

SECURITIES AND EXCHANGE COMMISSION

FORM SC 13D/A

Schedule filed to report acquisition of beneficial ownership of 5% or more of a class of equity securities [amend]

Filing Date: **2001-09-05**
SEC Accession No. **0001021408-01-506341**

(HTML Version on secdatabase.com)

SUBJECT COMPANY

BREAKAWAY SOLUTIONS INC

CIK: **1076643** | IRS No.: **043285165** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **SC 13D/A** | Act: **34** | File No.: **005-58275** | Film No.: **1731551**
SIC: **7389** Business services, nec

Mailing Address
50 ROWES WHARF
6TH FLOOR
BOSTON MA 02110

Business Address
50 ROWES WHARF 6TH FL
BOSTON MA 02110
6179603400

FILED BY

INTERNET CAPITAL GROUP INC

CIK: **1085621** | IRS No.: **232996071** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **SC 13D/A**
SIC: **7389** Business services, nec

Mailing Address
800 SAGEGUARD BUILDING
435 DEVON PARK DRIVE
WAYNE PA 19087

Business Address
800 SAFEGUARD BUILDING
435 DEVON PARK DRIVE
WAYNE PA 19087
6109890111

=====

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 13D
(Rule 13d-101)

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT TO
RULE 13d-1(a) AND AMENDMENTS THERETO FILED PURSUANT TO RULE 13d-2(a)

(AMENDMENT NO. 4)

BREAKAWAY SOLUTIONS, INC.
(Name of Issuer)

Common Stock, Par Value \$.000125 Per Share
(Title of Class of Securities)

105372 10 5
(CUSIP number)

Henry N. Nassau, Esq.
Managing Director and General Counsel
Internet Capital Group, Inc.
The 600 Building
435 Devon Park Drive
Wayne, PA 19087
(610) 989-0111

(Name, address and telephone number of
Person Authorized to Receive Notices
and Communications)

Copy to:

Christopher G. Karras, Esq.
Dechert
4000 Bell Atlantic Tower
1717 Arch Street
Philadelphia, Pennsylvania 19103-2793
(215) 994-4000

If the filing person has previously filed a statement on Schedule 13G to report the acquisition which is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(e), 13d-1(f) or 13d-1(g), check the following box
[]

=====
CUSIP No. 105372 10 5

NAME OF REPORTING PERSON

1 SS. Or I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

Internet Capital Group, Inc. 23-2996071

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

2 (a) []
(b) []

SEC USE ONLY

3

SOURCE OF FUNDS

4
OO

CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) []

5

CITIZENSHIP OR PLACE OF ORGANIZATION

6
Delaware

SOLE VOTING POWER

7
NUMBER OF
SHARES

0

SHARED VOTING POWER

8
BENEFICIALLY
OWNED BY
47,760,129 /1/

EACH SOLE DISPOSITIVE POWER
9
REPORTING
0
PERSON

WITH SHARED DISPOSITIVE POWER
10
47,760,129 /1/

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
47,760,129

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES
[]

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
57.3%

14 TYPE OF REPORTING PERSON
CO

1. This figure includes the following securities of Breakaway Solutions, Inc. (the "Issuer") and is computed on an as-converted basis in the case of convertible securities:
- (a) 17,726,138 warrants (the "Common Stock Warrants") held by ICG Holdings, Inc. ("ICGH") to initially purchase the same number of shares of the Issuer's common stock ("Common Stock");
 - (b) 15,081,491 shares of common Stock held by ICGH;
 - (c) 142,858 shares of the Issuer's Series A Preferred Stock (the "Preferred Stock") held by ICGH that are initially convertible into 14,285,800 shares of Common Stock; and
 - (d) 6,667 warrants held by ICGH to purchase 6,667 shares of Preferred Stock (the "Preferred Stock Warrants"). Such shares of Preferred Stock are initially convertible into 666,700 shares of Common Stock.

CUSIP No. 105372 10 5

1 NAME OF REPORTING PERSON
SS. Or I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

2

(a)

(b)

SEC USE ONLY

3

SOURCE OF FUNDS

4

00

CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)

5

CITIZENSHIP OR PLACE OF ORGANIZATION

6

Delaware

SOLE VOTING POWER

7

NUMBER OF

0

SHARES

SHARED VOTING POWER

BENEFICIALLY

8

OWNED BY

47,760,129 /1/

EACH

SOLE DISPOSITIVE POWER

9

REPORTING

0

PERSON

SHARED DISPOSITIVE POWER

WITH

10

47,760,129 /1/

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

11

47,760,129

CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES

12

13

57.3%

TYPE OF REPORTING PERSON

14

CO

1. This figure includes the Issuer's securities as set forth in Footnote 1 of page 2 of this Schedule.

This Amendment No. 4 to Schedule 13D ("Amendment No. 4") relates to a Schedule 13D filed with the Securities and Exchange Commission ("SEC") on January 26, 2001, Amendment No. 1 to Schedule 13D ("Amendment No. 1") filed with the SEC on January 26, 2001, Amendment No. 2 to Schedule 13D ("Amendment No. 2") filed with the SEC on February 23, 2001 and Amendment No. 3 to Schedule 13D ("Amendment No. 3") filed with the SEC on April 12, 2001. This Amendment No. 4 amends and supplements Amendment No. 3. Information in the Schedule 13D, Amendment No. 1, Amendment No. 2 and Amendment No. 3 remains in effect except to the extent that it is superseded by the information contained in a later amendment. Information given in response to each item shall be deemed to be incorporated by reference in all other items. Capitalized terms used but not defined in this Amendment No. 4 shall have the meanings ascribed to such terms in the Schedule 13D, Amendment No. 1, Amendment No. 2 and Amendment No. 3.

ITEM 1. SECURITY AND ISSUER

This Amendment No. 4 relates to the acquisition of the Preferred Stock Warrants. The Preferred Stock Warrants are exercisable at a price of \$70 per Warrant and are initially exercisable for 666,700 shares of Common Stock.

The exercise price of the Preferred Stock Warrants and the number of shares of Preferred Stock underlying the Preferred Stock Warrants are subject to adjustment upon certain events as described in the Preferred Stock Warrants. The form of Preferred Stock Warrant is filed as Exhibit 1 hereto, and the terms of such warrant are incorporated herein by reference.

