



# **FORM 10-Q**

**IVILLAGE INC – IVIL**

**Filed: August 18, 2003 (period: June 30, 2003)**

Quarterly report which provides a continuing view of a company's financial position

# Table of Contents

## PART I

**Item 1.** Financial Statements.

**Item 2.** Management's Discussion and Analysis of Financial Condition and

**Item 3.** Quantitative and Qualitative Disclosures About Market Risk.

**Item 4.** Controls and Procedures.

## PART II

**Item 1.** Legal Proceedings.

**Item 2.** Changes in Securities and Use of Proceeds.

**Item 3.** Defaults Upon Senior Securities.

**Item 4.** Submission of Matters to a Vote of Security Holders.

**Item 5.** Other Information.

**Item 6.** Exhibits and Reports on Form 8-K.

SIGNATURES

EXHIBIT INDEX

EX-10.1 (Material contracts)

EX-10.2 (Material contracts)

EX-10.3 (Material contracts)

EX-11 (Statement regarding computation of per-share earnings)

EX-31

EX-32

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 2003

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 000-25469

iVillage Inc.

-----  
(Exact Name of Registrant as Specified in Its Charter)

Delaware

13-3845162

-----  
(State or Other Jurisdiction of  
Incorporation or Organization)

-----  
(IRS Employer  
Identification No.)

500 Seventh Avenue, New York, New York

10018

-----  
(Address of Principal Executive Offices)

-----  
(Zip Code)

(212) 600-6000

-----  
(Registrant's Telephone Number, Including Area Code)

-----  
(Former Name, Former Address and Former Fiscal Year,  
if Changed since Last Report)

Indicate by check mark whether the registrant: (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of  
1934 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 whether the registrant is an accelerated filer (as  
defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of  
common stock, as of the latest practicable date.

56,084,462 shares of common stock as of August 12, 2003.

iVillage Inc.  
Form 10-Q  
For the Quarter ended June 30, 2003

Index  
-----

PART I.	FINANCIAL INFORMATION	Page(s) -----
Item 1.	Financial Statements:	
	Condensed Consolidated Balance Sheets as of June 30, 2003 (Unaudited) and December 31, 2002 (Unaudited).....	1
	Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2003 (Unaudited) and 2002 (Unaudited).....	2
	Condensed Consolidated Statements of Cash Flows for the three and six months ended June 30, 2003 (Unaudited) and 2002 (Unaudited).....	3
	Notes to Condensed Consolidated Financial Statements (Unaudited).....	4
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	15
Item 3.	Quantitative and Qualitative Disclosures About Market Risk.....	46
Item 4.	Controls and Procedures.....	46
PART II. OTHER INFORMATION		
Item 1.	Legal Proceedings.....	48
Item 2.	Changes in Securities and Use of Proceeds.....	48
Item 3.	Defaults Upon Senior Securities.....	48
Item 4.	Submission of Matters to a Vote of Security Holders.....	48
Item 5.	Other Information.....	48
Item 6.	Exhibits and Reports on Form 8-K.....	49
	Signatures.....	50
	Exhibit Index.....	51

PART I  
FINANCIAL INFORMATION

Item 1. Financial Statements.

iVillage Inc. and Subsidiaries  
Condensed Consolidated Balance Sheets  
(in thousands, except share data)  
(Unaudited)

	June 30, 2003	December 31, 2002
Assets		
Current assets:		
Cash and cash equivalents .....	\$ 16,966	\$ 21,386
Accounts receivable, less allowance for doubtful accounts of \$1,214 and \$1,310, respectively .....	5,382	5,336
Other current assets .....	5,470	5,960
Total current assets .....	27,818	32,682
Restricted cash .....	8,474	8,474
Fixed assets, net .....	9,467	17,157
Goodwill, net .....	22,266	24,617
Intangible assets, net .....	13,933	17,367
Other assets .....	168	289
Total assets .....	\$ 82,126	\$ 100,586
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses .....	\$ 9,617	\$ 10,319
Lease restructuring .....	613	--
Deferred revenue .....	4,764	3,514
Deferred rent .....	194	348
Deferred gain on sale of joint venture interest .....	342	--
Current liabilities of discontinued operations, net .....	98	98
Total current liabilities .....	15,628	14,279
Deferred rent, net of current portion .....	2,096	3,926
Total liabilities .....	17,724	18,205
Minority interest .....	241	181
Commitments and contingencies		
Stockholders' equity:		
Preferred stock - par value \$.01, 5,000,000 shares authorized; no shares issued and outstanding as of June 30, 2003 and December 31, 2002, respectively .....	--	--
Common stock - par value \$.01, 200,000,000 shares authorized; 56,607,733 and 56,531,785 shares issued at June 30, 2003 and December 31, 2002, respectively; 55,404,287 and 55,328,339 shares outstanding as of June 30, 2003 and December 31, 2002, respectively .....	566	565
Additional paid-in capital .....	549,269	549,203
Accumulated deficit .....	(484,912)	(466,717)
Treasury stock at cost (1,203,446 shares) .....	(502)	(502)
Stockholders' notes receivable .....	(248)	(262)
Unearned compensation and deferred advertising .....	(12)	(87)
Total stockholders' equity .....	64,161	82,200
Total liabilities and stockholders' equity .....	\$ 82,126	\$ 100,586

The accompanying notes are an integral part of these condensed consolidated financial statements

iVillage Inc. and Subsidiaries  
Condensed Consolidated Statements of Operations  
(in thousands, except per share amounts)  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2003	2002	2003	2002
Revenues .....	\$ 13,204	\$ 16,072	\$ 25,796	\$ 31,139
Operating expenses:				
Editorial, product development and technology .....	7,054	7,302	14,629	13,983
Sales and marketing .....	5,033	5,471	10,475	10,672
Sales and marketing - NBC/Hearst expenses .....	--	708	83	2,867
Termination of NBC advertising contract .....	--	--	--	4,084
General and administrative .....	3,065	3,308	6,097	6,122
Lease restructuring charge and related impairment of fixed assets .....	4,025	--	4,025	--
Depreciation and amortization .....	2,225	2,975	4,948	5,934
Impairment of goodwill, intangible assets and fixed assets ..	4,029	--	4,029	--
Total operating expenses .....	25,431	19,764	44,286	43,662
Loss from operations .....	(12,227)	(3,692)	(18,490)	(12,523)
Interest income, net .....	41	122	130	285
Gain on sale of joint venture interest .....	200	--	225	--
Net loss before minority interest and cumulative effect of change in accounting principle .....	(11,986)	(3,570)	(18,135)	(12,238)
Minority interest .....	(73)	(34)	(60)	(81)
Net loss before cumulative effect of change in accounting principle.....	(12,059)	(3,604)	(18,195)	(12,319)
Cumulative effect of change in accounting principle .....	--	--	--	(9,181)
Net loss .....	\$(12,059)	\$ (3,604)	\$(18,195)	\$(21,500)
Per share data:				
Net loss before cumulative effect of change in accounting principle per share .....	\$ (0.22)	\$ (0.07)	\$ (0.33)	\$ (0.23)
Cumulative effect of change in accounting principle per share .....	--	--	--	(0.17)
Basic and diluted net loss per share .....	\$ (0.22)	\$ (0.07)	\$ (0.33)	\$ (0.40)
Weighted average shares of common stock outstanding used in computing basic and diluted net loss per share .....	55,550	54,860	55,542	54,135

The accompanying notes are an integral part of these condensed consolidated financial statements

iVillage Inc. and Subsidiaries  
Condensed Consolidated Statements of Cash Flows  
(in thousands)  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2003	2002	2003	2002
Cash flows from operating activities:				
Net loss	\$ (12,059)	\$ (3,604)	\$ (18,195)	\$ (21,500)
Adjustments to reconcile net loss to net cash used in operating activities:				
Impairment of goodwill, intangibles and fixed assets (including change in accounting principle)	4,029	--	4,029	9,181
Depreciation and amortization	2,225	2,975	4,948	5,934
Non-cash print advertising expense	--	708	83	1,165
Expense recognized in connection with issuance of warrants and stock options	29	69	75	518
Minority interest	73	34	60	81
Provision for bad debt expense	90	43	188	43
Deferred rent amortization	(82)	(86)	(168)	(173)
Lease restructuring charge and related impairment of fixed assets	4,025	--	4,025	--
Amortization of gain on sale of joint venture interest	(200)	--	(225)	--
Changes in operating assets and liabilities:				
Accounts receivable	(1,727)	(707)	(234)	(93)
Restricted cash and other assets	45	(692)	528	5,048
Accounts payable and accrued expenses	109	(1,888)	(702)	(5,751)
Lease restructuring	(31)	--	(31)	--
Deferred revenue	1,593	664	1,250	958
Net cash used in operating activities	(1,881)	(2,484)	(4,369)	(4,589)
Cash flows from investing activities:				
Purchase of fixed assets	(175)	(181)	(690)	(356)
Cash paid less cash acquired for acquisition of Promotions.com, Inc.	--	(234)	(9)	(234)
Deferred gain on sale of joint venture interest	75	--	567	--
Net cash used in investing activities	(100)	(415)	(132)	(590)
Cash flows from financing activities:				
Proceeds from exercise of stock options	67	665	67	748
Principal payments on stockholders' note receivable	14	--	14	1,291
Cash provided by investing activities	81	665	81	2,039
Cash used in discontinued operations	--	--	--	(10)
Net decrease in cash for the period	(1,900)	(2,234)	(4,420)	(3,150)
Cash and cash equivalents, beginning of period	18,866	28,915	21,386	29,831
Cash and cash equivalents, end of period	\$ 16,966	\$ 26,681	\$ 16,966	\$ 26,681
	=====	=====	=====	=====

The accompanying notes are an integral part of these condensed consolidated financial statements

Note 1-Organization and Basis of Presentation

iVillage Inc. ("iVillage") is a media company that operates the iVillage.com Web site, Women.com Networks, Inc. (operator of the Women.com Web site) ("Women.com"), iVillage Parenting Network, Inc. ("IVPN"), Public Affairs Group, Inc. ("PAG"), Promotions.com, Inc. ("Promotions.com"), iVillage Consulting, and Knowledgeweb, Inc. (operator of the Astrology.com Web site) ("Astrology.com"). iVillage.com and Women.com are leading women's online destinations providing practical solutions and everyday support for women 18 and over. IVPN is a holding company for Lamaze Publishing Company ("Lamaze Publishing"), a publisher of advertiser supported educational materials for expectant and new parents, and iVillage Integrated Properties, Inc. ("IVIP"), the operator of The Newborn Channel, a satellite television network broadcast in approximately 1,100 hospitals nationwide, and the publisher of Baby Steps magazine. PAG is comprised of three divisions: Business Women's Network, Diversity Best Practices and Best Practices in Corporate Communications, each offering extensive databases of pertinent information to subscribing companies and members. Promotions.com provides promotions and direct marketing programs that are integrated with customers' marketing initiatives.

iVillage has sustained net losses and negative cash flows from operations since its inception and expects to continue to incur losses in the near future. iVillage's ability to meet its obligations in the ordinary course of business is dependent upon its ability to achieve profitable operations and/or raise additional financing through public or private equity financings, collaborative or other arrangements with corporate sources, through the launch of new subscription or other revenue-generating initiatives or other sources of financing to fund operations. Unless the market price of iVillage's common stock increases dramatically it is unlikely that iVillage will be able to raise funds through a public offering of its securities, however management believes that it could raise funds through a private placement of its securities. iVillage can make no assurances that it will achieve profitable operations or that iVillage will be able to obtain adequate financing from other sources. Due primarily to iVillage's lack of profitability, it is unlikely that iVillage will be able to obtain bank financing. Management believes that iVillage's current funds will be sufficient to enable iVillage to meet its planned expenditures through the next twelve months. If anticipated operating results are not achieved, management has the intent and believes it has the ability to delay or reduce expenditures so as not to require additional financial resources, if those resources were not available on terms acceptable to iVillage, although there can be no assurances in this regard.

iVillage is subject to the risks and uncertainties frequently encountered by companies in the new and rapidly evolving markets for Internet products and services. These risks include the failure to develop and extend iVillage's brands, the non-acceptance or rejection of iVillage's services by consumers, vendors, sponsors and/or advertisers and the inability of iVillage to maintain and increase the levels of traffic on its online services, as well as other risks and uncertainties. In the event iVillage does not successfully implement its business plan, certain assets may not be recoverable.



Unaudited Interim Financial Information

The unaudited interim condensed consolidated financial statements of iVillage as of June 30, 2003 and for the three and six months ended June 30, 2003 and 2002, respectively, included herein have been prepared in accordance with the instructions for Form 10-Q under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Article 10 of Regulation S-X under the Securities Act of 1933, as amended (the "Securities Act"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations relating to interim financial statements. These financial statements should be read in conjunction with iVillage's Annual Report on Form 10-K for the fiscal year ended December 31, 2002.

