —	\$ (1,163)	\$ —	\$ (63)	\$ —	\$ (1,226)
Year Ended December 31, 2006							
Revenues	\$ 64,749	\$ —	\$ 64,749	\$ —	\$ —	\$ —	\$ 64,749
Net income (loss)	\$ (15,089)	\$ 592	\$ (14,497)	\$ 7,824	\$ (13,788)	\$ 36,085	\$ 15,624
Assets	\$149,594	\$ 9,781	\$159,375	\$ 22,535	\$172,517	\$ —	\$ 354,427
Capital Expenditures, net	\$ (2,037)	\$ —	\$ (2,037)	\$ —	\$ (228)	\$ —	\$ (2,265)
Year Ended December 31, 2005							
Revenues	\$ 47,568	\$ —	\$ 47,568	\$ —	\$ —	\$ —	\$ 47,568
Net income (loss)	\$ (21,386)	\$ (5,597)	\$ (26,983)	\$ 195	\$ (18,473)	\$117,779	\$ 72,518
Assets	\$ 97,483	\$ 3,836	\$101,319	\$ 36,102	\$209,111	\$ —	\$ 346,532
Capital Expenditures, net	\$ (830)	\$ —	\$ (830)	\$ —	\$ (135)	\$ —	\$ (965)

* Discontinued operations represents net income of \$995 and \$8,289 for the years ended December 31, 2007 and 2006, respectively, and net loss of \$(1,130) for the year ended December 31, 2005. All other amounts relate to dispositions for the years ended December 31, 2007, 2006 and 2005.

** Other reconciling items to net income (loss) are as follows:

	Year Ended December 31,		
	2007	2006	2005
Other income (loss) (Note 15)	\$ (238)	\$ 34,813	\$ 136,603
Taxes	4,301	40	(18,640)
Minority interest	(468)	1,232	2,513
Impairment of consolidated Partner Companies	—	—	(2,697)
	<u>\$ 3,595</u>	<u>\$ 36,085</u>	<u>\$ 117,779</u>

INTERNET CAPITAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

9. Parent Company Financial Information

Parent company financial information is provided to present the financial position and results of operations of the Company and its wholly-owned subsidiaries as if the Partner Companies accounted for under the consolidation method of accounting were accounted for under the equity method of accounting for all applicable periods presented. The Company's share of the consolidated Partner Companies' losses is included in "Equity loss" in the Parent Company Statements of Operations for all periods presented based on the Company's ownership percentage in each period. The carrying value of the consolidated companies as of December 31, 2007 and 2006 is included in "Ownership interests in Partner Companies" in the Parent Company Balance Sheets.

Parent Company Balance Sheets

	December 31,	
	2007	2006
	(in thousands)	
Assets		
Cash and cash equivalents	\$ 69,125	\$ 104,249
Other current assets	6,286	1,904
Current assets	75,411	106,153
Ownership interests in Partner Companies	149,407	159,356
Marketable securities	88,029	65,718
Other	644	1,837
Total assets	<u>\$ 313,491</u>	<u>\$ 333,064</u>
Liabilities and stockholders' equity		
Current portion of senior convertible notes	\$ —	\$ 26,590
Current liabilities	4,666	7,936
Hedges of marketable securities	3,653	—
Non-current liabilities	495	—
Stockholders' equity	304,677	298,538
Total liabilities and stockholders' equity	<u>\$ 313,491</u>	<u>\$ 333,064</u>

Parent Company Statements of Operations

	Year Ended December 31,		
	2007	2006	2005
	(in thousands)		
Revenues	\$ —	\$ —	\$ —
Operating expenses			
General and administrative	21,680	20,874	18,779
Impairment related and other	—	—	2,697
Total operating expenses	<u>21,680</u>	<u>20,874</u>	<u>21,476</u>
	(21,680)	(20,874)	(21,476)
Other income (loss), net *	(37)	42,059	136,603
Interest income (expense), net	4,658	7,086	306
Income (loss) before income taxes and equity loss	<u>(17,059)</u>	<u>28,271</u>	<u>115,433</u>
Income tax benefit (expense)	4,301	40	(18,640)
Equity loss	<u>(17,870)</u>	<u>(12,687)</u>	<u>(24,275)</u>
Net income (loss)	<u>\$ (30,628)</u>	<u>\$ 15,624</u>	<u>\$ 72,518</u>

* For purposes of Parent Company reporting, discontinued operations (see Note 7) are included in the "Other income (loss), net" line item.

INTERNET CAPITAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

9. Parent Company Financial Information — (Continued)

Parent Company Statements of Cash Flows

	Year Ended December 31		
	2007	2006	2005
	(in thousands)		
Operating Activities			
Net income (loss)	\$ (30,628)	\$ 15,624	\$ 72,518
Adjustments to reconcile net loss to cash used in operating activities			
Depreciation and amortization	140	138	144
Impairment related and other	—	—	2,697
Equity-based compensation	7,173	7,624	4,331
Equity loss	17,870	12,687	24,275
Other income (loss)	37	(42,059)	(136,603)
Changes in assets and liabilities, net of effect of acquisitions:			
Taxes receivable	(4,301)	8,020	(8,392)
Prepaid expenses and other assets	(32)	1,523	(73)
Accounts payable	(33)	(4,149)	62
Accrued expenses	(230)	(199)	1,362
Cash used in operating activities	(10,004)	(791)	(39,679)
Investing Activities			
Capital expenditures, net	(63)	(228)	(135)
Proceeds from sales of marketable securities	24	5,554	19,153
Proceeds from sales of ownership interests in Partner Companies	34,925	44,845	141,719
Acquisitions of ownership interests in Partner Companies, net	(22,919)	(66,542)	(30,383)
Purchase of short-term investments	—	—	(4,922)
Proceeds from maturities of short-term investments	—	—	62,862
Cash provided by (used in) investing activities	11,967	(16,371)	188,294
Financing Activities			
Repurchase of senior convertible notes	(37,087)	(12,768)	(28,405)
Repayment of loans from employees	—	4,624	—
Cash provided by (used in) financing activities	(37,087)	(8,144)	(28,405)
Net increase (decrease) in cash and cash equivalents	(35,124)	(25,306)	120,210
Cash and cash equivalents at beginning of year	104,249	129,555	9,345
Cash and cash equivalents at end of year	<u>\$ 69,125</u>	<u>\$ 104,249</u>	<u>\$ 129,555</u>

10. Stockholders' Equity

Holders of the Company's Common Stock are entitled to one vote per share and are entitled to dividends as declared. No cash dividends have been declared to date, and the Company does not intend to pay cash dividends in the foreseeable future.

The Company may establish one or more classes or series of preferred stock. The holders of the preferred stock may be entitled to preferences over common stockholders with respect to dividends, liquidation, dissolution, or winding up of the Company, as established by the Company's Board of Directors. As of December 31, 2007, 10,000,000 shares of preferred stock were authorized, none of which have been issued.