The Issuer's principal address has changed to 1000 River Road, Suite 400, Conshohocken, PA 19428.

ITEM 3. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION

On July 3, 2001, SCP Private Equity Partners II, L.P., a Delaware limited partnership ("SCP"), entered into a guarantee arrangement (the "Guarantee") with Silicon Valley Bank ("SVB") whereby SCP agreed to guarantee the Issuer's obligations to SVB under the Loan and Security Agreement dated July 3, 2001

between the Issuer and SVB, and the Master Lease Agreement dated as of September 28, 1999 between the Issuer and SVB. SCP subsequently requested that ICGH indemnify SCP with respect to one-third (1/3) of any loss or liability SCP might suffer in connection with the Guarantee. In consideration for such indemnification, SCP has agreed to transfer to ICGH the Preferred Stock Warrants. The other terms of the arrangement between SCP and ICGH are set forth in the Indemnification Agreement dated August 29, 2001 by and among SCP, ICG, ICGH and the Issuer, which is attached hereto as Exhibit 2, and the terms of which are incorporated herein by reference.

ITEM 4. PURPOSE OF TRANSACTION

Pursuant to a letter agreement dated August 29, 2001, a copy of which is attached hereto as Exhibit 3 and the terms of which are incorporated herein by reference, ICGH and ICG terminated and waived all of their respective rights, duties and benefits owed to or enjoyed by either of them under any and all contracts, arrangements, relationships or other bases between ICGH and/or ICG with SCP by which (i) ICG and/or ICGH have or share voting power (which

includes the power to vote or direct the voting of) or investment power (which includes the power to dispose or to direct the disposition of) over any equity security issued by the Issuer, and owned by SCP and (ii) SCP has or shares voting power (which includes the power to vote or direct the voting of) or investment power (which includes the power to dispose or to direct the disposition of) over any equity security issued by the Issuer and owned by ICGH or ICG.

Except as set forth above, the Reporting Persons have not formulated any plans or proposals of the types referred to in clauses (a) through (j) of Item 4 of Schedule 13D.

ITEM 5. INTEREST IN SECURITIES OF THE ISSUER

(a)-(b) Without giving effect to the potential of any of the Preferred Stock Warrants or Common Stock Warrants, or conversion of any Preferred Stock into Common Stock, ICGH may be deemed to be the beneficial owner with the sole power to vote and dispose of a total of 15,081,491 shares of Common Stock (or approximately 26.8% of the Issuer's outstanding Common Stock). ICGH may also be deemed to be the beneficial owner of the Common Stock underlying the Common Stock Warrants, which would, if exercised, entitle ICGH to an additional 17,726,138 shares of Common Stock. ICGH may also be deemed to be the beneficial owner of the Common Stock underlying the Preferred Stock issuable upon exercise of the Preferred Stock Warrants. The Preferred Stock Warrants, if exercised, would entitle ICGH to 6,667 shares of Preferred Stock, which are initially convertible into 666,700 shares of Common Stock. ICGH may also be deemed to be the beneficial owner of the Common Stock underlying 142,858 shares of Preferred Stock that are initially convertible into 14,285,800 shares of Common Stock. Aggregating all of the shares of Common Stock that ICGH presently owns, together with all of the shares of Common Stock that it may directly or indirectly obtain upon exercise of the Common Stock Warrants, the exercise of the Preferred Stock

Warrants and the conversion of the Preferred Stock into Common Stock, ICGH may be deemed to beneficially own 47,760,128 shares of the Issuer's Common Stock (or 57.3% of the outstanding Common Stock, computed in accordance with Rule 13d-3 of the Securities Exchange Act of 1934).

Because ICGH is a wholly-owned subsidiary of ICG, ICG may be deemed to be the beneficial owner of all the securities described in the preceding paragraph, with ICG and ICGH sharing both voting and dispositive power over such securities.

ITEM 6. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO SECURITIES OF THE ISSUER

Except as described in Items 3, 4 and 5, there are no contracts, arrangements, understandings or relationships (legal or otherwise) among the Reporting Persons, the Directors or Executive Officers, or among any of such persons and any other person, with respect to any securities of the Issuer, including but not limited to transfer or voting of any securities of the Issuer, finder's fees, joint ventures, loan or option arrangements, puts or calls, guarantees of profits, division of profits or loss, or the giving or withholding of proxies.

ITEM 7. MATERIAL TO BE FILED AS EXHIBITS

Exhibit 1 Form of Warrant to Purchase up to 6,667 Shares of Preferred Stock of Breakaway Solutions, Inc.

Exhibit 2 Indemnification Agreement dated August 29, 2001

Exhibit 3 Letter Agreement dated August 29, 2001

Exhibit 4 Joint Filing Agreement between ICG and ICGH

Signature

After reasonable inquiry and to the best knowledge and belief of the undersigned, the undersigned certify that the information set forth in this statement is true, complete and correct.

Dated: September 5, 2001

INTERNET CAPITAL GROUP, INC.

By: /s/ Henry N. Nassau

Name: /s/ Henry N. Nassau

Title: Managing Director and General Counsel

ICG HOLDINGS, INC.

By: /s/ Henry N. Nassau

Name: /s/ Henry N. Nassau

Title: Vice President and Secretary

EXHIBIT 1

FORM OF WARRANT

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY APPLICABLE STATE SECURITIES LAWS. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF ABSENT REGISTRATION OF SUCH SECURITIES UNDER SAID ACT AND SAID LAWS UNLESS THE COMPANY RECEIVES AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.

Void after 5:00 p.m. (Eastern Standard Time), on August 29, 2011

WARRANT

TO PURCHASE SERIES A PREFERRED STOCK OF
BREAKAWAY SOLUTIONS, INC.

THIS CERTIFIES that, ICG Holdings, Inc., a Delaware corporation (herein called "Holder"), or registered assigns, is entitled to purchase from Breakaway Solutions, Inc., a corporation organized and existing under the laws of Delaware (herein called the "Company"), at any time after the date hereof and until 5:00 p.m. (Eastern Standard Time) on August 29, 2011, (the "Expiration Date") 6,667 fully paid and non-assessable shares of Series A Preferred Stock of the Company, par value \$0.0001 per share (the "Preferred Stock"), at a purchase price per share of \$70.00 (the "Exercise Price").

The number of shares of Preferred Stock to be received upon the exercise of this Warrant and the price to be paid for a share of Preferred Stock are subject to limitation and adjustment from time to time as hereinafter set forth.