In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments and appropriate inter-company elimination adjustments, necessary to present fairly the financial position of iVillage at June 30, 2003, and the results of its operations and its cash flows for the three and six months ended June 30, 2003 and 2002, respectively. The results for the three and six months ended June 30, 2003 are not necessarily indicative of the expected results for the full fiscal year or any future period.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of iVillage and its subsidiaries. Intercompany balances and transactions have been eliminated in consolidation.

Restricted Cash

Restricted cash consists of money held for a letter of credit collateralizing a real estate lease for iVillage's New York office space (See Note 10 - Subsequent Events).

Revenue and Receivables

One customer, Hearst Communications, Inc. (including its affiliates, "Hearst"), a related party, accounted for approximately 12% and 13% of total revenues for the three and six months ended June 30, 2003, respectively. Our five largest customers accounted for approximately 26% and 27% of total revenues for the three and six months ended June 30, 2003, respectively. Three customers, Unilever PLC (including its affiliates, "Unilever"), Procter and Gamble Company ("Procter and Gamble"), and Hearst, accounted for approximately 19%, 11% and 10% of total revenues for the three months ended June 30, 2002, respectively, and 15%, 11% and 11%, of total revenues for the six months ended June 30, 2002, respectively. Our five largest customers accounted for approximately 46% and 44% of total revenues for the three and six months ended June 30, 2002, respectively. At June 30, 2003, Hearst accounted for approximately 23% of the net accounts receivable. At December 31, 2002, Procter and Gamble accounted for approximately 26% of the net accounts receivable.

iVillage Inc. and Subsidiaries  
Notes to Condensed Consolidated Financial Statements (Unaudited)

Included in sponsorship and advertising revenues are barter transactions, which totaled approximately \$1.0 million and \$2.0 million, or 9% of sponsorship and advertising revenues for the three and six months ended June 30, 2003, respectively, and approximately \$0.9 million and \$1.8 million, or 7% and 8%, for the comparable periods in 2002.

Reclassifications

Certain reclassifications have been made in the prior period condensed consolidated financial statements to conform to the current period presentation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant estimates and assumptions made by iVillage include those related to the useful lives of fixed assets and intangible assets, the recoverability of fixed assets, goodwill, intangible assets and deferred tax assets, the allowance for doubtful accounts and the accrual of certain operating expenses.

Accrued Expenses

In the ordinary course of business, iVillage utilizes estimates to determine the accrual of certain operating expenses. These estimates are reviewed on an ongoing basis to determine the adequacy of these accruals. For the three and six months ended June 30, 2003, the Company reversed no amount and approximately \$0.1 million, respectively, of accruals included in operating expenses due to a change in estimate on services previously provided for, and approximately \$0.4 million and \$0.6 million for the comparable periods in 2002. These amounts were offset by additional accruals for various operating expenses.

Net Loss Per Share

Basic net loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted net loss per share is computed using the weighted average number of common shares and common stock equivalents outstanding during the period. Common stock equivalent shares are excluded from the computation if their effect is anti-dilutive.

Included in the June 30, 2003 and 2002 calculation of weighted average number of shares of common stock outstanding are 189,404 and 387,309 shares, respectively, which have not been issued. These shares are being held for former Women.com and Promotions.com stockholders that have not yet exchanged their respective shares for shares of iVillage as of the balance sheet date.

iVillage Inc. and Subsidiaries  
Notes to Condensed Consolidated Financial Statements (Unaudited)

Stock options and warrants in the amount of 12,157,010 shares and 13,538,450 shares for the six months ended June 30, 2003 and 2002, respectively, were not included in the computation of diluted net loss per share as they were anti-dilutive as a result of net losses during the period presented.

Stock-Based Compensation

iVillage applies Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations in accounting for its stock option issuances, and has adopted the disclosure-only provisions of Statement of Financial Accounting Standard ("SFAS") No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). No compensation cost related to grants of stock options was reflected in iVillage's net loss, as all options granted under the plans had an exercise price at least equal to the market value of the underlying common stock on the date of grant. Compensation cost related to the modification of stock option terms is measured at the quoted market price of iVillage's common stock at the measurement date and is amortized to expense over the vesting period. If compensation cost for iVillage's stock options had been determined based on the fair value of the stock options at the grant date for awards in the three and six months ended June 30, 2003 and 2002 consistent with the provisions of SFAS 123, iVillage's net loss would have been adjusted to the pro forma amounts indicated below:

	Three months ended June 30,		Six months ended June 30,	
	2003	2002	2003	2002
	(\$ in thousands except per share data)			
Net loss- as reported.....	\$ (12,059)	\$ (3,604)	\$ (18,195)	\$ (21,500)
Stock-based compensation expense determined under SFAS 123 .....	(1,287)	(2,628)	(4,680)	(5,428)
Net loss - pro forma.....	\$ (13,346)	\$ (6,232)	\$ (22,875)	\$ (26,928)
Net loss per share - as reported.....	\$ (0.22)	\$ (0.07)	\$ (0.33)	\$ (0.40)
Net loss per share - pro forma.....	\$ (0.24)	\$ (0.11)	\$ (0.41)	\$ (0.50)

Because options vest over several years and additional option grants are expected to be made in future years, the aforementioned pro forma results are not necessarily indicative of the pro forma results for the full fiscal year or any future period.

The weighted average assumptions used for grants made in 2003 and 2002 are as follows:

	Options granted during the six months ended June 30,	
	2003	2002
Risk-free interest rate.....	2.31%	3.71%
Expected option life.....	4 years	4 years
Dividend yield.....	0.00%	0.00%
Volatility.....	108.00%	108.00%

Recent Accounting Pronouncements

In November 2002, the Financial Accounting Standards Board ("FASB") reached a consensus on Emerging Issues Task Force ("EITF") Issue No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables" ("EITF No. 00-21"). The guidance in EITF No. 00-21 is effective for revenue arrangements entered into for fiscal years beginning after June 15, 2003. EITF No. 00-21 addresses certain aspects of the accounting by a company for arrangements under which it will perform multiple revenue-generating activities. Specifically, EITF No. 00-21 addresses how to determine whether an arrangement involving multiple deliverables contains more than one earnings process and if it does, how to divide the arrangement into separate units of accounting consistent with the identified earnings processes for revenue recognition purposes. EITF No. 00-21 also addresses how arrangement consideration should be measured and allocated to the separate units of accounting in the arrangement. The Company has determined that EITF No. 00-21 will not have a material impact on its financial position, cash flows or results of operations.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS 149"), which amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"), for certain decisions made by the FASB Derivatives Implementation Group. In particular, SFAS 149: clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative, clarifies when a derivative contains a financing component, amends the definition of an underlying to conform it to language used in FASB Interpretation No. 45 "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," and amends certain other existing pronouncements. This Statement is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. In addition, most provisions of SFAS 149 are to be applied prospectively. The Company does not expect the adoption of SFAS 149 to have a material impact on its financial position, cash flows or results of operations.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity" ("SFAS 150"). SFAS 150 changes the accounting for certain financial instruments that under previous guidance issuers could account for as equity. It requires that those instruments be classified as liabilities in balance sheets. The guidance in SFAS 150 is generally effective for all financial instruments entered into or modified after May 31, 2003, and otherwise is effective on July 1, 2003. The Company does not anticipate that the adoption of SFAS 150 will have a material impact on its financial position, cash flows or results of operations.

Note 2 - Fixed Assets

In the second quarter of 2003, the Company abandoned a portion of its New York leased real estate. In connection with the abandonment, the Company incurred an impairment of fixed assets related to the leasehold improvements, net of accumulated amortization, of approximately \$4.9 million and furniture and fixtures, net of accumulated depreciation, of approximately \$0.3 million. These amounts are included in the condensed consolidated statements of operations in the caption, "Lease restructuring charge and related impairment of fixed assets" (See Note 8 - Lease Restructuring Charge and Related Impairment of Fixed Assets).

iVillage Inc. and Subsidiaries  
Notes to Condensed Consolidated Financial Statements (Unaudited)

During the second quarter of 2003, the Company restructured the business operations of Promotions.com (See Note 3 - Goodwill) resulting in an impairment of computer equipment, net of accumulated depreciation, of approximately \$0.8 million. This amount is included in the condensed consolidated statements of operations in the caption, "Impairment of goodwill, intangible assets and fixed assets".

Note 3 - Goodwill

Effective January 1, 2002, iVillage adopted SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 142 addresses the recognition and measurement of goodwill and other intangible assets subsequent to their acquisition. SFAS 142 also addresses the initial recognition and measurement of intangible assets acquired outside of a business combination whether acquired individually or with a group of other assets. This statement provides that intangible assets with indefinite lives and goodwill will not be amortized, but will be tested at least annually for impairment, or if circumstances change that will more likely than not reduce the fair value of the reporting unit below its carrying amount. Upon completion of the transitional impairment test, the fair value for Reporting unit - 2 did not exceed the reporting unit's carrying value and an impairment was recorded of approximately \$9.2 million in the first quarter of 2002. In the second quarter of 2003, the Company restructured the business operations of Reporting unit - 4 by outsourcing most of the operations of the Promotions.com business unit and by changing the Webstakes.com business model, and as a result, the fair value of Reporting unit - 4 did not exceed the reporting unit's carrying value and an impairment was recorded of approximately \$2.6 million. This amount is included in the condensed consolidated statements of operations in the caption, "Impairment of goodwill, intangible assets and fixed assets".

The following table sets forth the components of goodwill, net as of June 30, 2003 and December 31, 2002 (in thousands):

	December 31, 2002	Acquisition	Adjustment to purchase accounting	Impairment losses	June 30, 2003
Reporting unit - 1.....	\$ 18,770	\$ --	\$ --	\$ --	\$ 18,770
Reporting unit - 2.....	1,693	--	--	--	1,693
Reporting unit - 3.....	1,803	--	--	--	1,803
Reporting unit - 4.....	2,351	--	295	(2,646)	--
	-----	-----	-----	-----	-----
	\$ 24,617	\$ --	\$ 295	\$ (2,646)	\$ 22,266
	=====	=====	=====	=====	=====

Reporting unit - 1 includes the iVillage, Women.com, Astrology.com and Cooperative Beauty Ventures, L.L.C. entities; Reporting unit - 2 includes the Lamaze Publishing and The Newborn Channel entities; Reporting unit - 3 includes PAG; Reporting unit - 4 includes Promotions.com consisting of the Promotions.com and Webstakes.com business units.

Note 4- Intangible Assets

Effective January 1, 2002, the Company adopted SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 addresses financial accounting and reporting for the disposal of long-lived assets. The objectives of SFAS 144 are to address significant issues relating to the implementation of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be disposed of" ("SFAS 121") and to develop a single accounting model, based on the framework established in SFAS 121, for the long-lived assets to be disposed of by sale, whether previously held and used or newly acquired. SFAS 144 retains the fundamental provisions of SFAS 121 regarding the recognition and measurement of the impairment of long-lived assets to be held and used. The Company reviews for the impairment of long-lived assets and certain identifiable intangibles whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In general, the Company will recognize an impairment when the sum of undiscounted future cash flows is less than the carrying amount of such assets. The measurement for such impairment loss is based on the fair value of the asset, typically based upon the future cash flows discounted at a rate commensurate with the risk involved. During the second quarter of 2003, the Company restructured the business operations of Reporting unit - 4 (See Note 3 - Goodwill), and as a result, the fair value was less than the carrying amount of certain intangible assets and an impairment was recorded of approximately \$0.7 million. This amount is included in the condensed consolidated statements of operations in the caption, "Impairment of goodwill, intangible assets and fixed assets".

Identifiable intangible assets are amortized under the straight-line method over the period of expected benefit ranging from two to ten years. The following table sets forth the components of the intangible assets subject to amortization as of June 30, 2003 and December 31, 2002 (in thousands):

	Range of useful life	June 30, 2003				December 31, 2002			
		Gross carrying amount	Adjustment to purchase accounting	Impairment losses	Accumulated amortization	Net	Gross carrying amount	Accumulated amortization	Net
Advertiser and member list and customer contracts.....	2-10 years	\$ 21,150	\$ --	\$ (718)	\$ (9,644)	\$10,788	\$ 21,150	\$ (7,803)	\$13,347
Trademarks and domain names.....	3 years	3,424	(197)	--	(2,393)	834	3,424	(2,009)	1,415
Licensing agreement.....	10 years	2,900	--	--	(1,120)	1,780	2,900	(975)	1,925
Technology.....	3 years	890	--	--	(359)	531	890	(210)	680
Non-competition agreements.....	1 year	810	--	--	(810)	--	810	(810)	--
Content.....	3 years	600	--	--	(600)	--	600	(600)	--
		\$ 29,774	\$ (197)	\$ (718)	\$ (14,926)	\$13,933	\$ 29,774	\$ (12,407)	\$17,367
		=====	=====	=====	=====	=====	=====	=====	=====

iVillage Inc. and Subsidiaries  
Notes to Condensed Consolidated Financial Statements (Unaudited)

Amortization expense for the six months ended June 30, 2003 and 2002 was approximately \$2.5 million and \$2.7 million, respectively.