Stockholder Rights Plan

During 2000, the Company enacted a stockholder rights plan. Under the stockholder rights plan, preferred stock purchase rights were distributed as a dividend at the rate of one right for each share of Common Stock outstanding as of the close of business on December 6, 2000, and one right per share has been issued in connection with shares issued subsequent to such date. Each right entitles the holder to purchase from the Company one ten-thousandth of a share of series A junior participating preferred stock of the Company at an exercise price of \$100 per right. The rights attached to the Company's Common Stock are not currently exercisable. The rights become exercisable and will separate from the Common Stock upon the

**INTERNET CAPITAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

10. Stockholders' Equity — (Continued)

earlier to occur of (i) ten calendar days after a person or group acquires, or announces the intent to acquire, beneficial ownership of 15% or more of the Company's Common Stock, or (ii) ten business days (or a later date following such announcement if determined by the Board of Directors of the Company in accordance with the plan) after the announcement of a tender offer or an exchange offer to acquire 15% or more of the Company's outstanding Common Stock.

The rights are redeemable for \$0.0001 per right at the option of the Company's Board of Directors at any time prior to the close of business on the tenth business day after the announcement of a stock acquisition event described above. If not redeemed, the rights will expire on November 22, 2010. Prior to the date upon which the rights would become exercisable under the plan, the Company's outstanding stock certificates will represent both the shares of Common Stock and the rights will trade only with the shares of Common Stock.

Generally, if the rights become exercisable, then each stockholder other than the acquirer is entitled to purchase, for the exercise price, that number of shares of Common Stock that, at the time of the transaction, will have a market value of three times the exercise price of the rights. In addition, if, after the rights become exercisable, the Company is acquired in a merger or other business combination, or 50% or more of its assets or earning power are sold, each right will entitle the holder to purchase, at the exercise price of the rights, that number of shares of Common Stock of the acquiring company that, at the time of the transaction, will have a market value of three times the exercise price of the rights.

11. Stock Option Plans

Incentive or non-qualified stock options may be granted to Company employees, directors and consultants under the 2005 Omnibus Equity Compensation Plan (the "2005 Equity Plan"), the Membership Profit Interest Plan (the "MPI Plan"), the 1999 Equity Compensation Plan (the "1999 Plan") or the LGO Corporation 2001 Equity Compensation Plan (f/k/a Logistics.com 2001 Equity Compensation Plan) (the "LGO Plan" and, together with the 2005 Equity Plan, MPI Plan and the 1999 Plan, the "Plans"). Generally, the grants vest over a one to five year period and expire eight to ten years after the grant date. At December 31, 2007, the Company had 523,407 shares of Common Stock reserved under the Plans for possible future issuance. Most Partner Companies also maintain their own stock option plans.

Total equity-based compensation for the years ended December 31, 2007, 2006 and 2005 was \$7.2 million, \$7.7 million and \$4.3 million, respectively. Equity-based compensation for these periods is included primarily in "Selling, General and Administrative" on the Company's consolidated Statements of Operations. Not included in table below is expense associated with quarterly Deferred Stock Unit grants to non-management directors in lieu of cash for service. See subsection titled "Deferred Stock Units ("DSUs") below.

INTERNET CAPITAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

11. Stock Option Plans — (Continued)

The following table provides additional information related to the Company's equity-based compensation (\$ in millions):

	Year Ended December 31,			Unrecognized Stock- Based Compensation at December 31, 2007	Weighted Average Years Remaining of Stock-Based Compensation Expense at December 31, 2007
	2007	2006	2005		
Stock Appreciation Rights	\$ 3.9	\$ 4.2	\$ 0.8	\$ 6.7	1.6
Stock Options	\$ 0.1	\$ 0.5	\$ 0.2	\$ 0.1	1.0
Restricted Stock	\$ 2.3	\$ 2.6	\$ 2.9	\$ 1.7	0.7
Deferred Stock Units	\$ 0.3	\$ 0.3	\$ 0.4	\$ 0.1	0.2
Equity-Based Compensation	\$ 6.6	\$ 7.6	\$ 4.3	\$ 8.6	

Equity-Based Compensation for Consolidated Partner Companies:

Restricted Stock	\$ 0.6	\$ 0.1	\$ —	\$ 1.5	2.9
	<u>\$ 7.2</u>	<u>\$ 7.7</u>	<u>\$ 4.3</u>	<u>\$ 10.1</u>	

Stock Appreciation Rights ("SARs") and Stock Options Fair Value Assumptions

The following assumptions were used to determine the fair value of stock options and SARs granted to employees by the Company for the three years ended December 31, 2007, 2006 and 2005:

	2007	2006	2005
Expected volatility	60%	60%	60-70%
Average expected option life	6.25 years	6.25 years	6.25 years
Risk-free interest rate	3.51-5.10%	4.55-5.10%	3.91-4.26%
Dividend yield	0.0%	0.0%	0.0%

The Company estimates the grant date fair value of SARs and stock options using the Black-Scholes option-pricing model, which requires the input of highly subjective assumptions. These assumptions include estimating the expected life of the award and the estimated volatility of our stock price over the expected term. Expected volatility is based on historical volatility of our Common Stock over the period commensurate with the expected term of the stock options. The expected term calculation for stock options granted is based on the "simplified" method described in SAB No. 107, "Share-Based Payment". The risk-free interest rate is based on the U. S. Treasury yield in effect at the time of grant for an instrument with a maturity that is commensurate with the expected term of the options. Changes in these assumptions as well as a change in the estimated forfeitures of SARs and stock option awards can materially affect the amount of equity-based compensation recognized in the Company's Consolidated Statements of Operations. Changes in the derived requisite service period can materially affect the amount of equity-based compensation recognized in the Company's Consolidated Statements of Operations.

INTERNET CAPITAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

11. Stock Option Plans — (Continued)

SARs

In 2005, 2006 and 2007, the Company issued stock appreciation rights SARs to certain employees. Prior to February 28, 2007, the Company granted SARs at a base price equal to the fair market value of its common stock on the grant date, as determined by the most recent closing share price of the Company's Common Stock prior to the Board of Directors meeting at which the grant was made, as reported on The Nasdaq Stock Market. On February 28, 2007, the Company amended the definition of fair market value in its equity compensation plans to provide that fair market value would be determined for future grants by reference to the closing price of the Company's Common Stock on the date of grant (or the closing price of the next trading day if there are no trades in the Company's stock on the date of grant). Each SAR represents the right of the holder to receive, upon exercise of the SAR, shares of Common Stock equal to the amount by which the fair market value of a share of common stock on the date of exercise of the SAR exceeds the base price of the SAR. The SARs primarily vest over four years and were subject to variable accounting from their grant date in 2005 through the Company's adoption of SFAS No. 123R on January 1, 2006.