Definitions

"Act" means the Securities Act of 1933, as amended.

"Bank" shall mean Silicon Valley Bank.

"Capital Stock" means the Common Stock, the Preferred Stock and any other

stock of any class, whether now or hereafter authorized, which has the right to participate in the distribution of earnings and assets of the Company without limit as to amount or percentage.

"Common Stock" means the Company's Common Stock, par value, \$0.000125 per

share.

"Debt Guarantee" shall mean the Unconditional Guaranty, dated July 3, 2001,

issued by SCP in favor of the Bank, pursuant to which SCP has guaranteed payment by the Company of certain obligations of the Company to the Bank.

"Increase Amount" means 2,500 shares of Preferred Stock, as adjusted from

time to time pursuant to Section 6 herein.

"Investor Rights Agreement" means the Investor Rights Agreement among the

Company, SCP, and ICG Holdings, Inc., dated as of April 6, 2001.

"SCP" shall mean SCP Private Equity Partners II, L.P., a Delaware limited

partnership.

"Series A Agreement" means the Series A Preferred Stock Purchase Agreement

among the Company, SCP, and ICG Holdings, Inc., dated as of February 16, 2001.

"Warrant Shares" means the shares of Preferred Stock deliverable upon

exercise of this Warrant, as adjusted from time to time pursuant to Section 6 herein.

Section 1. Exercise of Warrant.

(a) This Warrant may be exercised in whole or in part on any business day (the "Exercise Date") and on or before the Expiration Date by presentation and surrender hereof to the Company at its principal office at the following address: 1000 River Rd., Suite 400, 4th Floor, Conshohocken, Pa 19428, or at the office of its stock transfer or warrant agent, if any, (or at such other address as the Company may hereafter notify the Holder in writing) with the Purchase Form annexed hereto duly executed and accompanied by proper payment of the Exercise Price in lawful money of the United States of America in the form of a check, subject to collection, for the number of Warrant Shares specified in the Purchase Form. If this Warrant should be exercised in part only, the Company shall, upon surrender of this Warrant, execute and deliver a new Warrant evidencing the rights of the Holder thereof to purchase the balance of the Warrant Shares purchasable hereunder. Upon receipt by the Company of this Warrant and such Purchase Form, together with proper payment of the Exercise Price, at such office, the Holder shall be deemed to be the holder of record of the Warrant Shares, notwithstanding that the stock transfer books of the Company shall then be closed or that the certificates representing such Warrant Shares shall not then be actually delivered to the Holder. The Company shall pay any and all documentary stamp or similar issue or transfer taxes payable in respect

of the issue or delivery of the Warrant Shares.

(b) Notwithstanding the provisions of paragraph (a), the Holder may, at its sole option, elect to exercise this Warrant in whole or in part by receiving Warrant Shares equal to the value (as determined below) of this Warrant, or any part hereof, upon surrender of the Warrant at the principal office of the Company together with a duly executed Notice of Net Election in the form annexed hereto, in which event the Company shall issue to the Holder a number of Warrant Shares calculated on the basis of the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where: X = the number of Warrant Shares to be issued to the Holder

Y = the number of Warrant Shares to be exercised under this Warrant

A = the current fair market value of one share of Preferred Stock, which shall be deemed to equal the current fair market value of one share of the Common Stock calculated (determined in the manner set forth in this

Section) as of the last business day immediately preceding the exercise of this Warrant; provided, however, that if each share of Preferred Stock is then convertible into more than or less than one share of the Common Stock, then the current fair market value of each share of Preferred Stock shall be deemed to equal the current fair market value of one share of the Common Stock multiplied by the number of shares of the Common Stock into which each share of Preferred Stock is then convertible.

B = the Exercise Price

The current fair market value of a share of Common Stock for purposes of this Section shall be determined as follows:

(i) If the Common Stock is listed on a national securities exchange or admitted to unlisted trading privileges on such exchange or listed for trading on The NASDAQ National Market, the current market value shall be the last reported sale price of the Common Stock on such exchange or Market on the last business day prior to the date of exercise or conversion of this Warrant or if no such sale is made on such day, the average closing bid and asked prices for such day on such exchange or Market; or

(ii) If the Common Stock is not so listed or admitted to unlisted trading privileges, the current market value shall be the mean of the last reported bid and asked prices reported by Pink Sheets LLC, on the

last business day prior to the date of exercise or conversion; or

(iii) If the Common Stock is not so listed or admitted to unlisted trading privileges and bid and asked prices are not so reported, the current market value per share shall be an amount determined in such reasonable manner as may be prescribed in good faith by the Board of Directors of the Company.

Section 2. Reservation of Shares. The Company shall reserve at all times

for issuance and delivery upon exercise or conversion of this Warrant all shares of its Preferred Stock or other shares of Capital Stock of the Company from time to time issuable upon exercise of this Warrant. All such shares shall be duly authorized and, when issued upon the exercise or conversion of this Warrant in accordance with the terms hereof, including payment of the applicable Exercise Price in full, shall be validly issued, fully paid and nonassessable, free and clear of all liens, security interests, charges and other encumbrances or restrictions ("Liens") on sale (other than (i) restrictions pursuant to applicable federal and state securities laws, and (ii) any Liens created by any action or inaction of the Holder of the Warrant Shares) and free and clear of all preemptive rights.

Section 3. Fractional Interest. The Company will not issue a fractional

share of Preferred Stock or scrip upon any exercise or conversion of this Warrant. Instead, the Company shall pay to the Holder an amount in cash equal to such fraction multiplied by the current fair market value of such fractional share as may be prescribed by the Board of Directors of the Company.

Section 4. Exchange, Transfer, Assignment or Loss of Warrant.

(a) Except as otherwise provided in Section 8, the Holder of this Warrant

shall be entitled, at its option, without expense and without obtaining the consent of the Company, to assign its interest in this Warrant, or any of the Warrant Shares, in whole or in part, upon presentation and surrender hereof to the Company or its stock transfer agent, if any; provided, however, that the

transferee, prior to any such transfer, agrees in writing, in form and substance satisfactory to the Company, to be bound by the terms of this Warrant and provides the Company with an opinion of counsel in such form reasonably acceptable to the Company, that such transfer would not be in violation of the Act or any applicable state securities or blue sky laws.