Estimated amortization expense for the twelve months ending June 30 are as follows (in thousands):

2004.....	\$ 4,524
2005.....	2,124
2006.....	1,760
2007.....	1,760
2008.....	1,760
	-----
	\$ 11,928
	=====

Note 5 - Deferred Gain on Sale of Joint Venture Interest

In March 2003, iVillage and Tesco.com Limited, a division of Tesco PLC ("Tesco"), restructured the terms of their joint venture so that Tesco purchased iVillage's entire ownership interest in iVillage UK. iVillage and Tesco also entered into a twenty-year agreement, subject to earlier termination upon the occurrence of certain events, whereby iVillage licenses to iVillage UK certain of its content and intellectual property, including trademarks and copyrights, for use in the United Kingdom ("U.K.") and Ireland in exchange for the greater of a minimum monthly license fee or a percentage of iVillage UK's gross revenues. As part of the agreement, the entity continues to operate under the iVillage UK domain name and provides users with the same content and offerings.

All monies received by iVillage under the license agreement will be classified as other income and will be included in the condensed consolidated statements of operations as a gain on sale of joint venture interest. iVillage will receive a minimum of \$0.8 million in year one of the license agreement, which will be earned monthly as services are provided. As of June 30, 2003, iVillage has received \$0.5 million.

Note 6 - Discontinued Operations

Net current liabilities of discontinued operations as of June 30, 2003 were as follows (in thousands):

Accounts payable and accrued expenses.....	\$ (98)
	=====
Net current liabilities of discontinued operations....	\$ (98)
	=====

Note 7 - Related Party Transactions

As part of the acquisition of Women.com, iVillage acquired approximately \$4.9 million of prepaid print advertising in certain Hearst magazines. These ads appeared through July 2003. iVillage recognized no amount and approximately \$0.1 million of non-cash print advertising expense from this advertising for the three and six months ended June 30, 2003, respectively, and \$0.7 million and \$1.2 million for the comparable periods in 2002. As of June 30, 2003, included in the caption "Other current assets" in the condensed consolidated balance sheet is approximately \$0.3 million of prepaid Hearst print advertising.

iVillage Inc. and Subsidiaries  
Notes to Condensed Consolidated Financial Statements (Unaudited)

Revenues, net of royalty payments, from Hearst for the three and six months ended June 30, 2003 were approximately \$1.6 million and \$3.2 million, respectively. For the three and six months ended June 30, 2002, revenues, net of royalty payments, from Hearst were approximately \$1.6 million and \$3.5 million, respectively.

Note 8 - Lease Restructuring Charge and Related Impairment of Fixed Assets

In the second quarter of 2003, the Company abandoned a significant portion of its New York leased real estate. As a result, the Company incurred a lease restructuring charge of approximately \$0.6 million. In addition the Company wrote off fixed assets of approximately \$5.2 million that were impaired with the abandonment of the leased space (See Note 2- Fixed Assets) and reduced the liability for deferred rent, associated with the abandoned leased space, by approximately \$1.8 million. These amounts are included in the condensed consolidated statements of operations in the caption "Lease restructuring charge and related impairment of fixed assets" (See Note 10 - Subsequent Events).

Note 9 - Commitments and Contingencies

Leases

iVillage leases office space and equipment under non-cancelable operating leases expiring at various dates through April 2015. The following is a schedule of future minimum lease payments under non-cancelable operating leases as of June 30, 2003:

Twelve months ending June 30:	(in thousands)
2004.....	\$ 4,476
2005.....	4,362
2006.....	4,058
2007.....	3,854
2008.....	3,729
	-----
	\$ 20,479
	=====

In July 2003, the Company entered into a lease amendment with the landlord of its New York headquarters that will become effective upon satisfaction of certain conditions (See Note 10 - Subsequent Events). The lease amendment provides for a reduction in leased space, as well as a reduction in rent per square foot. When effective, the future minimum lease payments under non-cancelable operating leases for the next five years will be approximately \$9.6 million.



Joint Ventures

iVillage is obligated to fund the ongoing business and operations of Cooperative Beauty Ventures, L.L.C., a joint venture between iVillage and Unilever, but not to exceed \$7.0 million. iVillage has not been required to fund the operations of the venture during 2002 and 2003 and, as of June 30, 2003, has contributed, in total, approximately \$1.9 million to the venture.

Litigation

In the normal course of business, iVillage is subject to proceedings, lawsuits and other claims. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. Consequently, the ultimate aggregate amount of monetary liability or financial impact with respect to these matters at June 30, 2003 cannot be ascertained. While these matters could affect the operating results of any one quarter when resolved in future periods and while there can be no assurance with respect thereto, management believes, with the advice of outside legal counsel, that after final disposition, any monetary liability or financial impact to iVillage from matters described would not be material to the condensed consolidated financial statements.

Several plaintiffs have filed class action lawsuits in federal court against iVillage, several of its present and former executives and its underwriters in connection with its March 1999 initial public offering. A similar class action lawsuit was filed against Women.com, several of its former executives and its underwriters in connection with Women.com's October 1999 initial public offering. The complaints generally assert claims under the Securities Act, the Exchange Act and rules promulgated by the Securities and Exchange Commission ("SEC"). The complaints seek class action certification, unspecified damages in an amount to be determined at trial, and costs associated with the litigation, including attorneys' fees.

In February 2003, the defendants' motion to dismiss certain of the plaintiffs' claims was granted in part, but, for the most part, denied.

In June 2003, a proposed settlement of this litigation was structured between the plaintiffs, the issuer defendants, the issuer officers and directors named as defendants, and the issuers' insurance companies. The proposed settlement generally provides, among other things, that the issuer defendants and related individual defendants will be released from the litigation without any liability other than certain expenses incurred to date in connection with the litigation, the issuer defendants' insurers will guarantee \$1.0 billion in recoveries by plaintiff class members, the issuer defendants will assign certain claims against the underwriter defendants to the plaintiff class members, and the issuer defendants will have the opportunity to recover certain litigation-related expenses if the plaintiffs recover more than \$5.0 billion from the underwriter defendants.

The respective boards of directors of iVillage and Women.com each approved the proposed settlement in July 2003. The proposed settlement is now subject to approval by the other involved parties as well as to the final approval of the court. There can be no assurance that this proposed settlement will be approved and implemented in its current form, or at all.

iVillage Inc. and Subsidiaries  
Notes to Condensed Consolidated Financial Statements (Unaudited)

In June 2001, Euregio.net commenced an action in Belgium against Women.com claiming damages in excess of 1 million Euros in connection with certain alleged copyright infringements. Despite Women.com's arguments challenging the jurisdiction of the Belgian court, the alleged infringements and the amount of damages, in January 2003 a Belgian court issued a judgment against Women.com in the amount of approximately 850,000 Euros (approximately \$977,670 based on the Euro exchange rate as of June 30, 2003). Women.com has been advised by outside legal counsel that Euregio.net would have to commence legal proceedings in the United States to enforce this judgment. Women.com has appealed this judgment in the Belgian courts and will also oppose any effort by the plaintiffs to enforce this judgment in the United States court system.

iVillage, with the advice of outside legal counsel, believes that the lawsuits and claims asserted against iVillage and Women.com pursuant to these complaints are without merit and intends to vigorously defend against these claims. iVillage does not believe that any of these legal proceedings will have a material adverse effect on iVillage's business, financial condition, results of operations and liquidity.

Note 10 - Subsequent Events

In July 2003, iVillage entered into a lease amendment with the landlord of its New York headquarters that will become effective upon satisfaction of certain conditions. When the lease amendment becomes effective, iVillage will surrender the approximately \$8.5 million classified as restricted cash to the landlord. iVillage currently expects to incur a charge of approximately \$5.0 million to \$5.5 million, depending on the effective date of the lease amendment, in the third quarter of 2003 in connection with this transaction.

On July 25, 2003, iVillage acquired the Web site, trademarks, key contracts and other related assets of gURL.com for an immaterial amount of cash.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Certain statements in this Quarterly Report on Form 10-Q, including certain statements contained in this Item 2 constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. The words or phrases "can be," "expects," "may affect," "may depend," "believes," "estimate," "project," and similar words and phrases are intended to identify such forward-looking statements. Such forward-looking statements are subject to various known and unknown risks and uncertainties and we caution you that any forward-looking information provided by or on behalf of iVillage is not a guarantee of future performance. Actual results could differ materially from those anticipated in such forward-looking statements due to a number of factors, some of which are beyond our control, in addition to those risks discussed below and in our other public filings, press releases and statements by our management, including (i) the volatile and competitive nature of the media industry, (ii) changes in domestic and foreign economic, political and market conditions, (iii) the effect of federal, state and foreign regulation on our business, (iv) the impact of recent and future acquisitions and joint ventures on our business and financial condition, (v) our ability to establish and maintain relationships with advertisers, sponsors, and other third party providers and partners, and (vi) the impact of pending litigation on our business and financial condition. All such forward-looking statements are current only as of the date on which such statements were made. We do not undertake any obligation to publicly update any forward-looking statement to reflect events or circumstances after the date on which any such statement is made or to reflect the occurrence of unanticipated events.

Overview

iVillage is a media company that operates iVillage.com, Women.com, IVPN, PAG, Promotions.com, iVillage Consulting and Astrology.com. iVillage.com and Women.com are leading women's online destinations providing practical solutions and everyday support for women 18 and over. IVPN is a holding company for Lamaze Publishing, a publisher of advertiser supported educational materials for expectant and new parents, and IVIP, the operator of The Newborn Channel, a satellite television network broadcast in approximately 1,100 hospitals nationwide, and the publisher of Baby Steps magazine. PAG is comprised of three divisions: Business Women's Network, Diversity Best Practices and Best Practices in Corporate Communications, each offering extensive databases of pertinent information to subscribing companies and members. Promotions.com provides promotions and direct marketing programs that are integrated with customers' offline marketing initiatives.

The discussion and analysis below includes the results of operations of Promotions.com since April 19, 2002.

Financial Reporting Release No. 60 requires all companies to include a discussion of critical accounting policies or methods used in the preparation of financial statements. The following is a brief discussion of the more significant accounting policies and methods used by iVillage.

## Revenue Recognition

To date, iVillage's revenues have been derived primarily from the sale of sponsorship and advertising contracts. Sponsorship revenues are derived principally from contracts ranging from one to three years. Sponsorships are designed to support the customer's broad marketing objectives, including brand promotion, awareness, product introductions and online research. Sponsorship agreements typically include the delivery of impressions on iVillage's Web sites and the design and development of customized sites that enhance the promotional objectives of the sponsor. An impression is the viewing of promotional material on a Web page, which may include banner advertisements, links, buttons or other text or images. As part of certain sponsorship agreements, sponsors who also sell products may provide iVillage with a commission on sales of their products generated through iVillage's Web sites. To date, these amounts have not been significant.

Advertising revenues are derived principally from short-term advertising contracts in which iVillage typically guarantees a minimum number of impressions or pages to be delivered to users over a specified period of time for a fixed fee. Sponsorship and advertising revenues are recognized ratably in the period in which the advertisement is displayed, provided that iVillage has no continuing obligations and the collection of the receivable is reasonably assured, at the lesser of the ratio of impressions delivered over total guaranteed impressions or the straight-line basis over the term of the contract. To the extent that minimum guaranteed impressions are not met, iVillage defers recognition of the corresponding revenues until the guaranteed impressions are achieved.

For contracts with multiple elements (e.g., deliverable and undeliverable products, advertising and production revenue), iVillage allocates revenue to each element based on evidence of its fair value. Evidence of fair value is the price of a deliverable when it is regularly sold on a stand-alone basis. iVillage recognizes revenue allocated to each element when the criteria for revenue set forth above are met.

Included in sponsorship and advertising revenues are revenues from advertising placements in IVPN's publications, videos and Web site, and broadcasts of The Newborn Channel and The Newborn Channel-Spanish (currently offered as an audio overlay to The Newborn Channel). In addition, sponsorship and advertising revenues from IVPN include promotional programs that offer advertisers the ability to distribute samples, coupons and promotional literature to new and expectant parents, as well as custom publications and mailings created and distributed on behalf of advertisers.

Sponsorship and advertising revenues also include revenues from Promotions.com which generates revenues through Webstakes.com, a Web site dedicated to Internet sweepstakes and promotions, and Promotions.com, a full service integrated promotions services group.

Webstakes.com revenues are derived principally from service contracts whereby Webstakes.com recognizes revenues based on either a "cost-per-click" or a "cost-per-action" pricing model. With a cost-per-click pricing model, Webstakes.com generally earns revenues by delivering its visitors to its customer's Web site. Webstakes.com recognizes revenue related to its cost-per-click pricing model when a visitor has been delivered to the customer's Web site and the collection of the corresponding receivable is reasonably assured. Revenue is recognized differently in a cost-per-action pricing model, which requires Webstakes.com to not only deliver the aforementioned visitor, but also a specific user action such as purchasing a product or registering for more information or as a member of the customer's Web site in order for Webstakes.com to earn revenue. Webstakes.com recognizes revenue related to the cost-per-action pricing model when the specific action has been performed on its customer's Web site and the collection of the corresponding receivable is reasonably assured.