Changes in SARs for the year ended December 31, 2007 were as follows:

	SARs	Weighted Average Base Price	Weighted Average Fair Value
SARs granted in 2005	3,605,500	\$ 7.34	\$ 4.43
Issued at December 31, 2005	3,605,500	\$ 7.34	\$ 4.43
SARs cancelled	(156,771)	\$ 7.34	\$ 4.43
SARs granted	201,450	\$ 9.25	\$ 5.66
Issued at December 31, 2006	3,650,179	\$ 7.45	\$ 4.50
SARs cancelled	(134,064)	\$ 7.34	\$ 4.43
SARs granted	100,000	\$ 11.96	\$ 7.18
Issued at December 31, 2007	<u>3,616,115</u>	\$ 7.58	\$ 4.58

The following table summarizes information about SARs outstanding at December 31, 2007:

Grant Price	SARs Outstanding	SARs Exercisable	Weighted Average Remaining Contractual Life of SARs Outstanding (in years)	Aggregate Intrinsic Value of SARs Outstanding at December 31, 2007 (in thousands)
\$7.34	3,309,665	2,068,584	7.6	\$ 14,563
\$8.14 — \$12.01	306,450	109,857	8.8	\$ 518
	<u>3,616,115</u>	<u>2,178,441</u>		<u>\$ 15,081</u>

At December 31, 2007, the Company expects an additional 1,437,674 SARs to vest.

INTERNET CAPITAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

11. Stock Option Plans — (Continued)
Stock Options

The fair value of each stock option is estimated on the grant date using the Black-Scholes option-pricing model. Stock options generally vest over four years.

Changes in stock options for the year ended December 31, 2007 were as follows:

	Shares	Weighted Average Grant Date Exercise Price	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2004	790,829	\$ 37.19	\$ 30.51
Options granted	12,000	\$ 7.73	\$ 5.06
Options forfeited	(75,942)	\$ 32.10	\$ 27.16
Outstanding at December 31, 2005	726,887	\$ 37.24	\$ 30.44
Options granted	250	\$ 9.34	\$ 5.74
Options forfeited	(89,683)	\$ 38.01	\$ 35.73
Outstanding at December 31, 2006 and 2007	<u>637,454</u>	\$ 37.13	\$ 29.69

At December 31, 2007, 2006 and 2005 there were 629,937, 615,652 and 634,953 options exercisable, respectively, at a weighted average exercise price of \$37.48, \$38.17 and \$41.62 per share, respectively, under the Plans.

The following tables summarize information about stock options outstanding at December 31, 2007:

Exercise Price	Shares Outstanding	Shares Vested	Weighted Average Remaining Contractual Life of Shares Outstanding (in years)	Aggregate Intrinsic Value at December 31, 2007 (in thousands)
\$4.59 — \$8.00	137,224	129,963	5.3	\$ 893
\$8.01 — \$12.00	186,483	186,232	5.1	\$ 504
\$12.01 — \$20.00	127,199	127,199	3.6	\$ —
\$20.01 — \$2,210.00	186,548	186,543	2.8	\$ —
	<u>637,454</u>	<u>629,937</u>		<u>\$ 1,397</u>

At December 31, 2007, the Company expects an additional 7,517 shares to vest.

Included in stock-based compensation for the year ended December 31, 2005 is approximately \$0.1 million related to option grants to non-employees in the year ended December 31, 2000.

INTERNET CAPITAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

11. Stock Option Plans — (Continued)

Restricted Stock

Changes in restricted stock for the years ended December 31, 2007, 2006 and 2005 are shown in the following table:

	Shares	Weighted Average Grant Date Fair Value
Issued and unvested, December 31, 2004	627,828	\$ 6.89
Granted	819,300	\$ 7.34
Vested	(314,063)	\$ 7.02
Issued and unvested, December 31, 2005	1,133,065	\$ 7.15
Granted	49,620	\$ 9.28
Vested	(326,563)	\$ 7.12
Forfeited	(37,500)	\$ 7.34
Issued and unvested December 31, 2006	818,622	\$ 7.28
Granted	15,000	\$ 12.01
Vested	(311,499)	\$ 7.22
Forfeited	(35,844)	\$ 7.23
Issued and unvested, December 31, 2007	<u>486,279</u>	\$ 7.39

The total aggregate fair value of restricted stock awards that vested and were converted to Common Stock during the years ended December 31, 2007 and 2006 was \$3.8 million and \$3.1 million, respectively. At December 31, 2007, the Company expects the 486,279 outstanding restricted shares to vest.

Recipients of restricted stock did not pay any cash consideration to the Company for the shares, have the right to vote all shares subject to the grant and receive all dividends with respect to the shares, whether or not the shares have vested. The 2007, 2006 and 2005 restricted stock grants were valued at \$0.2 million, \$0.5 million and \$6.0 million, respectively, and are being amortized over the vesting period. The 2007 restricted stock grants vest 25% in 2008 and ratably 25% each November through 2011. The 2006 restricted stock grants primarily vested 33% in 2006 and ratably 33% each November through 2008. The 2005 restricted stock grants vested 25% in 2005 and ratably 25% per year through 2008.

Deferred Stock Units ("DSUs")

In 2006 and 2007, each non-management member of the Company's Board of Directors received DSUs for his service on the Board and its committees under the Company's Non-Management Director Compensation Plan (the "Director Plan"). DSUs received by directors in conjunction with their service on the Board and its committees vest on the anniversary date of the grant. Also in 2006 and 2007, the Company issued quarterly compensation payments to each non-management director for his service on the Board and its committees under the Director Plan. The director had the right to elect to receive such payments in whole or in part in the form of DSUs in lieu of cash under the Internet Capital Group, Inc. Director Deferred Stock Unit Program. Through 2007, if directors elected to receive DSUs in conjunction with the quarterly compensation payments, the directors were entitled to the right to receive the number of shares of Common Stock of the Company equal to the fees earned by the director divided by 75% of the fair market value of a share of the Company's Common Stock as of the date on which the fees would have been paid. The Company recorded expense when these DSUs were issued as they are immediately vested on the grant date.