(b) Subject to the provisions of Section 8, upon surrender of this Warrant

to the Company or at the office of its stock transfer agent or warrant agent, with the Assignment Form annexed hereto duly executed and funds sufficient to pay any transfer tax, the Company shall, without charge, execute and deliver a

new Warrant or Warrants in the name of the assignee or assignees named in such instrument of assignment and, if the Holder's entire interest is not being assigned, in the name of the Holder, and this Warrant shall promptly be canceled.

(c) This Warrant may be divided by or combined with other Warrants which carry the same rights upon presentation hereof at the principal office of the Company or at the office of its stock transfer or warrant agent, if any, together with a written notice specifying the names and denominations in which new Warrants are to be issued and signed by the Holder hereof. The term "Warrant" as used herein includes any warrants into which this Warrant may be divided or exchanged.

(d) This Warrant is exchangeable, upon the surrender thereof by the Holder at the principal office of the Company, for new Warrants of like tenor registered in the Holder's name and representing in the aggregate the right to purchase the number of shares purchasable under the Warrant being exchanged, each of such new Warrants to represent the right to subscribe for and purchase such number of shares as shall be designated by the Holder at the time of such surrender.

Section 5. Rights of the Holder. The Holder shall not, by virtue hereof,

be entitled to any rights of a stockholder in the Company, either at law or equity, and the rights of the Holder are limited to those set forth in this Warrant.

Section 6. Adjustment of Exercise Price and Number of Shares. The number

and kind of securities purchasable upon the exercise of this Warrant (including any Increase Amount) and the Exercise Price shall be subject to adjustment from time to time upon the occurrence of certain events, as follows:

(a) Debt Guarantee. If the Debt Guarantee shall remain outstanding on

January 2, 2003, the number of shares of Preferred Stock issuable upon exercises or conversion of this Warrant shall be increased by the Increase Amount. In addition, for each consecutive six-month period following January 2, 2003, that the Debt Guarantee shall remain outstanding, the number of shares of Preferred Stock issuable upon exercise or conversion of this Warrant shall be increased by the Increase Amount, provided that the aggregate number of shares of Preferred Stock issuable upon exercise or conversion of this Warrant shall total no more than 40,000 Preferred Shares, unless otherwise adjusted as provided in this Section 6.

(b) Reclassification, Consolidation or Merger. In case of any

reclassification or change of outstanding securities issuable upon exercise or conversion of this Warrant (other than a change in par value, or from par value to no par value, or from no par value to par value or as a result of a

subdivision or combination) or in case of any consolidation or merger of the Company with or into another corporation (other than a merger with another corporation in which the Company is a continuing corporation and which does not result in any reclassification or change, other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination of outstanding securities issuable upon the exercise of this Warrant), the Company, or such successor or purchasing corporation, as the case may be, shall, without payment of any additional consideration therefor, execute a new warrant providing that the Holder of the Warrant shall have the right to exercise such new warrant (upon terms not less favorable to the Holder than those then applicable to this Warrant) and to receive upon such exercise, in lieu of each share of Preferred Stock theretofore issuable upon exercise or conversion of this Warrant, the kind and amount of shares of stock, other securities, money or property receivable upon such reclassification, change, consolidation or merger by the Holder of one share of Preferred Stock issuable upon exercise or conversion of this Warrant had the Warrants been exercised or converted immediately prior to such reclassification, change, consolidation, or merger. Such new warrant shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 6. The provisions of this subsection 6(b) shall

similarly apply to successive reclassifications, changes, consolidations, or mergers.

(c) Subdivision or Combination of Shares. If the Company at any time while

this Warrant remains outstanding and unexpired, shall subdivide or combine its Preferred Stock, the Exercise Price shall be proportionately reduced, in case of subdivision of shares, as of the effective date of such subdivision, or, if the Company shall take a record of holders of its Preferred Stock for the purpose of so subdividing, as of such record date, whichever is earlier, or shall be proportionately increased, in the case of combination of shares, as of the effective date

of such combination, or, if the Company shall take a record of holders of its Preferred Stock for the purpose of so combining, as of such record date, whichever is earlier.

(d) Certain Dividends and Distributions. If the Company at any time while

this Warrant is outstanding and unexpired shall:

(i) Stock Dividends. Pay a dividend in shares of, or make

another distribution of shares of, its Preferred Stock, then the Exercise Price shall be adjusted, as of the date the Company shall take a record of the holders of its Preferred Stock for the purpose of receiving such dividend or other distribution (or if no such record is taken, as at the date of such payment or other distribution), to that price determined by multiplying that Exercise Price in effect immediately prior to such payment

or other distribution by a fraction (a) the numerator of which shall be the total number of shares of Preferred Stock (with respect to any convertible securities, on an as-converted basis) outstanding immediately prior to such dividend or distribution, and (b) the denominator of which shall be the total number of shares of Preferred Stock outstanding immediately after such dividend or distribution; or

(ii) Liquidating Dividends, Etc. Make a distribution of its

assets to the holders of its Preferred Stock as a dividend in liquidation or by way of return of capital or other than as a dividend payable out of earnings or surplus legally available for dividends under applicable law, the Holder shall, upon its exercise, be entitled to receive, in addition to the number of shares of Preferred Stock receivable thereupon, and without payment of any additional consideration therefor, a sum equal to the amount of such assets as would have been payable to it as owner of that number of shares of Preferred Stock receivable by exercise or conversion of the Warrant had it been the Holder of record of such Preferred Stock on the record date for such distribution, or if no such record is taken, as of the date of such distribution, and an appropriate provision therefor shall be made a part of any such distribution.

(e) Adjustment of Number of Shares. Upon each adjustment in the Exercise

Price pursuant to any provisions of this Section 6, the number of shares of

Preferred Stock purchasable hereunder shall be adjusted, to the nearest one hundredth of a whole share, to the product obtained by multiplying such number of shares purchasable immediately prior to such adjustment by a fraction, the numerator of which shall be the Exercise Price immediately prior to such adjustment and the denominator of which shall be the Exercise Price immediately thereafter.

(f) Other Action Affecting Capital Stock. In case after the date hereof

the Company shall take any action affecting the Capital Stock, other than an action described in any of the foregoing subsections (6) (b) to (6) (d) hereof,

inclusive, which in the opinion of the Company's Board of Directors would have a materially adverse effect upon the rights of the Holder to purchase the Warrant Shares, the Exercise Price shall be adjusted in such manner and at such time as the Board of Directors may in good faith determine to be equitable in the circumstances.