Promotions.com revenues are derived principally from contracts in which Promotions.com typically provides custom turnkey services for the creation, administration and implementation of a promotion. Promotions.com's revenue recognition policy related to its services is to recognize revenues ratably over the period of the promotion, provided that no significant obligations remain in a contract and collection of the resulting receivable is reasonably assured.

Sponsorship and advertising revenues also include barter revenues, which generally represent exchanges by iVillage of advertising space on its Web sites for reciprocal advertising space on or traffic from other Web sites and/or other advertising mediums. Revenues and expenses from these barter transactions are recorded based upon the fair value of the advertisements delivered. Fair value of advertisements delivered is based upon iVillage's recent practice of receiving cash from similar advertisers. Barter revenues are recognized when the advertisements are displayed on iVillage's Web sites. Barter expenses are generally recognized when iVillage's advertisements are displayed on the reciprocal Web sites or properties, which typically is the same period as when advertisements are displayed on iVillage's Web sites, and are included as part of sales and marketing expenses. Revenues from barter transactions were approximately \$1.0 million and \$2.0 million for the three and six months ended June 30, 2003, respectively, and approximately \$0.9 million and \$1.8 million, for the comparable periods in 2002.

iVillage Consulting is a business unit within iVillage that provides production and back-end provisioning for customers in need of these services. iVillage recognizes revenues from production services based upon actual hours worked at its negotiated hourly rates and/or fixed fees stipulated in contracts.

PAG is a comprehensive source of information and program linkage that serves as an international platform for diversity and women offering to subscribing companies and members an extensive database of women's organizations, best practices and guidance in the areas of workplace diversity, women and corporate communications. Revenues from PAG are generated primarily through subscription-based programs that convey current best practices for women and diversity issues in the workplace and the hosting of an annual two-day event that focuses on women and diversity. iVillage recognizes revenue from PAG subscriptions ratably over the term of the subscription agreement or when the events are held.

Revenues from the e-commerce portion of Astrology.com consist of the sale of astrological charts and other related products to visitors to the Astrology.com Web site. iVillage recognizes revenues from Astrology.com product sales, net of any discounts, when products are shipped or e-mailed to customers, the collection of the receivable is reasonably assured and no further obligation remains.

iVillage received fees from licensing portions of its content in connection with its agreement with PlanetRx.com, Inc. These fees were recognized on a straight-line basis over the life of the contract, which ended in the first quarter of 2002.

iVillage has received revenues from new initiatives involving subscription-based properties, the sale of iVillage-branded products and services, the sale of third-party products and services and the sale of research. During 2002, iVillage began selling iVillageSolutions-branded consumer products through the iVillage Market located on iVillage.com and launched iVillageAccess, iVillage's Internet service provider ("ISP") offering. In the first half of 2003, iVillage released seven iVillageSolutions-branded books, through an agreement with a publisher, and expects to release others throughout 2003. iVillage receives a revenue share or royalty on each of the above products when purchased. iVillage recognizes revenues from these new initiatives when products are shipped and/or provided to the customer, the collection of the receivable is reasonably assured and no further obligation remains. Additionally, in the first quarter of 2003, IVPN began to charge hospitals a carriage fee for The Newborn Channel. IVPN recognizes revenues from these carriage fees ratably over the term of the agreement provided the collection of the receivable is reasonably assured. While iVillage believes that one or more of these new initiatives will develop into a recurring source of revenues, iVillage can make no assurance that it will be successful in any of these endeavors.

#### Goodwill

Goodwill is not subject to amortization and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset may be impaired. The impairment test consists of a comparison of the fair value of goodwill with its carrying amount. If the carrying amount of goodwill exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. Fair value is typically based upon the future cash flows discounted at a rate commensurate with the risk involved. After an impairment loss is recognized, the adjusted carrying amount of goodwill is its new accounting basis.

#### Intangible Assets

iVillage reviews for impairment of long-lived assets and certain identifiable intangibles whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In general, iVillage will recognize an impairment when the fair value is less than the carrying amount of such assets. The measurement for such impairment loss is based on the fair value of the asset, typically based upon the future cash flows discounted at a rate commensurate with the risk involved.

#### Fixed Assets

Depreciation of equipment, furniture and fixtures, and computer software is provided for by the straight-line method over their estimated useful lives ranging from three to five years. Amortization of leasehold improvements is provided for over the lesser of the term of the related lease or the estimated useful life of the improvement. The cost of additions, and expenditures which extend the useful lives of existing assets, are capitalized, and repair and maintenance costs are charged to operations as incurred. iVillage continually evaluates whether current events or circumstances warrant adjustments to the carrying value or estimated useful lives of fixed assets in accordance with the provisions of SFAS 144.

## Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant estimates and assumptions made by iVillage include those related to the useful lives of fixed assets and intangible assets, the recoverability of fixed assets, goodwill, intangible assets and deferred tax assets, the allowance for doubtful accounts and the accrual of certain operating expenses.

## Results of Operations

### Revenues

Revenues were approximately \$13.2 million and \$25.8 million for the three and six months ended June 30, 2003, respectively, which represents a decline of 18% and 17% when compared with revenues of approximately \$16.1 million and \$31.1 million for the three and six months ended June 30, 2002, respectively. The decline in revenues for the six months ended June 30, 2003, as compared to 2002, was primarily due to a decrease in production fees billed by iVillage Consulting of approximately \$0.9 million, a decrease of revenues from research initiatives of approximately \$1.1 million, a decrease in licensing fees of approximately \$0.5 million and a decrease in sponsorship and advertising revenues (excluding Promotions.com) of approximately \$3.8 million primarily from the expiration of some long-term contracts, partially offset by the acquisition of Promotions.com resulting in identifiable incremental revenues of approximately \$1.0 million. Sponsorship and advertising revenues were approximately \$10.3 million and \$20.5 million for the three and six months ended June 30, 2003, respectively, compared to \$13.1 million and \$23.3 million for the corresponding periods in 2002. Sponsorship and advertising revenues accounted for approximately 78% and 80% of total revenues for the three and six months ended June 30, 2003, respectively, compared to approximately 82% and 75% of total revenues for the corresponding periods in 2002. Revenues from IVPN accounted for approximately 30% and 36% of sponsorship and advertising revenues for the three and six months ended June 30, 2003, respectively, compared to approximately 22% and 25% for the corresponding periods in 2002. The percentage increase in 2003 is primarily from a larger IVPN custom publication created in the first quarter of 2003, as compared to a custom publication created in the first quarter of 2002, on behalf of an advertiser, combined with the decline in sponsorship and advertising revenues. Revenues from Promotions.com accounted for approximately 9% of sponsorship revenues for each of the three and six months ended June 30, 2003, respectively, compared to approximately 6% and 3% for the corresponding periods in 2002.

In recent years, iVillage has experienced a shift from the larger, higher-rate, long-term sponsorship agreements that were prevalent a few years ago to smaller, lower-rate, short-term advertising agreements. This trend has made it more difficult for iVillage to both achieve period-to-period revenue growth and accurately project future quarterly revenues.

Included in sponsorship and advertising revenues are barter transactions, which accounted for approximately 9% of sponsorship and advertising revenues for each of the three and six months ended June 30, 2003, respectively, and approximately 7% and 8% of sponsorship and advertising revenues for the corresponding periods in 2002.

Included in revenues are production fees received from work performed (primarily for Hearst, a related party) by iVillage Consulting, which accounted for approximately 6% and 7% of total revenues for the three and six months ended June 30, 2003, respectively, compared to approximately 7% and 8% for the corresponding periods in 2002.

Included in revenues are subscription-based fees derived from the services provided by PAG, which accounted for approximately 9% and 7% of total revenues for the three and six months ended June 30, 2003, respectively, compared to approximately 5% for each of the corresponding periods in 2002.

Included in revenues are fees received from licensing portions of iVillage's content, and fees from chart sales through Astrology.com, which accounted for approximately 5% of total revenues for each of the three and six months ended June 30, 2003, compared to approximately 5% and 7% for the corresponding periods in 2002.

Included in revenues are fees from new initiatives involving online subscription-based properties, the sale of iVillage-branded products and services, the sale of third-party products, the sale of research and The Newborn Channel's carriage fee, which in the aggregate accounted for approximately 1% of total revenues for each of the three and six months ended June 30, 2003, compared to approximately 2% and 5% for the comparable periods in 2002.

For the three and six months ended June 30, 2003, revenues from iVillage's five largest customers accounted for approximately 26% and 27% of total revenues, respectively. One customer, Hearst, accounted for approximately 12% and 13% of total revenues for the three and six months ended June 30, 2003, respectively. Three customers, Unilever, Procter and Gamble, and Hearst, accounted for approximately 19%, 11% and 10% of total revenues for the three months ended June 30, 2002, respectively, and 15%, 11% and 11%, of total revenues for the six months ended June 30, 2002, respectively. Our five largest customers accounted for approximately 46% and 44% of total revenues for the three and six months ended June 30, 2002, respectively.



iVillage anticipates that its results of operations in any given period will continue to depend to a significant extent on revenues from a small number of customers, including Procter and Gamble, Unilever and Hearst. iVillage's contracts with Unilever and Procter and Gamble expired in June 2003, and iVillage's contract with Hearst expires in June 2004. iVillage can make no assurances as to whether these expiring contracts will be renewed, or if so renewed, that they will be on similar terms as the expiring agreements. Because iVillage's largest customers have varied over time in the past, iVillage anticipates that they will continue to do so in the future. Consequently, the loss of even a small number of iVillage's largest customers at any one time may adversely affect iVillage's business, financial condition and results of operations, unless iVillage is able to enter into a sufficient number of new comparable contracts.

#### Operating Expenses

##### Editorial, Product Development and Technology.

Editorial, product development and technology expenses consist primarily of payroll and related expenses for the editorial, technology, Web site design and production staffs, severance costs for terminated employees, the cost of communications, related expenditures necessary to support iVillage's Web sites, software development, technology and support operations, and an allocation of facility expenses, which is based on the number of personnel. Editorial, product development and technology expenses for the three and six months ended June 30, 2003 were approximately \$7.1 million and \$14.6 million, or 53% and 57% of total revenues, respectively. Editorial, product development and technology expenses were approximately \$7.3 million and \$14.0 million, or 45% of total revenues for the corresponding periods in 2002. The increase between the comparable six month periods was primarily attributable to higher costs involved with a larger custom publication created in the first quarter of 2003, as compared to a custom publication created in the first quarter of 2002, by IVPN on behalf of an advertiser of approximately \$0.3 million, increased circulation and production costs associated with IVPN's magazines, videos and promotional programs of approximately \$0.5 million, as well as the acquisition of Promotions.com resulting in incremental expenses of approximately \$0.4 million, partially offset by a decrease in salaries, severance and related expenses of approximately \$0.7 million. Editorial, product development and technology expenses increased as a percentage of total revenues for the six months ended June 30, 2003, when compared to the same period in 2002, as a result of the increase in expenses coupled with a decline in revenues.

##### Sales and Marketing.

Sales and marketing expenses consist primarily of costs related to distribution agreements, payroll and expenses for sales and marketing personnel, severance costs for terminated employees, commissions, advertising and other marketing-related expenses, and an allocation of facility expenses, which is based on the number of personnel. Sales and marketing expenses for the three and six months ended June 30, 2003 were approximately \$5.0 million and \$10.6 million, or 38% and 41% of total revenues, respectively. Sales and marketing expenses were approximately \$6.2 million and \$17.6 million, or 38% and 57% of total revenues, respectively, for the comparable periods in 2002. The decrease in sales and marketing expenses for the six month period ended June 30, 2003 as compared to 2002 was primarily attributable to the negotiated advertising spend and termination of an advertising agreement with National Broadcasting Company, Inc. ("NBC") in the first quarter of 2002 resulting in charges of approximately \$1.3 million and \$4.1 million, respectively, and in 2003 a decrease in online media expenses and Hearst print expenses of approximately \$1.1 million each, partially offset by incremental sales and marketing expenses related to the Promotions.com acquisition of approximately \$1.1 million. Sales and marketing expenses decreased as a percentage of total revenues for the six months ended June 30, 2003, as compared to the same period in 2002, due to a larger percentage decrease in sales and marketing expenses, as compared to the decline in revenues.

Included in sales and marketing expenses are barter transactions, which amounted to approximately 21% of total sales and marketing costs during each of the three and six months ended June 30, 2003, compared to 14% and 9% of total sales and marketing costs for the comparable periods in 2002. Barter transactions increased as a percentage of sales and marketing expenses for the six months ended June 30, 2003, as compared to the same period in 2002, due to the decrease in sales and marketing expenses coupled with an increase in barter expense.