INTERNET CAPITAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

11. Stock Option Plans — (Continued)

During the years ended December 31, 2007 and 2006, the Company issued DSUs to the Company's non-management directors valued at \$0.5 million and \$0.6 million, respectively. The expense of \$0.3 million and \$0.3 million for the years ended December 31, 2007 and 2006, respectively, associated with the annual DSU grants is included in equity-based compensation expense. The expense of \$0.6 million and \$0.3 million for the years ended December 31, 2007 and 2006, respectively, associated with the quarterly grants for service, is included in "Selling, General and Administrative" (however are not reflected in summarized Equity-Based Compensation table above) on the Company's Consolidated Statements of Operations. Changes in DSUs for the year ended December 31, 2007 are shown in the following table:

	DSUs	Weighted Average Grant Date Fair Value
Issued and unvested, January 1, 2005	—	—
Granted	108,843	\$ 7.44
Vested	(34,781)	\$ 7.65
Issued and unvested, December 31, 2005	74,062	\$ 7.34
Granted	56,494	\$ 9.08
Vested	(109,056)	\$ 7.87
Issued and unvested, December 31, 2006	21,500	\$ 9.20
Granted	74,375	\$ 11.33
Vested	(64,375)	\$ 11.43
Issued and unvested, December 31, 2007	<u>31,500</u>	\$ 11.37

Consolidated Partner Companies

The Company's consolidated Partner Companies recorded \$0.6 million and \$0.1 million of compensation expense related to stock-based awards during the year ended December 31, 2007 and 2006, respectively.

In December 2007 and 2006, ICG Commerce exchanged its employee stock options for restricted stock and granted restricted stock to its new Chief Executive Officer. The total fair value associated with these activities was \$0.6 million in 2007 and \$2.3 million in 2006.

At December 31, 2007, the total unrecognized compensation cost related to non-vested stock-based awards granted under the consolidated Partner Companies' plans was \$1.5 million. That cost is expected to be recognized over a weighted-average period of 2.9 years.

Other

In 1999, the Company accepted full recourse promissory notes totaling \$79.8 million from certain employees and a director as consideration for exercising all or a portion of their vested and unvested stock options issued under the 1999 Plan (a total of 1,799,575 shares of Common Stock were issued in connection with these exercises). These notes receivable were recorded as a reduction of stockholders' equity. Through December 31, 2002, of the \$79.8 million original principal balance, the Company received cash payments of \$16.0 million and \$33.2 million in connection with employees' termination of employment, primarily through the repurchase of unvested shares, at the lower of cost or fair market value, and vested shares, at fair market value.

In 1999 and 2000, the Company made loans to employees to pay income taxes that became due in connection with the above-described option exercises. The outstanding principal and accrued interest balance on these loans at December 31, 2005 totaled approximately \$4.8 million (including \$3.6 million in principal and \$1.2 million in interest) against which the Company recorded a reserve of approximately \$2.0 million.

In 2001 and 2002, certain employees' and former employees' loans were modified from full recourse to 25% recourse of the original above-described option loan principal, the interest rate on the loans was modified to

INTERNET CAPITAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

11. Stock Option Plans — (Continued)

the applicable federal rate as of the date of modification and extension of the term of the loans from five years to (i) the earlier of December 1, 2006 or 3 years after separation of employment for the 2001 modifications and (ii) to December 1, 2006 for the 2002 modifications. These modifications to the loans resulted in accounting for the loans and 774,716 shares of underlying Common Stock as options. Accordingly, these options have been treated for accounting purposes as variable awards since the modification date. The impact of these variable awards was not significant through December 2006. Additionally, accrued interest on these loans was fully reserved for since the modification date.

Other than the \$2.8 million at December 31, 2005 of tax loans discussed above and \$0.3 million reflected as “Note Receivable-Stockholders,” these option and tax loans and accrued interest were no longer recorded on the Company’s Consolidated Balance Sheet at December 31, 2005. All loans matured at December 31, 2006, which as discussed further below.

All remaining loans to current and former employees matured in 2005 and 2006. At maturity, of the \$4.6 million recourse portion of the loans collected, \$2.8 million was applied to the principal portion of the tax loans, \$0.7 million to additional paid-in capital, \$1.0 million to interest income and \$0.1 million to “Notes Receivable-Stockholders.” Additionally, the Company foreclosed on approximately 787,000 shares in 2006 and 2005 of the Company’s Common Stock securing these loans and recorded a \$0.1 million reduction to “Notes Receivable-Stockholders” and forgave less than \$0.1 million. The foreclosures are reflected as “Repurchase of common stock from current and former employees” on the Company’s Consolidated Statements of Stockholders’ Equity.

12. Income Taxes

Total income tax expense (benefit) was allocated as follows:

	Year Ended December 31,		
	2007	2006	2005
	(in thousands)		
Income tax expense (benefit) from continuing operations:			
Federal taxes	\$ (4,252)	\$ (40)	\$ 18,640
Foreign taxes	260	—	—
Total	<u>\$ (3,992)</u>	<u>\$ (40)</u>	<u>\$ 18,640</u>

The provision for income tax expense (benefit) consists of:

	Year Ended December 31,		
	2007	2006	2005
	(in thousands)		
Current	\$ (3,992)	\$ (40)	\$ 18,640
Deferred	—	—	—
Total	<u>\$ (3,992)</u>	<u>\$ (40)</u>	<u>\$ 18,640</u>

At December 31, 2007, the Company had federal net operating loss carry forwards of approximately \$500.9 million that may be used to offset future taxable income. The current year operating loss is being carried back to 2005 to recover taxes previously paid. The Company also had capital loss carry forwards of approximately \$467.0 million that may be used to offset future capital gains. The net operating loss and capital loss carry forwards, as well as certain other deferred tax assets, are subject to significant limitations on their utilization. The annual limitation on the utilization of these carry forwards is approximately \$14.5 million. The net operating loss carry forwards expire between 2015 and 2024, and the capital loss carry forwards expire between 2008 and 2012. The 2007 capital loss carry forward expirations was approximately \$252.0 million which was partially offset by the 2007 capital loss carry forward originations of \$52.0 million. Additional limitations on the utilization of these carry forwards may be imposed if the Company experiences another change in ownership.

INTERNET CAPITAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

12. Income Taxes — (Continued)

A valuation allowance has been provided for the Company's net deferred tax asset as the Company believes, after evaluating all positive and negative evidence, historical and prospective, that it is more likely than not that these benefits will not be realized. The valuation allowance decreased \$96.6 million in 2007.

The Company's net deferred tax asset (liability) consists of the following:

	As of December 31,	
	2007	2006
	(in thousands)	
Net operating loss carry forward	\$ 184,084	\$ 183,988
Capital loss carry forward	163,433	233,544
Other comprehensive income	(29,703)	(22,019)
Reserves and accruals	1,693	3,246
Stock-based compensation expense	5,119	4,139
Other, net	629	329
Partner Company basis difference	151,503	170,164
Valuation allowance	(476,758)	(573,391)
Net deferred tax asset (liability)	<u>\$ —</u>	<u>\$ —</u>

The effective tax rate differs from the federal statutory rate as follows:

	As of December 31,		
	2007	2006	2005
Tax expense (benefit) at statutory rate	(35.0)%	35.0%	35.0%
Non-deductible expenses and other	10.9%	5.1%	1.6%
Valuation allowance	12.9%	(40.4)%	(16.2)%
	<u>(11.2)%</u>	<u>(0.3)%</u>	<u>20.4%</u>

13. Related Parties

During 2004, the Company entered into a consulting arrangement with a member of the Company's Board of Directors. The Company expensed \$0.2 million, \$0.8 million and \$0.9 million for the years ended December 31, 2007, 2006 and 2005, respectively, related to this consulting arrangement, which is reflected in "Selling, General and Administrative" on the Company's Consolidated Statements of Operations. At December 31, 2007 and 2006, \$0.1 million and \$0.5 million, respectively, are included in "Accrued expenses" on the Company's Consolidated Balance Sheets. The Company also expensed equity-based compensation of \$0.3 million, \$0.6 million and \$0.4 million in 2007, 2006 and 2005, respectively, related to this consulting arrangement.