(g) Notice of Certain Actions. In the event that:

(i) the Company shall authorize the issuance to all holders of its Common Stock or Preferred Stock of rights, warrants, options or convertible securities to subscribe for or purchase shares of its Common

Stock, Preferred Stock or of any other subscription rights, warrants, options or convertible securities; or

(ii) the Company shall authorize the distribution to all holders of its Common Stock or Preferred Stock of evidences of its indebtedness or assets (other than dividends paid in or distributions of the Company's Capital Stock for which the Exercise Price shall have been adjusted pursuant to subsection (6) (d) or cash dividends or cash

distributions payable out of consolidated current or retained earnings as shown on the books of the Company and paid in the ordinary course of business); or

(iii) the Company shall authorize any capital reorganization or reclassification of the Common Stock or Preferred Stock (other than a subdivision or combination of the outstanding Common Stock or Preferred Stock and other than a change in par value of the Common Stock or Preferred Stock) or of any consolidation or merger to which the Company is a party and for which approval of any shareholders of the Company is required (other than a consolidation or merger in which the Company is the continuing corporation and that does not result in any reclassification or change of the Common Stock or Preferred Stock outstanding), or of the conveyance or transfer of the properties and assets of the Company as an entirety or substantially as an entirety; or

(iv) the Company is the subject of a voluntary or involuntary dissolution, liquidation or winding-up procedure; or

(v) the Company proposes to take any action (other than actions of the character described in subsections (6) (b), (6) (c), or (6) (d)

that would require an adjustment of the Exercise Price pursuant to this Section 6; then the Company shall cause to be mailed by first-class mail to -----

the Holder, at least ten (10) days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date as of which the holders of Common Stock or Preferred Stock of record to be entitled to receive any such rights, warrants or distributions are to be determined, or (y) the date on which any such consolidation, merger, conveyance, transfer, dissolution, liquidation or winding-up is expected to become effective, and the date as of which it is expected that holders of Common Stock or Preferred Stock of record shall be entitled to exchange their shares of Common Stock for securities or other property, if any, deliverable upon such reorganization, reclassification, consolidation, merger, conveyance, transfer, dissolution, liquidation or winding-up.

Section 7. Officers' Certificate. Whenever the Exercise Price shall be

adjusted as required by the provisions of Section 6, the Company shall forthwith

file in the custody of its secretary or an assistant secretary at its principal

office an officers' certificate showing the adjusted Exercise Price determined as herein provided, setting forth in reasonable detail the facts requiring such adjustment and the manner of computing such adjustment. Each such officers' certificate shall be signed by the chairman, president or chief financial officer of the Company and by the secretary or any assistant secretary of the Company. A copy of each such officers' certificate shall be promptly mailed, by certified mail, to the Holder and the original shall be

made available at all reasonable times for inspection by any other holder of a Warrant executed and delivered pursuant to Section 4 hereof.

Section 8. Transfer to Comply with the Securities Act of 1933;

Registration Rights; Co-Sale Agreement. No sale, transfer, assignment,

hypothecation or other disposition of this Warrant or of the Warrant Shares shall be made if such transfer, assignment or other disposition would result in a violation of the Act, or any state securities laws. Upon exercise of this Warrant, the Holder shall, if requested by the Company, confirm in writing, in a form reasonably satisfactory to the Company, that the shares of Preferred Stock so purchased are being acquired solely for the Holder's own account, and not as a nominee thereof, for investment, and not with a view toward distribution or resale, except as permitted by the Act, and shall provide such other information to the Company as the Company may reasonably request. Any Warrant and any Warrants issued upon exercise of, substitution for, or upon assignment or transfer of this Warrant, as the case may be, and all shares of Preferred Stock issued upon exercise hereof or conversion thereof shall bear legends (in addition to any legend required by state securities laws) in substantially the form set forth on the first page of this Warrant, unless and until such securities have been transferred pursuant to an effective registration statement under the Act or may be freely sold to the public pursuant to Rule 144 (or any successor rule thereto) or otherwise.

Section 9. Registration Rights. The Holder and any transferee of the

Warrant or the Warrant Shares issuable hereunder shall have the right to require the Company to register the Common Stock issuable upon conversion of the Warrant Shares with the Securities and Exchange Commission for resale as provided in the Investor Rights Agreement.

Section 10. Modification and Waiver. Neither this Warrant nor any term

hereof may be changed, waived, discharged or terminated other than by an instrument in writing signed by the Company and by the holder hereof.

Section 11. Notices. Any notice, request or other document required or

permitted to be given or delivered to the Holder or the Company shall be delivered or shall be sent by certified mail or documented overnight delivery

service, postage prepaid, or by telecopy, receipt acknowledged, to the Holder at its address as shown on the books of the Company or to the Company at the address indicated therefor in Section 1 of this Warrant.

Section 12. Descriptive Headings and Governing Law. The descriptive

headings of the several sections and paragraphs of this Warrant are inserted for convenience only and do not constitute a part of this Warrant. This Warrant shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the Commonwealth of Pennsylvania.

Section 13. No Impairment. The Company will not knowingly avoid or seek to

avoid the observance or performance of any of the terms to be observed or performed hereunder by it, but will at all times in good faith assist in the carrying out of all of the provisions of this Warrant.

IN WITNESS WHEREOF, the Company has duly caused this Warrant to be signed by its duly authorized officer and to be dated as of August __, 2001

BREAKAWAY SOLUTIONS, INC.

By: _____

Name: _____

Title: _____

PURCHASE FORM

Dated _____

The undersigned hereby irrevocably elects to exercise the within Warrant to purchase _____ shares of Preferred Stock and hereby makes payment of \$_____ in payment of the exercise price thereof..

[PRINT OR TYPE NAME OF ENTITY]

By: _____

Name: _____

Title: _____

ASSIGNMENT FORM

Dated _____

FOR VALUE RECEIVED, _____ hereby sells,
assigns and

(please type or print in block letters)

transfers unto _____ (the
"Assignee"), of

(please type or print in block letters)

(Address)

its right to purchase up to _____ shares of Preferred Stock represented by
this Warrant and does hereby irrevocably constitute and appoint
_____ Attorney, to transfer the same on the books of
the Company, with full power of substitution in the premises.