#### General and Administrative.

General and administrative expenses consist primarily of payroll, related expenses and benefits for the executive management, finance, allocated facilities, human resources and legal employees, general corporate overhead, a lease restructuring charge and related impairment of fixed assets, and other professional fees. General and administrative expenses for the three and six months ended June 30, 2003 were \$7.1 million and \$10.1 million, or 54% and 39% of total revenues, respectively. For the comparable period in 2002, general and administrative expenses were \$3.3 million and \$6.1 million, or 21% and 20% of total revenues, respectively. The increase in general and administrative expenses for the comparable six month periods was primarily due to the lease restructuring charge and related impairment of fixed assets of approximately \$4.0 million and higher insurance costs of approximately \$0.3 million, partially offset by a decrease in salaries and related benefits of approximately \$0.1 million. General and administrative expenses increased as a percentage of total revenues for the six months ended June 30, 2003, compared to the corresponding period in 2002, as a result of the increase in expenses coupled with a decline in revenues.

In the ordinary course of business, iVillage utilizes estimates to determine the accrual of certain operating expenses. These estimates are reviewed on an ongoing basis to determine the adequacy of these accruals. For the three and six months ended June 30, 2003, iVillage reversed no amount and approximately \$0.1 million of accruals included in operating expenses due to a change in estimate on services previously provided, respectively, compared to approximately \$0.4 million and \$0.6 million for the corresponding periods in 2002. These amounts were partially offset by additional accruals for various operating expenses.

#### Depreciation and Amortization.

Depreciation and amortization expenses for the three and six months ended June 30, 2003 were approximately \$2.2 million and \$4.9 million, or 17% and 19% of total revenues, respectively. For the comparable periods in 2002, depreciation and amortization expenses were \$3.0 million and \$5.9 million, or 19% of total revenues, respectively. The dollar decrease in depreciation and amortization for the comparable six month periods was primarily due to several intangible assets being fully amortized in 2002 and the impairments of intangible assets and fixed assets reducing the cost basis on which depreciation and amortization is calculated, partially offset by amortization expense on intangible assets acquired with the Promotions.com acquisition in April 2002.

#### Interest Income, Net

Interest income, net includes primarily interest income from iVillage's cash balances and interest earned on stockholders' notes receivable. Interest income, net for the three and six months ended June 30, 2003 was approximately \$40,000 and \$0.1 million, or less than 1% and 1% of total revenues, respectively. For the comparable periods in 2002, interest income, net was approximately \$0.1 million and \$0.3 million, or 1% of total revenues, respectively. The decrease between 2003 and 2002 was primarily due to the repayment of the NBC loan in the first quarter of 2002.

#### Net Loss

iVillage recorded a net loss of approximately \$12.1 million and \$18.2 million, or \$0.22 per share and \$0.33 per share, for the three and six months ended June 30, 2003, respectively. For the comparable periods in 2002, iVillage recorded a net loss of approximately \$3.6 million and \$21.5 million, or \$0.07 per share and \$0.40 per share, respectively. The decrease in net loss for the six months ended June 30, 2003 compared to the same period in 2002 was primarily due to the following 2002 events: the adoption of SFAS 142 which resulted in a change in accounting principle charge of approximately \$9.2 million and the negotiated advertising spend and termination of an advertising agreement with NBC of approximately \$1.3 million and \$4.1 million, respectively, offset by the following 2003 events: lower revenues of approximately \$5.3 million, a lease restructuring charge and related impairment of fixed assets due to the abandonment of leased real estate of approximately \$4.0 million, and the restructuring of the Promotions.com business resulting in the impairment of goodwill, intangible assets and fixed assets of approximately \$4.0 million.

#### Recent Events

In July 2003, iVillage entered into a lease amendment with the landlord of its New York headquarters that will become effective upon satisfaction of certain conditions. When the lease amendment becomes effective, iVillage will surrender the approximately \$8.5 million classified as restricted cash to the landlord. iVillage currently expects to incur a charge of approximately \$5.0 million to \$5.5 million, depending on the effective date of the lease amendment, in the third quarter of 2003 in connection with this transaction.

On July 25, 2003, iVillage acquired the Web site, trademarks, key contracts and other related assets of gURL.com for an immaterial amount of cash.

## Liquidity and Capital Resources

Financial Reporting Release No. 61, released by the SEC, requires all companies to include a discussion to address, among other things, liquidity, off-balance sheet arrangements, contractual obligations and commercial commitments. iVillage currently does not maintain any off-balance sheet arrangements.

As of June 30, 2003, iVillage had approximately \$17.0 million in cash and cash equivalents and approximately \$8.5 million of restricted cash (See Recent Events). Cash equivalents include money market accounts. The restricted cash includes money held for a letter of credit collateralizing a real estate lease for iVillage's New York office space. iVillage maintains its cash and cash equivalents in highly rated financial institutions and at times these balances exceed insurable amounts.

iVillage has sustained net losses and negative cash flows from operations since its inception and expects to continue to incur such losses in the near future. iVillage's ability to meet its obligations in the ordinary course of business is dependent upon its ability to achieve profitable operations and/or raise additional financing through public or private equity financing, collaborative or other arrangements with corporate sources, through the launch of new subscription or other revenue-generating initiatives or other sources of financing to fund operations. Unless the market price of iVillage's common stock increases dramatically, it is unlikely that iVillage will be able to raise funds through a public offering of its securities, however, management does believe that it may be possible to raise funds through a private placement of its securities. iVillage can make no assurance that it will achieve profitable operations, or that iVillage will be able to obtain adequate financing from other sources in the event it becomes necessary. Due primarily to iVillage's lack of profitability, it is unlikely that iVillage would be able to obtain bank financing. Management believes that iVillage's current funds will be sufficient to enable it to meet iVillage's planned expenditures through the next twelve months. If anticipated operating results are not achieved, management believes it has the ability to delay or reduce expenditures, so as not to require additional financial resources if such resources were not available on terms acceptable to iVillage, although there can be no assurances in this regard.

In the past, iVillage has achieved cost reductions through increased managerial efficiencies and several expense reduction initiatives targeted at certain expenses, including without limitation, reduced advertising, targeted staff reductions and reduced company employee benefit plan costs, as well as other initiatives.

In February 2003, iVillage announced a further expense reduction initiative with the goal of reducing annualized costs by up to \$10.0 million. To date, iVillage has recognized and/or achieved approximately \$8.0 million of annualized savings pursuant to this initiative, primarily through the renegotiation of our New York real estate lease and contracts with third-party vendors, as well as employee staff reductions and other miscellaneous reductions. As iVillage regularly evaluates its cost structure in an effort to improve operational efficiencies, iVillage will continue to seek to identify potential expense reductions that will have a positive effect on iVillage's business, financial condition and results of operations.

Based on current internal projections, iVillage no longer expects to be able to maintain a cash balance at December 31, 2003 comparable to its cash balance at December 31, 2002, primarily due to previously incurred or anticipated cash expenditures relating to the renegotiation of our New York real estate lease, certain investments in our infrastructure, research initiatives, and other restructuring costs. Despite the short-term negative impact of these expenditures on iVillage's cash balance, iVillage believes that these costs improve the Company's long-term liquidity outlook by contributing to revenue growth opportunities and significantly reducing annualized operating expenses.

Net cash used in operating activities decreased to approximately \$1.9 million for the three months ended June 30, 2003, from \$2.5 million for the comparable period in 2002. Net cash used in operating activities decreased to approximately \$4.4 million for the six months ended June 30, 2003, from approximately \$4.6 million for the corresponding period in 2002. The decrease in net cash used in operating activities for the six months ended June 30, 2003, compared to the comparable period in 2002, was primarily due to a smaller decrease in accounts payable and accrued expenses in 2003 of approximately \$5.0 million, offset by a smaller utilization of restricted cash and other assets in 2003 of approximately \$4.5 million, as compared to 2002, primarily due to the charge for the negotiated advertising spend and termination of the NBC agreement in 2002.

Net cash used in investing activities was approximately \$0.1 million for each of the three and six months ended June 30, 2003. This compares to cash used in investing activities of approximately \$0.4 million and \$0.6 million for the three and six months ended June 30, 2002, respectively. The overall decrease in cash used in investing activities for the six months ended June 30, 2003 compared to the comparable period in 2002 resulted from cash received in connection with the revised license agreement with Tesco of approximately \$0.6 million in 2003 and cash paid for the acquisition of Promotions.com in 2002 of \$0.2 million, offset by higher fixed asset purchases in 2003 of approximately \$0.3 million.

Cash provided by financing activities was approximately \$0.1 million for each of the three and six months ended June 30, 2003. This compares to cash provided by financing activities of \$0.7 million and \$2.0 million for the three and six months ended June 30, 2002, respectively. The overall decrease in cash provided by financing activities for the six months ended June 30, 2003 compared to the comparable period in 2002 was primarily due to a decrease in principal payments received for stockholders' notes receivable of approximately \$1.3 million in 2003 coupled with a decrease in proceeds from the exercise of stock options of approximately \$0.7 million.

In March 2001, iVillage purchased an additional 30.1% of Cooperative Beauty Ventures, L.L.C. from Unilever for \$1.5 million, thereby increasing its ownership to 80.1%. The agreement revised iVillage's funding obligation and provided that iVillage will fund the ongoing business and operations of this venture, not to exceed \$7.0 million, and terminated Unilever's funding obligation. iVillage has not been required to fund the operations of the venture during 2002 and 2003 and, as of June 30, 2003, has contributed, in total, approximately \$1.9 million to the venture.

Currently, Unilever can exercise a "put" option to require iVillage to purchase Unilever's remaining ownership interest in the venture for fair market value at any time. At any time, iVillage can exercise a "call" option to require Unilever to sell its remaining interest in the venture to iVillage for fair market value; provided, however, that Unilever can exercise a "call" option superior to iVillage's "call" option to purchase a portion of iVillage's interest in the venture for fair market value, up to a limit of 50% of the venture's ownership. These "put" and "call" options must be paid in cash. If iVillage was required to purchase Unilever's remaining ownership interest in the venture pursuant to the exercise of one of these options, iVillage does not believe the amount of cash payable would be material and expects that it would fund this obligation with its working capital. In addition, at any time, Unilever can exercise a "call" option to purchase a portion of iVillage's membership interest in the venture for fair market value, up to a limit of 50% of the venture's ownership. iVillage anticipates exercising its "call" option during 2003.

iVillage's February 2000 advertising agreement with Unilever, as amended, provided for a Unilever advertising purchase commitment of \$14.5 million. Although this agreement expired in June 2003 with iVillage only having earned approximately \$14.2 million, iVillage expects the remaining approximately \$0.3 million to be earned by the end of 2003.

Pursuant to an amended and restated magazine content license and hosting agreement with Hearst, Hearst committed to purchase from iVillage between approximately \$16.4 million and \$18.2 million of production and advertising services over a three-year period beginning in June 2001. This agreement also provides for revenue sharing between Hearst and iVillage with respect to advertising revenues obtained by iVillage from the Hearst magazine Web sites and iVillage's other Web sites containing substantial Hearst content. This revenue-sharing arrangement requires that iVillage pay Hearst a royalty payment, based on net advertising revenues, of at least approximately \$2.6 million during the three-year term of the agreement. This amount would be reduced on a pro rata basis if Hearst fails to expend its stated annual minimum in production fees in any year of the agreement. In addition, if a shortfall in production fees occurs in any year of the agreement, then Hearst must place additional advertising in an amount equal to 40% of the production fee shortfall.

Women.com was party to a multi-year advertising agreement with Procter and Gamble from July 2000 through June 2003. During the third quarter of 2002, this agreement was amended to eliminate the provision for an early termination fee and to lower the minimum guaranteed fee to Women.com to approximately \$9.6 million. Women.com has fully earned the guaranteed fee under this advertising agreement as of June 30, 2003.

In January 2003, iVillage received a notice of determination from the City of New York Department of Finance regarding outstanding commercial rent taxes and applicable interest and penalties. iVillage paid approximately \$0.5 million in the second quarter 2003 and believes that it has fully paid and satisfied this obligation.

In March 2003, iVillage and Tesco restructured the terms of their joint venture so that Tesco purchased iVillage's entire ownership interest in iVillage UK. iVillage and Tesco also entered into a twenty-year agreement, subject to earlier termination upon the occurrence of certain events, whereby iVillage licenses to iVillage UK certain of its content and intellectual property, including trademarks and copyrights, for use in the U.K. and Ireland in exchange for the greater of a minimum monthly license fee or a percentage of iVillage UK's gross revenues. iVillage will receive a minimum of \$0.8 million in year one of the license agreement, which will be earned monthly as services are provided. As of June 30, 2003, iVillage has received \$0.5 million.

iVillage leases office space and equipment under non-cancelable operating leases expiring at various dates through April 2015. The following is a schedule of future minimum lease payments under non-cancelable operating leases as of June 30, 2003 for the next five years:

Year ending June 30: -----	(in thousands) -----
2004.....	\$ 4,476
2005.....	4,362
2006.....	4,058
2007.....	3,854
2008.....	3,729
	-----
	\$ 20,479
	=====

In January 2003, iVillage received from the landlord of its New York headquarters \$0.3 million for reimbursement of certain construction expenses. This landlord still owes iVillage approximately \$0.5 million for reimbursement of certain other construction expenses. iVillage maintains \$8.5 million of restricted cash that is held for a letter of credit collateralizing this lease.