The Company provides strategic and operational support to its Partner Companies in the normal course of its business. The Company's employees and consultants generally provide these services. The costs related to employees are paid by the Company and are reflected by the Company in general and administrative expenses. Non-management members of the Company's Board of Directors are compensated with cash and equity grants in the Company that are accounted for in accordance SFAS No. 123R.

INTERNET CAPITAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

14. Other Supplemental Non-Cash Financing and Investing Activities

The Company paid interest in 2007, 2006 and 2005 of \$0.5 million, \$1.6 million and \$3.1 million, respectively.

The Company paid an estimated tax of \$0.3 million in 2006 and received a tax refund of \$8.1 million in 2006 related to its 2005 tax return. The Company paid an estimated tax of \$26.9 million in 2005.

Also, see Note 3.

15. Other Income (Loss)

Other Income (Loss), net

Other income (loss), net consists of the effect of transactions and other events relating to the Company's ownership interests in its Partner Companies and its operations in general.

	Year Ended December 31,		
	2007	2006	2005
		(in thousands)	
Sales/distributions of ownership interests in Partner Companies (Note 3)	\$ 9,786	\$ 31,034	\$ 125,255
Losses on debt extinguishment (Note 5)	(10,833)	(2,490)	(5,881)
Realized gains (losses) on marketable securities (Note 4)	(3,628)	5,484	15,911
Other than temporary impairment of marketable securities	—	—	(1,342)
Gains (losses) on warrants	1,408	(83)	2,596
Other	3,029	868	64
	<u>\$ (238)</u>	<u>\$ 34,813</u>	<u>\$ 136,603</u>
Total other income (loss) for Consolidated Partner Companies	71	(208)	(1,114)
	<u>\$ (167)</u>	<u>\$ 34,605</u>	<u>\$ 135,489</u>

During 2007 and 2006, the Company reversed a \$3.0 million accrual and a \$1.0 million accrual, respectively, related to costs directly associated with the acquisition of Partner Company ownership interests in 2001 and 2000, respectively, as the statute of limitations with respect to such matters has expired. At December 31, 2007, there are no remaining accruals for acquisition-related fees.

During the years ended December 31, 2005, the Company recorded impairment charges of \$1.3 million for the other than temporary decline in the fair market value of Verticalnet.

16. Commitments and Contingencies

The Company and its consolidated subsidiaries are involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the amount of the ultimate liability with respect to these actions will not materially affect the financial position, results of operations or cash flows of the Company and its subsidiaries.

The Company and its consolidated Partner Companies lease their facilities under operating lease agreements expiring 2008 through 2012 and thereafter. Future minimum lease payments as of December 31, 2007 under the leases are as follows (in thousands):

2008	\$1,227
2009	\$1,026
2010	\$ 687
2011	\$ 606
2012	\$ 247
Thereafter	\$ —

INTERNET CAPITAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

16. Commitments and Contingencies – (Continued)

Rent expense under the non-cancelable operating leases was \$1.5 million in 2007, \$1.8 million in 2006 and \$2.4 million in 2005.

Many of the Company's Partner Companies are not presumed by the SEC to be controlled by the Company. Increases in the value of the Company's interests in non-controlled Partner Companies and changes in income or loss and revenue attributable to them could result in the Company's inability to comply with the order exempting it from registering under the Investment Company Act unless it takes action to come into compliance with the order. The Company believes it can take actions to maintain compliance with its exemptive order that will not adversely affect its operations or stockholder value.

17. Net Income (Loss) per Share

The calculations of net income (loss) per share were:

	Year Ended December 31,		
	2007	2006	2005
	(in thousands, except shares and per share data)		
<i>Basic and Diluted:</i>			
Income (loss) from continuing operations	\$ (31,623)	\$ 7,335	\$ 73,648
Income (loss) on discontinued operations	995	8,289	(1,130)
Net income (loss) — basic	\$ (30,628)	\$ 15,624	\$ 72,518
Interest expense — convertible debt	—	—	3,104
Net income (loss) — diluted	\$ (30,628)	\$ 15,624	\$ 75,622
<i>Basic:</i>			
Income (loss) from continuing operations per share	\$ (0.83)	\$ 0.20	\$ 1.98
Income (loss) on discontinued operations per share	0.02	0.22	(0.03)
Net income (loss) per share	\$ (0.81)	\$ 0.42	\$ 1.95
<i>Diluted:</i>			
Income (loss) from continuing operations per share	\$ (0.83)	\$ 0.19	\$ 1.76
Income (loss) on discontinued operations per share	0.02	0.22	(0.03)
Net income (loss) per share	\$ (0.81)	\$ 0.41	\$ 1.73
Basic weighted average common shares outstanding	37,915,626	37,569,795	37,108,750
<i>Incremental Diluted Shares Impact:</i>			
Stock options	—	52,245	42,177
Restricted stock	—	460,550	327,713
Warrants	—	4,352	2,466
DSUs	—	15,662	10,397
SARs	—	3,618	30,957
Convertible debt	—	—	6,147,253
Diluted weighted average common shares outstanding	37,915,626	38,106,222	43,669,713

INTERNET CAPITAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

17. Net Income (Loss) per Share – (Continued)

The following potentially dilutive securities were not included in the computation of diluted net loss per share, as their effect would have been anti-dilutive:

	Shares	Weighted Average Price per Share
Year ended December 31, 2007		
Stock options	637,454	\$ 37.13
SARs	3,616,115	\$ 7.58
Restricted stock	486,279	\$ 7.39
DSUs	31,500	\$ 11.37
Warrants	12,500	\$ 6.00
Year Ended December 31, 2006		
Stock options	381,997	\$ 57.31
Stock options (exercised with partial recourse loans)	508,028	\$ 41.70
SARs	3,483,124	\$ 7.42
Senior convertible notes	3,337,705	\$ 9.11
Warrants	3,150	\$ 100.00
Year Ended December 31, 2005		
Stock options	602,913	\$ 43.88
Stock options (exercised with partial recourse loans)	754,135	\$ 41.70
Warrants	9,450	\$ 100.00

INTERNET CAPITAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

18. Selected Quarterly Financial Information (Unaudited)

The following table sets forth selected quarterly consolidated financial information for the years ended December 31, 2007 and 2006. The operating results for any given quarter are not necessarily indicative of results for any future period.