[PRINT OR TYPE NAME OF ENTITY]

By: _____

Name: _____

Title: _____

NET ISSUE ELECTION FORM

Dated _____

The undersigned hereby irrevocably elects to exercise the within Warrant
with respect to _____ shares of Preferred Stock pursuant to the net
issuance provisions set forth in Section 1(b) of this Warrant.

[PRINT OR TYPE NAME OF ENTITY]

By: _____

Name: _____

Title: _____

EXHIBIT 2

INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (this "Agreement") is made and entered into this 29th day of August, 2001, by and between SCP PRIVATE EQUITY PARTNERS II, L.P., a Delaware limited partnership ("SCP"), ICG HOLDINGS, INC., a Delaware corporation ("ICG"), INTERNET CAPITAL GROUP, INC., a Delaware corporation ("Internet Capital"), and BREAKAWAY SOLUTIONS, INC., a Delaware corporation (the "Company").

W I T N E S S E T H:

WHEREAS, SCP has executed and delivered to Silicon Valley Bank (the "Bank") an Unconditional Guaranty of payment of all amounts, subject to specified limitations, which the Company now or hereafter owes to the Bank under (a) the Loan and Security Agreement, dated July 3, 2001, between the Bank and the Company (the "Loan Agreement"), a copy of which is attached hereto as Exhibit A,

(b) the Loan Documents (as defined in the Loan Agreement), and (c) the Master Lease Agreement (as defined in the Loan Agreement) (the Loan Agreement, the Loan Documents, and the Master Lease Agreement being collectively called the "Guaranteed Agreements") (such Unconditional Guaranty, a copy of which is attached hereto as Exhibit B, being referred to as the "Guaranty");

WHEREAS, in connection with the execution and delivery of the Guaranty by SCP, SCP and the Company entered into a Guarantee Issuance Agreement, dated July 3, 2001, a copy of which is attached hereto as Exhibit C, pursuant to which SCP

agreed to execute and deliver the Guaranty and the Company agreed to issue to SCP a warrant (the "Warrant") to purchase 20,000 shares of the Company's Series A Preferred Stock, \$0.0001 par value ("Series A Stock"), subject to adjustment; and

WHEREAS, SCP has requested that ICG, a substantial stockholder of the Company, participate in a portion of the Guaranty, and ICG is willing to do so on the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the foregoing and the mutual promises and covenants contained herein, and intending to be legally bound, the parties agree as follows:

1. Indemnification.

(a) ICG shall indemnify SCP with respect to one-third (1/3) of any loss or

liability ("Indemnified Loss") SCP may suffer as a result of its execution and delivery of the Guaranty, but only to the extent the Indemnified Loss shall have been paid by SCP to the Bank or another party. The Indemnified Loss shall include without limitation:

(i) any payment SCP shall make, or be called upon to make, to the Bank (or any successor in interest) with respect to any obligation of the Company under the Guaranteed

Agreements (each, a "Guaranty Payment"), whether such payment results from (A) SCP's voluntary payment to the Bank of an amount or amounts which the Bank shall claim is owing under the Guaranty or which SCP in good faith believes is owing under the Guaranty, or (B) a judgment obtained by the Bank against SCP with respect to the Guaranty;

(ii) any costs or expenses, including legal fees, reasonably incurred by SCP in connection with any Guaranty Payment, any claim for a Guaranty Payment, or any reimbursement by the Company of any Guaranty Payment (such costs and expenses being referred to as "Guaranty Expenses"); and

(iii) interest on Guaranty Payments and Guaranty Expenses from the date of payment by SCP at a floating rate equal to the prime rate of interest, as reported in The Wall Street Journal.

(b) Payment of all amounts due pursuant to paragraph (a) of this Section 1 shall be made within five (5) business days after demand by SCP, which demand shall state the amount of the payment due from ICG and shall be accompanied by a description of the character of the payment in reasonable detail.

(c) In the event that SCP shall be required, pursuant to the terms of Section 10.5 of the Guaranty, either (i) to deposit and maintain with the Bank cash, or (ii) to provide the Bank with an irrevocable letter of credit acceptable to the Bank, in either case in such amount as the Bank determines will secure the full amount of SCP's obligations under the Guaranty, then, upon notice of such requirement, ICG shall deposit and maintain cash with the Bank or shall provide an irrevocable letter of credit to the Bank in an amount equal to one-third of the amount required by the Bank of SCP. If for any reason the Bank shall not accept such cash deposit or letter of credit from ICG, ICG shall deliver such cash deposit or letter of credit (in a form reasonably satisfactory to SCP) to SCP as security for ICG's obligations under Section 1 of this Agreement until such time as SCP shall no longer be required to maintain a cash deposit or letter of credit with the Bank pursuant to Section 10.5 of the Guaranty.

2. Notice of Guaranty Payments; Prior Consultation. SCP shall give ICG notice

in writing as soon as practicable of any claim made by the Bank against SCP, and shall, to the extent practicable, consult with ICG prior to making any Guaranty Payment; provided that SCP shall have sole discretion to make any Guaranty Payment which it in good faith believes is due and payable or to settle any

claim made by the Bank with respect to a Guaranty Payment; and further provided that failure by SCP to give ICG the foregoing notice shall not relieve ICG of its obligation to make any payment required by Section 1.

3. Reimbursement of Guaranty Payments.

(a) Subject to the provisions of paragraphs (b) and (c) of this Section 3, if and to the extent that SCP shall have made any Guaranty Payment or incurred any Guaranty Expenses, SCP shall decide, in its sole discretion whether and in what manner to proceed against the Company for reimbursement of all or any portion of such Guaranty Payment or Guaranty Expenses.

Promptly upon receipt of any reimbursement of all or any portion of any Guaranty Payment or Guaranty Expenses incurred ("Reimbursement"), other than from an affiliate of SCP, SCP shall remit to ICG one-third of such Reimbursement less any amounts then due and payable by ICG to SCP pursuant to Section 1; provided that SCP shall not be obligated to remit to ICG any portion of a Reimbursement to the extent that such Reimbursement is received by SCP following an Assignment of Claim (as defined below, and relates to SCP's remaining two-thirds claim for Reimbursement, and provided further that all remittances of Reimbursements to ICG shall be in made in the form received by SCP (i.e., cash, securities, etc)

(b) In the event that (i) ICG shall have made all required payments to SCP pursuant to Section 1; (ii) any such payment shall not have been reimbursed to ICG pursuant to paragraph (a) of this Section 3 for a period of at least one hundred eighty (180) days following such payment by ICG to SCP, and (iii) no proceeding in bankruptcy or insolvency shall have been commenced by or against the Company prior to the end of such one hundred and eighty day period, then ICG shall have the right, at any time upon ten days prior notice, to require SCP to assign to ICP, in form reasonably satisfactory to ICG, a one-third interest in SCP's rights against the Company for Reimbursement. The Company hereby consents to such assignment ("Assignment of Claim").