In July 2003, iVillage entered into a lease amendment with the landlord of its New York headquarters that will become effective upon satisfaction of certain conditions (See Recent Events). When the lease amendment becomes effective, iVillage will surrender the approximately \$8.5 million classified as restricted cash to the landlord and the landlord will pay iVillage the remaining \$0.5 million construction reimbursement payment described above. When effective, the future minimum lease payments under non-cancelable operating leases for the next five years will be approximately \$9.6 million. Additionally, upon effectiveness, this lease amendment will reduce iVillage's total leased space and rent per square foot, resulting in anticipated cash savings from lower rent payments, real estate taxes and facilities costs in excess of \$17.0 million over the remaining term of the lease.

In May 2003, Promotions.com received from its former New York landlord approximately \$0.4 million for reimbursement of certain construction expenses.

In the normal course of business, iVillage enters into contracts that contain a variety of representations, warranties and minimum spend guarantees and which provide general indemnifications. iVillage's maximum exposure under these arrangements is unknown. However, based on experience, iVillage expects the risk of loss to be remote.

iVillage's capital requirements depend on numerous factors, including:

- o market acceptance of iVillage's services;
- o the amount of resources iVillage devotes to investments in its business, including entering into joint ventures with and/or the acquisition of other entities;

- o the resources iVillage devotes to marketing;
- o the resources iVillage devotes to building the infrastructure necessary to enable iVillage to sell subscription-based products and services; and
- o the resources iVillage devotes to selling iVillage's products and services.

#### Recent Accounting Pronouncements

In November 2002, the FASB reached a consensus on EITF No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables". The guidance in EITF No. 00-21 is effective for revenue arrangements entered into for fiscal years beginning after June 15, 2003. EITF No. 00-21 addresses certain aspects of the accounting by a company for arrangements under which it will perform multiple revenue-generating activities. Specifically, EITF No. 00-21 addresses how to determine whether an arrangement involving multiple deliverables contains more than one earnings process and if it does, how to divide the arrangement into separate units of accounting consistent with the identified earnings processes for revenue recognition purposes. EITF No. 00-21 also addresses how arrangement consideration should be measured and allocated to the separate units of accounting in the arrangement. iVillage has determined that EITF No. 00-21 will not have a material impact on our financial position, cash flows or results of operations.

In April 2003, the FASB issued SFAS 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities", which amends SFAS 133 for certain decisions made by the FASB Derivatives Implementation Group. In particular, SFAS 149: clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative, clarifies when a derivative contains a financing component, amends the definition of an underlying to conform it to language used in FASB Interpretation No. 45 "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," and amends certain other existing pronouncements. This Statement is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. In addition, most provisions of SFAS 149 are to be applied prospectively. The Company does not expect the adoption of SFAS 149 to have a material impact on its financial position, cash flows or results of operations.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity". SFAS 150 changes the accounting for certain financial instruments that under previous guidance issuers could account for as equity. It requires that those instruments be classified as liabilities in balance sheets. The guidance in SFAS 150 is generally effective for all financial instruments entered into or modified after May 31, 2003, and otherwise is effective on July 1, 2003. The Company does not anticipate that the adoption of SFAS 150 will have a material impact on its financial position, cash flows or results of operations.



## Risk Factors That May Affect Results of Operations and Financial Condition

The risks and uncertainties described below are not the only ones faced by iVillage. Additional risks and uncertainties not presently known to iVillage or that are currently deemed immaterial may also affect iVillage's business, financial condition and results of operations. These risks should be read in conjunction with the other information set forth in this Form 10-Q and with iVillage's Annual Report on Form 10-K for the fiscal year ended December 31, 2002.

iVillage may face difficulties encountered in the new and rapidly evolving markets in which it operates.

iVillage faces many of the risks and difficulties frequently encountered in new and rapidly evolving markets, including the Internet advertising and consumer products and services markets. These risks and difficulties include iVillage's ability to:

- o attract a larger audience to the iVillage network of Web sites;
- o increase awareness of the iVillage brand and iVillage-branded products and services;
- o strengthen user loyalty;
- o offer compelling content and desirable consumer products and services;
- o maintain current, and develop new, strategic relationships;
- o attract a large number of advertisers from a variety of industries;
- o respond effectively to competitive pressures;
- o continue to develop and upgrade iVillage's technology; and
- o attract, retain and motivate qualified personnel.

iVillage has not achieved profitability and has recent and anticipated continuing losses.

iVillage has not achieved profitability and iVillage expects to continue to incur operating losses for the foreseeable future. iVillage incurred net losses of approximately \$18.2 million for the six months ended June 30, 2003, \$33.9 million for the year ended December 31, 2002, and \$48.5 million for the year ended December 31, 2001. As of June 30, 2003, iVillage's accumulated deficit was approximately \$484.9 million.

iVillage cannot make any assurances that it will achieve sufficient revenues for profitability. Even if iVillage does achieve profitability, iVillage cannot make any assurances that it will be able to sustain or increase profitability on a quarterly or annual basis. If revenues decline or grow slower than iVillage anticipates, or if operating expenses exceed iVillage's expectations or cannot be adjusted accordingly, its business, financial condition and results of operations will be materially adversely affected. Because iVillage's strategy includes acquisitions of, and joint ventures with, other businesses, acquisition and joint venture expenses and any cash used to make these acquisitions and joint ventures will reduce its available cash.

iVillage has a small number of major customers and the loss of a number of these customers could adversely affect its business, financial condition and results of operations.

For the three and six months ended June 30, 2003, revenues from iVillage's five largest customers accounted for approximately 26% and 27% of total revenues, respectively. One customer, Hearst, accounted for approximately 12% and 13% of total revenues for the three and six months ended June 30, 2003, respectively. Three customers, Unilever, Procter and Gamble, and Hearst, accounted for approximately 19%, 11% and 10% of total revenues for the three months ended June 30, 2002, respectively, and 15%, 11% and 11%, of total revenues for the six months ended June 30, 2002, respectively. Our five largest customers accounted for approximately 46% and 44% of total revenues for the three and six months ended June 30, 2002, respectively. At June 30, 2003, Hearst accounted for approximately 23% of the net accounts receivable. At December 31, 2002, Procter and Gamble accounted for approximately 26% of the net accounts receivable.

iVillage anticipates that its results of operations in any given period will continue to depend to a significant extent on revenues from a small number of customers. Additionally, iVillage's contracts with Unilever and Procter and Gamble expired in June 2003, and iVillage's contract with Hearst expires in June 2004. iVillage can make no assurances as to whether the expiring contracts of Procter and Gamble, Unilever and Hearst will be renewed, or if so renewed, that they will be on similar terms as the expiring agreements. Because iVillage's largest customers have varied over time in the past, iVillage anticipates that they will continue to do so in the future. Consequently, the loss of even a small number of iVillage's largest customers at any one time may adversely affect iVillage's business, financial condition and results of operations, unless iVillage is able to enter into a sufficient number of new comparable contracts.

iVillage's quarterly revenues and operating results are not indicative of future performance, are difficult to forecast and have been and are likely to continue to fluctuate.

iVillage does not believe that period-to-period comparisons of its operating results are necessarily meaningful nor should they be relied upon as reliable indicators of future performance, thus making it difficult to forecast quarterly and annual revenues and results of operations. In addition, iVillage's operating results are likely to fluctuate significantly from fiscal quarter to quarter, and year to year, as a result of several factors, many of which are outside iVillage's control, and any of which could materially harm iVillage's business. These factors include:

- o fluctuations in the demand for advertising or electronic commerce;

- o the unpredictability of iVillage's success in its new revenue and cost reduction initiatives;
- o bankruptcies or other payment defaults of companies that are a source of revenues;
- o volatility in the media market and the high number of companies decreasing their marketing budgets;
- o changes in the level of traffic on its network of Web sites; and
- o fluctuations in marketing expenses and technology infrastructure costs.

iVillage's revenues for the foreseeable future will remain primarily dependent on user traffic levels and advertising activity on its Web sites. Future revenues are difficult to forecast. iVillage may be unable to adjust spending quickly enough to offset any unexpected reduction in revenues in a particular fiscal quarter or year, which may materially and adversely affect its business, financial condition and results of operations.

In one or more future fiscal quarters or years, iVillage's results of operations may fall below the expectations of securities analysts and investors. If iVillage's results of operations fall below expectations, the trading price of its common stock would likely be materially adversely affected. In addition, if the revenues of iVillage in any particular fiscal period are lower than anticipated, iVillage may be unable to reduce spending in that fiscal period. If iVillage has a shortfall in revenues in relation to its expenses, then iVillage's business, financial condition and results of operations would be materially adversely affected.

iVillage may need to raise additional capital and its prospects for obtaining additional financing are uncertain.

iVillage currently anticipates that its existing cash and cash equivalents will be sufficient to meet its anticipated capital expenditures and working capital requirements for at least the next twelve months. However, the amount of cash and cash equivalents that iVillage will need in the future cannot be accurately predicted and depends on many factors, including the amount of revenues received and expenses incurred in connection with the operation of its business. Accordingly, iVillage may need to raise additional funds in the future to fund its operations. iVillage can make no assurances that additional financing will be available to iVillage on acceptable terms, or at all. In particular, unless the market price of iVillage's common stock increases dramatically, it is unlikely that iVillage will be able to raise funds through a public offering of its common stock. Due to iVillage's lack of profitability, it is also unlikely that iVillage would be able to obtain any bank financing. If anticipated operating results are not achieved, management of iVillage has the intent and believes it has the ability to delay or reduce expenditures so as not to require additional financial resources if those resources were not available on terms acceptable to iVillage, although iVillage can make no assurances in this regard.

Hearst is able to significantly influence iVillage's corporate direction and policies.

As of June 30, 2003, Hearst owned approximately 29.1% of the outstanding shares of iVillage's common stock. In addition, Hearst holds a warrant entitling it to purchase 2,065,695 shares of iVillage's common stock.

Pursuant to an amended and restated stockholder agreement entered into between Hearst and iVillage on June 20, 2001, iVillage appointed three representatives of Hearst to its Board of Directors, with one Hearst designee appointed to each class of director. The amended and restated stockholder agreement provides that the number of Hearst representatives is subject to reduction if Hearst's ownership of iVillage common stock falls below certain threshold levels. There is also a Hearst representative on each of iVillage's nominating and compensation committees.

Hearst's board representation and stock ownership allows Hearst to significantly influence iVillage's corporate direction and policies, including any mergers, acquisitions, consolidations, strategic relationships or sales of assets. This board representation and stock ownership may also discourage or prevent transactions involving an actual or potential change of control, including transactions in which iVillage stockholders would otherwise receive a premium for their shares. In addition, the interests of Hearst, which owns or has significant investments in other businesses, including cable television networks, newspapers, magazines and electronic media, may from time to time be competitive with, or otherwise diverge from, iVillage's interests, particularly with respect to new business opportunities and future acquisitions.

Although Hearst is required to vote all shares that it holds in excess of 25% (subject to adjustment) of iVillage's outstanding voting securities in accordance with the recommendation of iVillage's Board of Directors, Hearst may effectively control certain stockholder actions, including approving changes to iVillage's Certificate of Incorporation or By-Laws and adopting or changing equity incentive plans. Hearst's effective control over stockholder actions may also determine the outcome of any merger, consolidation, sale of all or substantially all of iVillage's assets or other form of change of control that iVillage might consider.

iVillage's business will be harmed if Internet usage does not continue to grow.

iVillage's business would be adversely affected if Internet usage does not continue to grow, particularly usage by women. A number of factors may inhibit Internet usage, including:

- o inadequate network infrastructure;
- o security concerns;
- o inconsistent quality of service;
- o market saturation;
- o lack of availability of cost-effective, high-speed service;

- o consumers returning to traditional or alternative sources for information, shopping and services;
- o privacy concerns, including those related to the ability of Web sites to gather information about users without their knowledge or consent; and
- o the increase in unrequested "spamming" e-mail solicitations.

If Internet usage continues to grow significantly, Internet infrastructure may not be able to support the demands placed on it by this growth and its performance and reliability may decline. In addition, Internet service providers and Web sites have experienced interruptions in their services as a result of the bankruptcies of Internet service and infrastructure providers, outages, computer "viruses" and other delays occurring throughout the Internet network infrastructure. If these service interruptions frequently occur in the future, Internet usage, including the usage of iVillage's Web sites, could grow more slowly or decline.

The market for Internet advertising is still developing. If the Internet fails to gain further acceptance as a medium for advertising, and iVillage fails to develop significant alternative sources of revenue, iVillage would have slower revenue growth than expected and would incur greater than expected losses.

iVillage expects to continue to derive a substantial portion of its revenues from sponsorships and advertising for the foreseeable future, as demand and market acceptance for Internet advertising continues to develop. Accordingly, iVillage's business depends on market acceptance of the Internet as a medium for advertising. Although iVillage derives a portion of its revenues from sales and/or licensing of content, products and services, consumer reluctance to subscribe to or pay for such content, products and services may limit iVillage's ability to supplement Internet advertising as a substantial source of revenue in the foreseeable future.