	Fiscal 2007 Quarter Ended				Fiscal 2006 Quarter Ended			
	Mar.31	Jun.30	Sep.30	Dec.31	Mar.31	Jun.30	Sep.30	Dec.31
	(in thousands, except per share data)							
Revenues	\$ 11,782	\$ 12,520	\$ 14,559	\$ 14,062	\$ 15,175	\$ 15,986	\$ 16,576	\$ 17,012
Operating Expenses								
Cost of revenue	9,025	10,381	10,029	10,088	9,235	9,996	10,452	12,756
Selling, general & administrative	9,115	7,756	8,342	7,568	10,114	10,039	11,317	10,638
Research and development	1,568	1,562	1,532	1,371	2,431	2,465	2,112	1,747
Amortization of intangibles	32	34	31	32	557	558	293	287
Impairment related and other	20	20	6	13	93	32	24	29
	(7,978)	(7,233)	(5,381)	(5,010)	(7,255)	(7,104)	(7,622)	(8,445)
Other income (loss), net	(11,869)	3,678	1,646	6,378	98	(1,953)	15,671	20,789
Interest income	1,478	1,148	1,462	1,250	2,532	1,913	2,444	2,630
Interest expense	(246)	(22)	(19)	(13)	(654)	(579)	(431)	(510)
Income (loss) before minority interest and equity loss	(18,615)	(2,429)	(2,292)	2,605	(5,279)	(7,723)	10,062	14,464
Income tax (expense) benefit	2,148	494	794	556	643	1,004	(1,607)	—
Minority interest	388	(19)	(487)	(351)	(64)	47	514	735
Equity loss	(3,516)	(1,806)	(3,070)	(6,023)	(736)	(1,737)	(2,726)	(262)
Income (loss) from continuing operations	(19,595)	(3,760)	(5,055)	(3,213)	(5,436)	(8,409)	6,243	14,937
Income (loss) on discontinued operations	—	(220)	1,024	191	527	639	7,120	3
Net income (loss)	\$ (19,595)	\$ (3,980)	\$ (4,031)	\$ (3,022)	\$ (4,909)	\$ (7,770)	\$ 13,363	\$ 14,940
Basic income (loss) per share ⁽¹⁾								
Income (loss) from continuing operations	\$ (0.52)	\$ (0.10)	\$ (0.14)	\$ (0.08)	\$ (0.14)	\$ (0.23)	\$ 0.17	\$ 0.40
Discontinued operations	—	(0.01)	0.03	—	0.01	0.02	0.19	—
	\$ (0.52)	\$ (0.11)	\$ (0.11)	\$ (0.08)	\$ (0.13)	\$ (0.21)	\$ 0.36	\$ 0.40
Shares used in computation of basic income (loss) per share ⁽¹⁾								
	37,803	37,846	37,925	38,086	37,401	37,470	37,535	37,703
Diluted income (loss) per share ⁽¹⁾								
Income (loss) from continuing operations	\$ (0.52)	\$ (0.10)	\$ (0.14)	\$ (0.08)	\$ (0.14)	\$ (0.23)	\$ 0.16	\$ 0.37
Discontinued operations	—	(0.01)	0.03	—	0.01	0.02	0.18	—
	\$ (0.52)	\$ (0.11)	\$ (0.11)	\$ (0.08)	\$ (0.13)	\$ (0.21)	\$ 0.34	\$ 0.37
Shares used in computation of diluted income (loss) per share ⁽¹⁾								
	37,803	37,846	37,925	38,086	37,401	37,470	40,986	41,184

(1) The sum of quarterly income (loss) per share differs from the full year amount due to changes in the number of shares outstanding during the year.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

None.

ITEM 9A. Controls and Procedures

Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered in this Report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered in this Report, our disclosure controls and procedures have been designed and are being operated in a manner that provides reasonable assurance that information required to be included in the Company's periodic SEC reports is recorded, processed, summarized and reported within the time periods specified in the relevant SEC rules and forms.

Management's Report on Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements for external purposes in accordance with generally accepted accounting principles, (iii) provide reasonable assurance that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company, (iv) and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

The management of Internet Capital Group, Inc. evaluated the Company's internal control over financial reporting as of December 31, 2007. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework*. Management's assessment included an evaluation of the design of its internal control over financial reporting and testing of the operational effectiveness of its internal control over financial reporting. Management reviewed the results of its assessment with the Audit Committee of the Board of Directors. Based on this assessment, as of December 31, 2007, the company's internal control over financial reporting was effective based on those criteria.

The Company's independent registered public accounting firm, KPMG LLP, has audited the Company's internal control over financial reporting. KPMG LLP's report on the effectiveness of the Company's internal control over financial reporting appears below.

There have been no changes in internal control over financial reporting during the period covered by this Report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

The design of any system of control is based upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated objectives under all future events, no matter how remote, that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may not deteriorate. Because of their inherent limitations, systems of control may not prevent or detect all misstatements. Accordingly, even effective systems of control can provide only reasonable assurance of achieving their control objectives.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Internet Capital Group, Inc.:

We have audited Internet Capital Group, Inc. and subsidiaries (the Company) internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Internet Capital Group, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control, based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Internet Capital Group, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Internet Capital Group, Inc. and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of operations, stockholders' equity, comprehensive income (loss) and cash flows for each of the years in the three-year period ended December 31, 2007, and our report dated March 17, 2008 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP
Philadelphia, Pennsylvania
March 17, 2008

ITEM 9B. Other Information

None.

PART III

ITEM 10. Directors and Executive Officers of the Registrant

We incorporate by reference the information contained under the captions “Election of Directors,” “Section 16(a) Beneficial Ownership Reporting Compliance,” “Executive Officers” and “Corporate Governance” in our Definitive Proxy Statement for our 2008 annual meeting of stockholders, to be filed within 120 days after the end of the year covered by this Report pursuant to Regulation 14A under the Exchange Act.

We have adopted a written code of business conduct and ethics, known as our Corporate Code of Conduct, which applies to all of our directors, officers and employees, including our principal executive officer and our principal financial and accounting officer. Our Corporate Code of Conduct is available on our internet website, www.internetcapital.com. Any amendments to our Corporate Code of Conduct or waivers from the provisions of the Corporate Code of Conduct for our principal executive officer or our principal financial and accounting officer will be disclosed on our internet website within five business days following the date of such amendment or waiver.