(c) Following any Assignment of Claim, ICG shall have the full right to take such action against the Company or any third party with respect to the right to Reimbursement as it shall determine in its sole discretion; provided that ICG agrees to notify SCP prior to commencement of a lawsuit or the taking of any legal action.

4. Guaranty by Internet Capital. Internet Capital hereby unconditionally and

irrevocably guarantees the timely payment by ICG, its wholly-owned subsidiary, of any and all obligations of ICG under Section 1.

5. Warrant. SCP hereby assigns to ICG a one-third interest in the Warrant,

entitling ICG, upon exercise in accordance with the terms of the Warrant, to purchase 6,667 shares of Series A Stock, subject to adjustment. Promptly upon execution and delivery of this Agreement, SCP shall deliver the Warrant to the

Company, in proper form for transfer, with instructions to reissue and deliver to ICG a Warrant for 6,667 shares of Series A Stock in the form attached hereto as Exhibit D and to reissue and deliver to SCP a Warrant for 13,333 shares of

Series A Stock in the form attached hereto as Exhibit E.

6. Investment Representations of ICG. In order to induce the Company to

permit the transfer of one-third of the Warrant by SCP to ICG, ICG makes the following covenants, agreements, representations and warranties for the benefit of SCP and the Company:

(a) ICG understands that the Warrant, the Series A Stock underlying the Warrant (the "Underlying Preferred Stock"), and the Company's Common Stock, \$0.000125 par value, into which shares of the Series A Stock are convertible (the "Underlying Common Stock") have not been registered under the Securities Act of 1933, as amended (the "Act"), and that the Warrant, the Underlying Preferred Stock, and the Underlying Common Stock (together, the "Securities")

are being transferred to ICG (in the case of the Warrant) or issued to ICG (in the case of the Underlying Preferred Stock and Underlying Common Stock) pursuant to an exemption from registration which is applicable to transactions by an issuer not involving any public offering, and that the Company's reliance on this exemption is based in part on the representations made by ICG in this Section. ICG represents and warrants that it is an "accredited investor" as that term is defined under Rule 501 promulgated under the Act.

(b) ICG understands that the Securities have not been registered under the "Blue Sky" or securities laws of any jurisdiction and that the Securities are being issued pursuant to exemptions contained in such laws, and that the Company's reliance on these exemptions is based in part on the representations made by ICG in this Section.

(c) ICG has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of this investment. ICG is aware that an investment in the Securities is highly speculative and subject to substantial risks. ICG is capable of bearing the high degree of economic risk and burdens of this investment, including but not limited to the complete loss of all invested capital. The financial condition of ICG is such that it is under no present or contemplated future need to dispose of any portion of the Securities to satisfy any existing or contemplated undertaking, need or indebtedness.

(d) ICG hereby represents and warrants that it is acquiring the Warrant for its own account for investment purposes only and not for, with a view to, or in connection with, any resale or distribution thereof and that ICG has no present plans or intentions to sell, transfer, pledge, hypothecate or otherwise dispose of any portion of the Securities.

(e) ICG understands and agrees that the Securities cannot be resold or transferred unless they are registered under the Act and all applicable state securities laws, or unless an exemption from registration is available, in which case the Company may condition the transfer upon receipt of an opinion of counsel (acceptable to the Company) that such registration is not required.

(f) ICG accepts the condition that the Company or its transfer agent(s) will obtain "stop transfer" orders with respect to the Securities and that each of the certificates for the Securities will bear conspicuous legends in substantially the following form or another form reasonably determined by the Company:

The securities represented by this certificate have been acquired for investment and have not been registered under the Securities Act of 1933 or applicable state laws. Such securities may not be sold, transferred, pledged or hypothecated unless the registration provisions of said Act and laws have been complied with or unless an exemption from registration is available, in which case the Corporation may condition the transfer upon receipt of an opinion of counsel (acceptable to the Corporation) that such registration is not required.

The Corporation will furnish to any shareholder upon request and without charge a full statement of: (a) the designations, preferences, limitations, and relative rights of the shares of each class or series of shares authorized to be issued by the Corporation, (b) the variations in the relative rights and preferences between the shares of each such series, so far as the same have been fixed and determined, and (c) the authority of the Board of Directors to fix and determine the relative rights and preferences of subsequent series.

(g) ICG hereby agrees to indemnify the Company against and hold it harmless from any loss or expense the Company may incur by reason of any sale or disposition of the Securities by it which involves the Company in a violation of any securities laws, rules, regulation or orders.

(h) ICG acknowledges that the Company has granted it access to all information which ICG has requested and has offered ICG access to all information which ICG might deem relevant to any investment decision with respect to the Securities. ICG has investigated the Company and the business and financial conditions concerning it and has knowledge of the Company's current corporate activities and financial condition.

7. Parties in Interest, etc. All covenants and agreements in this Agreement

contained by or on behalf of any of the parties hereto shall bind and inure to the benefit of the respective successors and assigns of the parties hereto whether so expressed or not. This Agreement embodies the entire agreement and understanding between the parties hereto with regard to the subject matter hereof and supersedes all prior agreements and understandings relating to the subject matter hereof. This Agreement may be executed in any number of

counterparts, each of which shall be an original, but all of which together shall constitute one agreement.