Although there are currently several standards to measure the effectiveness of Internet advertising, the industry has had difficulty convincing potential advertisers that Internet advertising is a significant advertising medium. Advertisers and advertising agencies that have historically relied on traditional forms of advertising may be reluctant or slow to adopt online advertising. In addition, advertisers and advertising agencies that use the Internet as an advertising medium may find online advertising to be less effective for promoting their products and services than traditional advertising media, including television, radio and print. Advertisers and advertising agencies that have invested substantial resources in traditional methods of advertising may also be reluctant to reallocate their resources to online advertising. Moreover, software programs that limit or prevent advertising from being delivered to an Internet user's computer are available. Widespread adoption of this software could adversely affect the commercial viability of Internet advertising. The market for online advertising also depends on the overall growth and acceptance of electronic commerce. If the markets for online advertising and electronic commerce fail to develop or develop more slowly than iVillage expects, or if it is unable to adapt to new forms of Internet advertising, iVillage would have slower than expected revenue growth and would incur greater than expected losses, and its business and financial condition would be harmed.

Furthermore, different pricing models are used to sell advertising on the Internet and it is difficult to predict which, if any, of the models will emerge as the industry standard. For example, in recent years iVillage has experienced a shift from the larger, higher-rate, long-term sponsorship agreements that were prevalent a few years ago to smaller, lower-rate, short-term advertising agreements. This makes it difficult to project iVillage's future advertising rates and revenues.

iVillage's business would be harmed by a decline in user traffic.

iVillage's business is inherently dependent upon high user traffic levels. The rates charged to advertisers and sponsors and the number of products and services sold by iVillage are directly related to the number of visitors to iVillage's Web sites. User traffic from certain Web sites that are non-proprietary to iVillage are sometimes included in the reported information regarding iVillage's network of Web sites. These properties include certain of the Hearst magazines and other parties who have agreed to have traffic from their Web sites incorporated within the iVillage network. There is no guarantee that the number of visitors to iVillage's Web sites will not decline or that Hearst or other third parties will continue to permit inclusion of their Web sites as part of the iVillage network for traffic reporting purposes. Any decline in user traffic levels could have a material adverse effect on iVillage's business, financial condition and results of operations.

iVillage may not be able to expand its business through acquisitions and joint ventures and, even if iVillage is successful in this regard, iVillage's operations may be adversely affected as a result of an acquisition or joint venture.

iVillage's business strategy includes growth through business combinations, acquisitions and joint ventures. iVillage's business could be harmed if it is unable to implement this business strategy. iVillage's ability to implement this business strategy depends in large part on iVillage's ability to compete successfully with other entities for acquisition candidates and joint venture partners. Factors affecting iVillage's ability to compete successfully in this regard include:

- o iVillage's financial condition relative to the financial condition of its competitors; and
- o the attractiveness of iVillage's common stock as potential consideration for entering into these types of transactions as compared to the common stock of other entities competing for these opportunities.

Many of the entities with which iVillage competes for acquisition candidates and joint venture partners have greater financial resources than those of iVillage. In addition, iVillage's acquisition program has been materially adversely affected by the substantial decline in the market price of iVillage's common stock over the last several years.

If, despite these factors, iVillage is successful in entering into additional business combinations, acquisitions and joint ventures, iVillage's business, financial condition and results of operations could be materially and adversely affected if iVillage is unable to integrate the operations of the acquired companies or joint ventures. iVillage's ability to integrate the operations of the acquired companies or joint ventures will depend, in part, on iVillage's ability to overcome or address:

- o the difficulties of assimilating the operations and personnel of the acquired companies and the potential disruption of iVillage's ongoing business as a result of these assimilation efforts;
- o the difficulties of establishing a new joint venture including the need to attract and retain qualified personnel and the need to attract customers and advertisers;
- o the need to incorporate successfully the acquired or shared technology or content and rights into iVillage's products and media properties;
- o the difficulties of maintaining uniform standards, controls, procedures and policies; and
- o the potential impairment of relationships with employees and customers as a result of any integration of new management personnel or reduction of personnel.

In addition, effecting acquisitions could require use of a significant amount of iVillage's available cash. Furthermore, iVillage may have to issue equity or equity-linked securities to pay for future acquisitions, and any of these issuances could be dilutive to existing and future stockholders. Acquisitions and investments may also have negative effects on iVillage's reported results of operations due to acquisition-related charges, amortization of acquired technology and other intangibles, and/or potential liabilities associated with the acquired businesses or joint ventures. Any of these acquisition-related risks or costs could harm iVillage's business, financial condition and results of operations.

iVillage may be unable to respond to the rapid technological change in its industry.

iVillage's market is characterized by rapidly changing technologies, frequent new product and service introductions and evolving industry standards. The growth of the Internet and intense competition in iVillage's industry exacerbates these market characteristics. To achieve its goals, iVillage needs to effectively integrate the various software programs and tools required to enhance and improve its product offerings and manage its business. For example, iVillage's failure to promptly or adequately implement the World Wide Web Consortium's Platform for Privacy Preferences, or P3P, standards could result in reduced user traffic to iVillage's Web sites, regulatory and/or legal claims if iVillage's P3P policy does not conform to iVillage's written privacy policy posted on its Web sites and/or the loss of potential customers. iVillage's future success will depend on its ability to adapt to rapidly changing technologies by continually improving the performance features and reliability of its services. iVillage may experience difficulties that could delay or prevent the successful development, introduction or marketing of new products and services. In addition, iVillage's new enhancements must meet the requirements of iVillage's current and prospective users and must achieve significant market acceptance. iVillage also could incur substantial costs if it needs to modify its services or infrastructure to adapt to these changes. Due to expense reduction initiatives over the last several years, iVillage has not upgraded certain aspects of its technology infrastructure.

If iVillage fails to attract and retain key personnel, iVillage's business would be materially adversely affected.

iVillage's future success depends to a significant extent on the continued services of iVillage's senior management and other key personnel, particularly Douglas W. McCormick, iVillage's Chairman of the Board and Chief Executive Officer. The loss of the services of Mr. McCormick would likely harm iVillage's business. iVillage currently does not maintain "key person" life insurance for any of iVillage's senior management.

iVillage may be unable to retain its key employees or attract, assimilate or retain other highly qualified employees in the future. iVillage has from time to time experienced, and expects to continue to experience, difficulty in hiring and retaining highly skilled employees with appropriate qualifications as a result of its financial condition and relatively low common stock price. As a result, iVillage has in the past and may in the future incur increased salaries and benefits. If iVillage does not succeed in attracting new personnel or retaining and motivating its current personnel, iVillage's business will be materially adversely affected.

iVillage's uncertain sales cycles could adversely affect its business.

The time between the date of initial contact with a potential advertiser or sponsor and the execution of a contract with the advertiser or sponsor is often lengthy, typically six weeks for smaller agreements and longer for larger agreements, and is subject to delays over which iVillage has little or no control, including:

- o advertisers' and sponsors' budgetary constraints;
- o advertisers' and sponsors' internal acceptance reviews;
- o the success and continued internal support of advertisers' and sponsors' own development efforts; and
- o the possibility of cancellation or delay of projects by advertisers or sponsors.

During the sales cycle, iVillage may expend funds and management resources and yet not obtain sponsorship or advertising revenues. Accordingly, iVillage's results of operations for a particular period may be adversely affected if sales to advertisers or sponsors forecast in a particular period are delayed or do not otherwise occur.



iVillage relies on third parties to adequately measure the demographics of its user base and delivery of advertisements on iVillage's Web sites. iVillage's business would be harmed if these third parties fail to provide these services to iVillage.

It is important to iVillage's advertisers that iVillage accurately measure the demographics of its user base and the delivery of advertisements on iVillage's Web sites. iVillage depends on third parties to provide many of these measurement services, and do so accurately and reliably. If these third parties are unable or unwilling to provide these services to iVillage in the future, iVillage would need to perform them or obtain them from another provider. This could cause iVillage to incur additional costs or cause interruptions in its business until these services are replaced. Companies may choose not to advertise on iVillage's Web sites or may pay less for advertising if they perceive iVillage's demographic measurements are not reliable. Either of these events could adversely affect iVillage's business.

iVillage may not be able to deliver various services if third parties fail to provide reliable software, systems and related services to iVillage.

iVillage depends on various third parties for software, systems and related services. For example, iVillage relies on Doubleclick Inc.'s software for the placement of advertisements, IP Applications for ISP services and Trellix Corporation for personal home pages. Several of the third parties which provide software and services to iVillage have a limited operating history, have relatively immature technology and are themselves dependent on reliable delivery of services from others. As a result, iVillage's ability to deliver various services to its users may be adversely affected by the failure of these third parties to provide reliable software, systems and related services to iVillage. If iVillage is unable to deliver the services that its users expect, its business, financial condition and results of operations could be materially adversely affected.

iVillage's principal investors' investments in its competitors may result in conflicts of interest that could be adverse to iVillage.

iVillage's principal investors, such as Hearst, Rho Capital Partners, Inc. and AOL Time Warner Inc., may have conflicts of interests by virtue of investments in other companies that may compete with iVillage. These investments may result in a conflict of interest for iVillage's principal investors or result in the diversion of attractive business opportunities from iVillage's principal investors to another company. iVillage is unable to determine all of the competing investments held by these principal investors. In addition, iVillage does not have the ability to constrain the investment activity of any of its principal investors and therefore cannot predict the extent of any future investments in businesses that are competitive with iVillage.

Restrictions on iVillage's ability to enter into sponsorship, advertising or other business relationships with Hearst's competitors may adversely affect iVillage's business.

iVillage's magazine content license and hosting agreement with Hearst restricts iVillage's ability to enter into relationships with competitors of Hearst and those restrictions may prevent iVillage from expanding its network and enhancing its content and the visibility of iVillage's brand, and may cause iVillage to forego potential advertising revenues from competitors of Hearst. Specifically, the agreement provides that iVillage may not, without Hearst's consent:

- o enter into any agreement to include in iVillage's network any Web sites for magazines that compete with Hearst magazines;
- o display on the Hearst magazine Web sites any advertising or other promotional materials from magazines that compete with Hearst magazines; or
- o display on an iVillage Web page the brands, logos, trademarks or proprietary content of both Hearst and a Hearst competitor.

iVillage's business could be affected by future terrorist attacks or acts of war.

Although none of the terrorist attacks in the United States in recent years have had a direct material adverse effect on iVillage's business, financial condition or results of operations, iVillage cannot assure you that future terrorist attacks in the United States, and particularly in New York City where iVillage's headquarters are located, acts of war involving the United States, or any response of the United States Government to any future terrorist actions or acts of war, would not negatively affect iVillage through further disruption of the economy, financial markets or otherwise. The proximity of iVillage's headquarters to certain possible targets in New York City could also, in the event of war or future terrorist attacks, result in damage to or destruction of iVillage's headquarters as well as the permanent or temporary loss of key personnel. iVillage has not yet fully developed a disaster recovery plan and iVillage cannot guarantee that iVillage's insurance coverage would adequately reimburse iVillage for any damages suffered as a result of a terrorist attack or act of war.

There is intense competition among Internet-based businesses and publishing companies focused on women, and this competition could result in price reductions, reduced margins or loss of market share.

There are a large number of Web sites competing for the attention and spending of members, users and advertisers. iVillage's Web sites compete for members, users and advertisers with the following types of companies:

- o online services or Web sites targeted at women, such as oxygen.com and condenet.com;
- o cable networks targeting women, such as Oxygen Media, Inc., Women's Entertainment Network and Lifetime Television;
- o Web search and retrieval and other online service companies, commonly referred to as portals, such as America Online, Inc., Microsoft Corporation's MSN service and Yahoo! Inc.;
- o e-commerce companies such as Amazon.com, Inc.; and
- o publishers and distributors of traditional media, such as television, radio and print.

Increased competition could result in price reductions, reduced margins or loss of market share, any of which could adversely affect iVillage's business, financial condition and results of operations.

Lamaze Publishing's magazines directly compete with publishers of pre- and post-natal publications such as Gruner and Jahr, Meredith Corporation and Time Inc. These publishers have substantially greater marketing, research and financial resources than Lamaze Publishing. Increased competition may result in less advertising in Lamaze Publishing's magazines and a decline in Lamaze Publishing's advertising rates, which could adversely affect its business, financial condition and results of operations.

iVillage's business would be harmed if iVillage's systems fail or experience a slowdown.