ITEM 11. Executive Compensation

We incorporate by reference the information contained under the caption “Executive Compensation” in our Definitive Proxy Statement for our 2008 annual meeting of stockholders, to be filed within 120 days after the end of the year covered by this Report pursuant to Regulation 14A under the Exchange Act.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

We incorporate by reference the information contained under the caption “Security Ownership of Certain Beneficial Owners and Directors and Officers” in our Definitive Proxy Statement for our 2008 annual meeting of stockholders, to be filed within 120 days after the end of the year covered by this Report pursuant to Regulation 14A under the Exchange Act.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

We incorporate by reference the information contained under the caption “Certain Relationships and Related Transactions” in our Definitive Proxy Statement for our 2008 annual meeting of stockholders, to be filed within 120 days after the end of the year covered by this Report pursuant to Regulation 14A under the Exchange Act.

ITEM 14. Principal Accountant Fees and Services

We incorporate by reference the information contained under the caption “Ratification of Appointment of Independent Registered Public Accounting Firm” in our Definitive Proxy Statement for our 2008 annual meeting of stockholders, to be filed within 120 days after the end of the year covered by this Report pursuant to Regulation 14A under the Exchange Act.

PART IV**ITEM 15. Exhibits and Financial Statement Schedules****1. Consolidated Financial Statements**

The Consolidated Financial Statements and related Notes thereto as set forth under Item 8 of this Report are incorporated herein by reference.

2. Financial Statement Schedule**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders
Internet Capital Group, Inc.:

Under date of March 17, 2008, we reported on the consolidated balance sheets of Internet Capital Group, Inc. and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of operations, stockholders' equity, comprehensive income (loss) and cash flows for each of the years in the three-year period ended December 31, 2007. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule. The consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statement schedule based on our audits.

In our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 2 to the Consolidated Financial Statements, effective January 1, 2006, the Company adopted the fair value method of accounting for stock-based compensation as required by Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment*.

/s/ KPMG LLP

Philadelphia, Pennsylvania

March 17, 2008

The following financial statement schedule of Internet Capital Group, Inc. for each of the years ended December 31, 2007, 2006 and 2005 should be read in conjunction with our Consolidated Financial Statements and related Notes thereto.

INTERNET CAPITAL GROUP
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
Years Ended December 31, 2005, 2006 and 2007
(in thousands)

	Balance at the beginning of the year	Charged to costs and expenses	Write-offs	Balance at the end of the year
Allowance for Doubtful Accounts:				
December 31, 2005	\$ 776	\$ 241(a)	\$ (418) (b)	\$ 599
December 31, 2006	\$ 599	\$ 641	\$(1,103) (c)	\$ 137
December 31, 2007	\$ 137	\$ (45)	\$ (48)	\$ 44

(a) Reserve of \$138 was established upon acquisitions of partner companies during 2005.

(b) Reserve of \$221 was eliminated upon deconsolidation of partner company during 2005.

(c) Reserve of \$656 was eliminated upon deconsolidation of partner company during 2006.

3. List of Exhibits

The following is a list of exhibits required by Item 601 of Regulation S-K filed as part of this Report. Where so indicated, exhibits which were previously filed are incorporated by reference. For exhibits incorporated by reference, the location of the exhibit in the previous filing is indicated in parentheses.

Exhibit Number	Document
2.1	Agreement of Merger, dated February 2, 1999, between Internet Capital Group, L.L.C. and Internet Capital Group, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Registration Statement on Form S-1, filed May 11, 1999 (File No. 333-78193)).
3.1.1	Restated Certificate of Incorporation of Internet Capital Group, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Registration Statement on Form 8-A, filed August 4, 1999 (File No. 000-26989)).
3.1.2	Certificate of Amendment of Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002, filed March 31, 2003 (File No. 001-16249)).
3.1.3	Second Amendment of Restated Certificate of Incorporation of Internet Capital Group, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004, filed August 9, 2004 (File No. 001-16249)).
3.2	Amended and Restated By-laws of Internet Capital Group, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed March 5, 2007 (File No. 001-16249)).
4.1	Form of Certificate for Internet Capital Group, Inc. Common Stock (incorporated by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, filed March 16, 2005 (File No. 001-16249)).
4.2	Rights Agreement, dated as of November 22, 2000, between Internet Capital Group, Inc. and ChaseMellon Shareholder Services, L.L.C., as Rights Agent, including Form of Rights Certificate (incorporated by reference to Exhibit 1.1 to the Company's Registration Statement on Form 8-A, filed December 1, 2000 (File No. 001-16249)).
10.1	Internet Capital Group, Inc. Amended and Restated 1999 Equity Compensation Plan (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K, filed March 5, 2007 (File No. 001-16249)).
10.2	Internet Capital Group, Inc. Amended and Restated 2005 Omnibus Equity Compensation Plan (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K, filed March 5, 2007 (File No. 001-16249)).
10.3	Internet Capital Group, Inc. Amended and Restated Executive Deferred Compensation Plan (incorporated by reference to Exhibit 10.2.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002, filed March 31, 2003 (File No. 001-16249)).
10.4	Internet Capital Group, L.L.C. Membership Profit Interest Plan (incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-1, filed May 11, 1999 (File No. 333-78193)).
10.5	Internet Capital Group, Inc. Amended and Restated Non-Management Director Compensation Plan (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed March 5, 2007 (File No. 001-16249)).

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Exhibit Number	Document
10.6	Internet Capital Group, Inc. Amended and Restated Director Deferred Stock Unit Program (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K, filed March 5, 2007 (File No. 001-16249)).
10.7.1	Logistics.com, Inc. 2001 Equity Compensation Plan (incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002, filed March 31, 2003 (File No. 001-16249)).
10.7.2	Amendment No. 1 to the Logistics.com, Inc. 2001 Equity Compensation Plan (incorporated by reference to Exhibit 10.3.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002, filed March 31, 2003 (File No. 001-16249)).
10.8	Internet Capital Group 2007 Performance Plan (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed March 5, 2007 (File No. 001-16249)).
10.9	Internet Capital Group 2008 Performance Plan (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K, filed March 5, 2008 (File No. 001-16249)).
10.10	Form of Internet Capital Group, Inc. Restricted Stock Grant Without Performance Acceleration (incorporated by reference to Exhibit 10.32 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, filed March 16, 2005 (File No. 001-16249)).
10.11	Form of Internet Capital Group, Inc. Restricted Stock Grant With Performance Acceleration (incorporated by reference to Exhibit 10.33 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, filed March 16, 2005 (File No. 001-16249)).
10.12	Form of Internet Capital Group, Inc. Stock Option Grant Without Performance Acceleration (incorporated by reference to Exhibit 10.34 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, filed March 16, 2005 (File No. 001-16249)).
10.13	Form of Internet Capital Group, Inc. Stock Option Grant With Performance Acceleration (incorporated by reference to Exhibit 10.35 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, filed March 16, 2005 (File No. 001-16249)).
10.14	Form of Internet Capital Group, Inc. Non-Employee Director Initial Stock Option Grant (incorporated by reference to Exhibit 10.36 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, filed March 16, 2005 (File No. 001-16249)).
10.15	Form of Internet Capital Group, Inc. Non-Employee Director Annual Stock Option Grant (incorporated by reference to Exhibit 10.37 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, filed March 16, 2005 (File No. 001-16249)).
10.16	Form of Internet Capital Group, Inc. Stock Unit Award Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed July 28, 2005 (File No. 001-16249)).