8. Notices. All notices, requests, consents and other communications

required or permitted under this Agreement shall be in writing (including telex, telecopy and telegraphic communication) and shall be (as elected by the person giving such notice) hand delivered by messenger or courier service (including overnight courier such as Fed Ex), telecommunicated, or mailed (airmail if international) by registered or certified mail (postage prepaid), return receipt requested, addressed to the parties as specified below:

If to the Company:

Breakaway Solutions, Inc.
1000 River Rd.,
Suite 400, 4/th/ Floor
Conshohocken, Pa 19428
Attention: William Loftus

If to SCP:

SCP Private Equity Partners II, L.P.
435 Devon Park Drive, Building 300
Wayne, PA 19087-1993
Attention: Wayne Weisman

If to ICG:

ICG Holdings, Inc.
Pencador Corporate Center
100 Lake Drive, Suite 4
Newark, DE 19742
Attention: Henry Nassau

or to such other address as any party may designate by notice complying with the terms of this Section. Each such notice shall be deemed delivered: (a) on the date delivered if by personal delivery; (b) on the date of confirmed transmission if by telex, telecopy or other telegraphic communication; and (c) on the date upon which the return receipt is signed or delivery is refused or the notice if designated by the postal authorities as not deliverable, as the case may be, if mailed.

9. Amendments and Waivers. The terms and provisions of this Agreement may be

amended or modified, and the observance of any term of this Agreement may be waived, only with the prior written consent of all of the parties hereto.

10. Governing Law. This Agreement shall be governed by and construed in

accordance with the laws of the Commonwealth of Pennsylvania for contracts made and wholly to be performed therein, without regard to its conflicts of laws provisions.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

BREAKAWAY SOLUTIONS, INC.

By: /s/ E.T. Briddell

Name: E.T. Briddell

Title: President

SCP PRIVATE EQUITY PARTNERS II, L.P.

By: SCP Private Equity II General Partner, L.P.,
its General Partner

By: SCP Private Equity II, LLC, its Manager

By: /s/ Wayne B. Weisman

Name: _____

Title: _____

ICG HOLDINGS, INC.

By: /s/ Henry N. Nassau

Name: Henry N. Nassau

Title: Vice President and Secretary

INTERNET CAPITAL GROUP, INC.

By: /s/ Henry N. Nassau

Name: Henry N. Nassau

Title: Managing Director

EXHIBIT 3

LETTER AGREEMENT

ICG Holdings, Inc.
100 Lake Drive
4 Pencader Corporate Center
Newark, DE 19702

August 29, 2001

SCP Private Equity Partners II, L.P.
Building 300
435 Devon Park Drive
Wayne, PA 19087-1993

Attn: Wayne Weisman

Re: Breakaway Solutions, Inc.

Gentlemen and Ladies:

By this Letter Agreement, ICG Holdings, Inc., a Delaware corporation ("ICGH"), and Internet Capital Group, Inc., a Delaware corporation ("ICGI") hereby waive and terminate from this date forward all of the respective rights, duties and benefits owed to or enjoyed by either of them under any and all contracts, arrangements, understandings, relationships or other bases by and between ICGI and/or ICGH with SCP Private Equity Partners II, L.P., a Delaware limited partnership ("SCP"), by which (i) ICGI and/or ICGH have or share voting power (which includes the power to vote or direct the voting of) or investment power (which includes the power to dispose or to direct the disposition of) over any equity security issued by Breakaway Solutions, Inc., a Delaware corporation (the "Company"), and owned by SCP and (ii) SCP has or shares voting power (which includes the power to vote or direct the voting of) or investment power (which includes the power to dispose or to direct the disposition of) over any equity security issued by the Company and owned by ICGH or ICGI. Without limitation thereon, the parties to this Letter Agreement agree that:

- (a) The Investor Voting Agreement, dated February 16, 2001, by and among SCP and ICGH is hereby terminated.
- (b) Section 3.1(d) and Section 4.1 of the Investor Rights Agreement dated April 6, 2001, by and among the Company, SCP and ICGH (the

"Investor Rights Agreement") shall be deleted. In addition, Section 3.1(b) of the Investor Rights Agreement shall be amended and restated to read as follows: "(b) reserve three seats on the Board of Directors for members selected by SCP (in separate classes)."

- (c) The second to last paragraph of the letter agreement, dated February 16, 2001, by and between SCP and ICGH is hereby deleted.

Notwithstanding the foregoing, this Letter Agreement shall not terminate or in any way alter, amend or waive the Indemnification Agreement by and among SCP, ICGH, ICGI and the Company, the Series A Preferred Stock Purchase Agreement of February 16, 2001, as amended, the Budget and Financial Management Plan entered into in connection with it, or the rights and benefits of SCP under these or any other document, agreement or instrument whatsoever (other than as set forth in 1,2 and 3 hereinabove), all of which shall remain in full force and effect.

Please evidence your agreement to the foregoing by signing below.

Very truly yours,

ICG HOLDINGS, INC.

By: /s/ Walter W. Buckley, III

Name: Walter W. Buckley, III

Title: President

INTERNET CAPITAL GROUP, INC.

By: /s/ Walter W. Buckley, III

Name: Walter W. Buckley, III

Title: President

ACKNOWLEDGED AND AGREED:

SCP PRIVATE EQUITY PARTNERS II, L.P.

BY: SCP PRIVATE EQUITY II GENERAL PARTNER, L.P.,
its General Partner

BY: SCP PRIVATE EQUITY II, LLC, its Manager

By: /s/ Wayne B. Weisman

Name: Wayne B. Weisman
Title: Manager

ACKNOWLEDGED AND AGREED
SOLELY FOR PURPOSES OF
PROVISION 2 OF THIS LETTER:

BREAKAWAY SOLUTIONS, INC.

By: /s/ Michael A. Flao

Name: Michael A. Flao
Title: Secretary

EXHIBIT 4

JOINT FILING AGREEMENT

The undersigned agree to the joint filing on behalf of each of them of a Schedule 13D/A (including any and all amendments thereto) with respect to their beneficial ownership of securities of Breakaway Solutions, Inc., dated as of September 5, 2001, and further agree that this Agreement shall be included as an exhibit to such filings.

The undersigned further agree that each party hereto is responsible for timely filing of such Schedule 13D/A and any amendments thereto, and for the completeness and accuracy of the information concerning such party contained therein, provided that neither party is responsible for the completeness or accuracy of the information concerning the other party, unless such party knows or has reason to believe that such information is inaccurate.

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be executed this 5th day of September, 2001.

INTERNET CAPITAL GROUP, INC.

By: /s/ Henry N. Nassau

Name: Henry N. Nassau

Title: Managing Director and General Counsel

ICG HOLDINGS, INC.

By: /s/ Henry N. Nassau

Name: Henry N. Nassau

Title: Vice President and Secretary