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Exhibit Number	Document
10.17	Form of Internet Capital Group, Inc. Stock Appreciation Rights Certificate (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed July 28, 2005 (File No. 001-16249)).
10.18	Employment Agreement, dated February 28, 2007, by and among Internet Capital Group Operations, Inc., Internet Capital Group, Inc. and Walter W. Buckley, III (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed March 5, 2007 (File No. 001-16249)).
10.19	Letter Agreement, dated February 28, 2007, by and between Internet Capital Group and R. Kirk Morgan (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed March 5, 2007 (File No. 001-16249)).
10.20	Employment Agreement, dated April 18, 2007, by and between Internet Capital Group and Douglas A. Alexander (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed April 18, 2007 (File No. 001-16249)).
10.21	Letter Agreement, dated July 28, 2005, by and between Internet Capital Group and Anthony P. Dolanski (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed July 28, 2005 (File No. 001-16249)).
10.22	Form of Restrictive Covenant Agreement (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed July 28, 2005 (File No. 001-16249)).
10.23.1	Letter of Credit Agreement, dated as of September 30, 2002, by and between Comerica Bank-California and Internet Capital Group, Inc., ICG Holdings, Inc. and Internet Capital Group Operations, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002, filed November 14, 2002 (File No. 001-16249)).
10.23.2	First Amendment to Letter of Credit Agreement, dated as of October 20, 2003, by and between Comerica Bank, Internet Capital Group, Inc., ICG Holdings, Inc. and Internet Capital Group Operations, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, filed November 14, 2003 (File No. 001-16249)).
10.23.3	Second Amendment to Letter of Credit Agreement, dated as of December 15, 2004, by and between Comerica Bank, Internet Capital Group, Inc., ICG Holdings, Inc. and Internet Capital Group Operations, Inc. (incorporated by reference to Exhibit 10.14.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, filed March 16, 2005 (File No. 001-16249)).

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Exhibit Number	Document
10.23.4	Third Amendment to Letter of Credit Agreement, dated as of December 15, 2005, by and between Comerica Bank, Internet Capital Group, Inc., ICG Holdings, Inc. and Internet Capital Group Operations, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed December 15, 2005 (File No. 001-16249)).
10.23.5	Fourth Amendment to Letter of Credit Agreement, dated as of December 5, 2006, by and between Comerica Bank, Internet Capital Group, Inc., ICG Holdings, Inc. and Internet Capital Group Operations, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed December 19, 2006 (File No. 001-16249)).
10.23.6	Fifth Amendment to Letter of Credit Agreement, dated as of December 7, 2007, by and between Comerica Bank, Internet Capital Group, Inc., ICG Holdings, Inc. and Internet Capital Group Operations, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed December 13, 2007 (File No. 001-16249)).
10.24	Note Purchase Agreement, dated February 12, 2007, by and between Mason Capital Management, LLC (and its affiliates and advisory clients named therein) and Internet Capital Group, Inc. (incorporated by reference to the Company's Current Report on Form 8-K, filed February 12, 2007 (File No. 001-16249)).
10.25	Note Purchase Agreement, dated February 12, 2007, by and between Sonoma Capital, LP and Internet Capital Group, Inc. (incorporated by reference to the Company's Current Report on Form 8-K, filed February 12, 2007 (File No. 001-16249)).
10.26	Letter Agreement, dated December 16, 2005, by and between ICG Holdings, Inc. and Credit Suisse First Boston Capital LLC (incorporated by reference to Exhibit 10.31 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005, filed March 15, 2006 (File No. 001-16249)).
10.27.1	Agreement of Lease, dated June 30, 2003, between FV Office Partners, L.P. and Internet Capital Group Operations, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, filed August 14, 2003 (File No. 001-16249)).
10.27.2	First Amendment to Lease, dated November 20, 2003, between FV Office Partners, L.P. and Internet Capital Group Operations, Inc. (incorporated by reference to Exhibit 10.37 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003, filed March 15, 2004 (File No. 001-16249)).
10.27.3	Second Amendment to Lease, dated August 21, 2006, by and between Chesterbrook Partners, L.P. (as successor-in-interest to FV Partners, L.P.) and Internet Capital Group Operations, Inc. (incorporated by reference to Exhibit 10.33.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2006, filed March 16, 2007 (File No. 001-16249)).
10.28	Form of Agreement of Limited Partnership for Internet Capital Group, Inc. Carried Interest long-term Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Current report on Form 8-K, filed December 13, 2007 (File No. 001-16249)).
10.29	Form of Limited Partnership Interest Grant (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed December 13, 2007 (File No. 001-16249)).

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<u>Exhibit Number</u>	<u>Document</u>
11.1	Statement Regarding Computation of Per Share Earnings (included herein at Note 2-“Significant Accounting Policies” in the subsection “Net Income (Loss) Per Share” to the Consolidated Financial Statements and Note 17-“Net Income (Loss) Per Share” to the Consolidated Financial Statements).
21.1	Subsidiaries of Internet Capital Group, Inc. (filed herewith).
23.1	Consent of KPMG LLP (filed herewith).
31.1	Certification of Chief Executive Officer required by Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of the Chief Executive Officer required by Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.2	Certification of the Chief Financial Officer required by Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Security Exchange Act of 1934, the Company has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 17, 2008

INTERNET CAPITAL GROUP, INC.

By: /s/ R. KIRK MORGAN

Name: R. Kirk Morgan

Title: Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Company and in the capacities indicated, and on the date set forth above.

<u>Signature</u>	<u>Title</u>
<u>/s/ WALTER W. BUCKLEY, III</u> Walter W. Buckley, III	Chief Executive Officer, President and Chairman of the Board of Directors (Principal Executive Officer)
<u>/s/ R. KIRK MORGAN</u> R. Kirk Morgan	Chief Financial Officer (Principal Financial and Accounting Officer)
<u>/s/ DAVID J. BERKMAN</u> David J. Berkman	Director
<u>/s/ THOMAS A. DECKER</u> Thomas A. Decker	Director
<u>/s/ DAVID K. DOWNES</u> David K. Downes	Director
<u>/s/ THOMAS P. GERRITY</u> Thomas P. Gerrity	Director
<u>/s/ MICHAEL J. HAGAN</u> Michael J. Hagan	Director
<u>/s/ ROBERT E. KEITH, JR.</u> Robert E. Keith, Jr.	Director
<u>/s/ WARREN V. MUSSER</u> Warren V. Musser	Director
<u>/s/ PHILIP J. RINGO</u> Philip J. Ringo	Director