Substantially all of iVillage's communications hardware and some of its other computer hardware operations are located at the respective facilities of Cable and Wireless Internet Services, Inc. ("Cable and Wireless") in New Jersey and Verio, Inc. ("Verio") in California. Fire, floods, earthquakes, power loss, telecommunications failures, break-ins and similar events could damage these systems. System failures may adversely affect iVillage's user traffic, which could adversely affect its revenues and operating results and harm its reputation with users, advertisers and commerce partners. Computer viruses, electronic break-ins or other similar disruptive problems, such as those historically experienced by several leading Web sites, could also adversely affect iVillage's Web sites.

iVillage's insurance policies may not adequately compensate it for any losses that may occur due to any failures or interruptions in its systems. iVillage does not presently have any secondary "off-site" systems or a formal disaster recovery plan. In addition, iVillage cannot assure you that Cable and Wireless and Verio will be able to provide sufficient services for iVillage or that iVillage will be able to, if so desired, engage satisfactory alternative service providers.

iVillage's Web sites must accommodate a high volume of traffic and deliver frequently updated information. iVillage's Web sites have in the past experienced slower response times or decreased traffic for a variety of reasons. These occurrences have not had a material effect on iVillage's business. These types of occurrences in the future could cause users to perceive iVillage's Web sites as not functioning properly and therefore cause them to use another Web site or other methods to obtain information.

In addition, iVillage's users depend on Internet service providers, online service providers and other Web site operators for access to iVillage's Web sites. Many of them have experienced significant outages in the past, and could experience outages, delays and other difficulties due to system failures unrelated to iVillage's systems.

iVillage may incur liability for the information iVillage publishes or the products and services iVillage sells.

iVillage's business, financial condition and results of operations could be materially and adversely affected if iVillage were to become liable for damage claims based on information published or products and services sold by it. For example, iVillage has been in the past, and may be in the future, subject to claims for defamation, negligence, copyright or trademark infringement, personal injury or other legal theories relating to the information iVillage publishes on its Web sites. These types of claims have been brought, sometimes successfully, against providers of Internet services in the past. In addition, iVillage could be subjected to claims based upon the content that is accessible from iVillage's Web sites through links to other Web sites or through content and materials that may be posted by members in chat rooms or bulletin boards.

In addition, through iVillage.com, Women.com and IVPN, iVillage distributes publications and broadcasts, over its Web sites and The Newborn Channel, The Newborn Channel-Spanish and The Wellness Channel (the "Channels"), information and advice regarding healthcare, childbirth, infant care and financial and tax issues. iVillage may be exposed to liability claims in connection with this information.

Consumers and/or government regulators may also sue iVillage if any of the products or services that it sells are found to be defective, fail to perform properly or injure the user. iVillage may also face potential liability in connection with the sale of products and services by its e-commerce and other partners. Although iVillage's agreements with its partners typically contain provisions intended to limit iVillage's liability, these limitations may not prevent or protect against all possible claims.

iVillage's insurance, which covers commercial general liability, may not adequately protect iVillage against these claims. Liability claims could require iVillage to spend significant time and money in litigation and to pay significant damages. As a result, liability claims, whether or not successful, could seriously damage iVillage's reputation and iVillage's business. iVillage may also be forced to implement expensive measures to alter the way iVillage's services are provided to avoid potential liability.

Possible infringement by third parties of iVillage's intellectual property rights, or claims of intellectual property infringement asserted against iVillage, could harm iVillage's business.

iVillage cannot be certain that the steps it has taken to protect its intellectual property rights will be adequate or that third parties will not infringe or misappropriate iVillage's proprietary rights. Enforcing iVillage's intellectual property rights could entail significant expense and could prove difficult or impossible. Any infringement or misappropriation by third parties could have a material adverse effect on iVillage's future financial results.

Furthermore, iVillage has invested resources in acquiring domain names for existing and potential future use. iVillage cannot guarantee that iVillage will be entitled to use these domain names under applicable trademark and similar laws or that other desired domain names will be available.

Although iVillage believes that its content and technologies do not infringe upon the intellectual property rights of others, third parties have in the past asserted, and could assert in the future, claims of patent, trademark or copyright infringement or misappropriation of creative ideas or formats against iVillage with respect to iVillage's use of domain names, iVillage's content, the iVillageSolutions book series, Web page formats, Web business methods or any third-party content it publishes or broadcasts. iVillage expects that participants in iVillage's markets will continue to be subject to infringement claims. Any such claims, with or without merit, could be time consuming to defend, result in costly litigation, divert management's attention, require iVillage to enter into costly royalty or licensing arrangements or prevent iVillage from using important technologies, ideas or formats, any of which could materially harm iVillage's business, financial condition or results of operations.

iVillage may face potential liability for its privacy practices.

Growing public concern about privacy and the collection, distribution and use of information about individuals may subject iVillage to increased regulatory scrutiny and/or litigation. If iVillage is accused of violating the stated terms of iVillage's privacy policy, iVillage may be forced to expend significant amounts of monetary and human resources to defend against these accusations. iVillage also may be required to make changes to its present and planned products or services. These consequences, together with any resulting liability for iVillage's privacy practices, could have a material adverse effect on iVillage's business, financial condition and results of operations.

iVillage may be liable if third parties misappropriate iVillage's users' personal information.

If third parties were able to penetrate iVillage's network security or otherwise misappropriate its users' personal information or credit card information, iVillage could be subject to liability arising from claims related to, among other things, unauthorized purchases with credit card information, impersonation or other similar fraud claims or other misuse of personal information, such as for unauthorized marketing purposes. In addition, the Federal Trade Commission and state agencies have investigated various Internet companies regarding their use of personal information. iVillage could incur additional expenses if new regulations regarding the use of personal information are introduced or if iVillage's privacy practices are investigated.

Consumer protection privacy regulations could impair iVillage's ability to obtain information about its users, which could result in decreased advertising revenues.

If iVillage becomes unable to collect personal data from a sufficient number of the users of its network, iVillage may lose significant advertising revenues. iVillage generally asks its members and users to "opt-in" to receive special offers and other direct marketing opportunities from iVillage, its advertisers and partners. iVillage's network also requests and obtains personal data from users who register to become members of the network. Registration as a member is required in order for users to have full access to the services offered by iVillage's network. Personal data gathered from members is used to tailor content to them and is provided, on an aggregate basis, to advertisers to assist them in targeting their advertising campaigns to particular demographic groups. The attractiveness of iVillage's network to current or prospective advertisers depends in part on iVillage's ability to provide user data to support this tailoring capability. Privacy concerns may cause users to resist providing this personal data, however.

The perception of security and privacy concerns, whether or not valid, may indirectly inhibit market acceptance of iVillage's use of personal data. iVillage's failure to implement P3P standards could discourage users from using iVillage's Web sites, products and services and from providing their personal data to iVillage. In addition, legislative or regulatory requirements may heighten these concerns if businesses must notify Internet users that the data may be used by marketing entities to direct product promotion and advertising to the user. Other countries and political entities, such as the European Economic Community, have adopted legislation or regulations containing these notification and privacy requirements. Recently, several states have also proposed/and or adopted privacy-related legislation that prohibits unsolicited solicitations via e-mail (commonly known as "spamming") which contain significant monetary penalties for violations.

iVillage's network also uses "cookies" to track user behavior and preferences. A cookie is information keyed to a specific server, file pathway or directory location that is stored on a user's hard drive, possibly without the user's knowledge, but is generally removable by the user. Information gathered from cookies is used by iVillage to tailor content to users of iVillage's network and may also be provided to advertisers on an aggregate basis. In addition, advertisers may themselves use cookies to track user behavior and preferences. A number of Internet commentators, advocates and governmental bodies in the United States and other countries have urged the passage of laws limiting or abolishing the use of cookies. If these laws are passed, it may become more difficult for iVillage to tailor content to its users, making iVillage's network less attractive to users. Similarly, the unavailability of cookies may restrict the use of tailored advertising, making iVillage's network less attractive to advertisers and causing iVillage to lose significant advertising revenues.

Government regulation and legal uncertainties could add additional costs to doing business on the Internet.

There are currently few laws or regulations that specifically regulate communications or commerce on the Internet. Laws and regulations may be adopted in the future, however, that address issues such as user privacy, pricing and taxation, content, copyrights, distribution, antitrust matters and the characteristics and quality of products and services. Moreover, it may take years to determine the extent to which existing laws relating to issues such as property ownership, obscenity, libel and personal privacy are applicable to the Internet or whether laws and regulations from jurisdictions whose laws do not currently apply to iVillage's business will become applicable. Any new laws or regulations relating to the Internet could adversely affect iVillage's business.

Due to the global nature of the Internet, it is possible that, although iVillage's transmissions over the Internet originate primarily in New York, the governments of other states and foreign countries might attempt to regulate iVillage's business activities. In addition, because iVillage's service is available over the Internet in multiple states and foreign countries, these jurisdictions may require iVillage to qualify to do business as a foreign corporation in each of these states or foreign countries, which could subject iVillage to taxes and other regulations.

iVillage is subject to legal proceedings that could result in liability and damage to its business.

From time to time, iVillage has been, and expects to continue to be, subject to legal proceedings and claims in the ordinary course of its business, as well as two securities class action lawsuits. iVillage is unable to determine the amount for which it potentially could be liable since a number of these lawsuits do not specify an amount for damages sought, and iVillage maintains insurance, or believes it is entitled to indemnification from third parties, which may cover some or all of the claims, should they be successful. Such proceedings and claims, even if not meritorious, could require the expenditure of significant financial and managerial resources, which could harm iVillage's business. iVillage believes it has meritorious defenses to all the claims currently made against iVillage. Litigation, however, is inherently uncertain and iVillage may not prevail in these suits. iVillage cannot predict whether future claims will be made or the ultimate resolution of any existing or future claim.

iVillage's operation of IVPN poses a number of risks that could materially adversely affect iVillage's business strategy.

There are a number of risks in operating IVPN related to Lamaze Publishing, Baby Steps magazine and the Channels, which are all primarily non-Internet businesses, including:

- o the competitiveness of the media, television and publishing industries;
- o iVillage's limited experience in operating a multi-media publishing and television company;
- o iVillage's ability to identify and predict trends in a timely manner that may impact consumer tastes in baby-related information in Lamaze Publishing's and IVIP's publications, and on The Newborn Channel and The Newborn Channel-Spanish, and health-related information on The Wellness Channel;
- o iVillage's ability to continue to sell advertising and sponsorships on its Web sites and IVPN's magazines, videos and Channels;
- o iVillage's ability to continue to commercialize and protect the Lamaze mark; and
- o iVillage's ability to maintain and market the Lamaze.com Web site.

iVillage's inability to perform the functions required for the operation of IVPN in an efficient and timely manner could result in a disruption of operations of IVPN that could have a material adverse effect on iVillage's business strategy.

iVillage's business would be harmed if transmission of the Channels were interrupted.

The Channels are broadcast to participating hospitals via either a satellite television network broadcast or an in-hospital digital delivery system. There is a risk that the satellite or the in-hospital delivery system from which the transmissions are sent may malfunction, interrupting broadcasts of the Channels. Furthermore, extreme adverse weather conditions or third parties could damage or disable receivers and transmitters on the ground hindering transmission of the Channels' signal. In the event this occurs, there may be a period of time before transmission of all or some of the Channels could resume. Any interruption in iVillage's ability to transmit the Channels could have an adverse effect on its business.

iVillage's operation of the iVillageAccess ISP poses a number of risks that could materially adversely affect iVillage's business, financial condition and results of operations.

There are a number of risks involved in the operation of the iVillageAccess ISP, including:

- o the competitiveness of the ISP industry;
- o iVillage's limited experience in operating an ISP;
- o iVillage's ability to identify and predict trends in a timely manner that may impact consumers' tastes for subscription to an ISP;
- o patterns of subscriber acquisition and retention, and seasonal trends relating to subscriber usage of iVillageAccess;
- o the competence of the third parties that iVillage relies on for technical and customer service support and the overall operation of iVillageAccess;
- o the effectiveness of iVillage's revenue sharing arrangements and other strategic alliances in connection with the operation of iVillageAccess;
- o changes in operating expenses due to marketing and other subscriber acquisition costs, and/or telecommunications expenses;
- o changes in government regulation of ISPs could negatively impact iVillage by decreasing revenues and increasing costs; and
- o iVillage's ability to protect its systems from any telecommunications failures, security breaches, power loss, or software-related system failures.

iVillageAccess may not be able to compete with other companies offering faster, more advanced, Internet connection technologies.

Currently, iVillageAccess only provides for a dial-up connection to the Internet. Due to the increased speeds of alternative Internet services connections, such as broadband services like digital subscriber lines, or DSL, and cable technologies, the demand for such alternatives has rapidly increased. iVillage cannot provide any assurances as to the demand for dial-up Internet connections in the future. Although iVillage is considering whether to provide broadband services, it cannot guarantee that in the event it chose to do so that iVillage (i) would have adequate access to such technologies at favorable rates, (ii) would be able to partner with providers of broadband services, or (iii) would have adequate capital to take advantage of any existing or future opportunities to provide broadband services. iVillage competes in the market for Internet connections with many ISP companies that possess significant financial resources, have well-established brand names, and large existing customer bases. In many markets, these ISP companies already offer, or are expected to offer, broadband Internet access. iVillage's inability to compete with other dial-up Internet service providers, those ISP companies offering broadband services, or other competitors offering advanced Internet connection technologies, could have a material adverse effect on iVillage's business, financial condition and results of operations.



iVillage's sale of iVillageSolutions products, its line of vitamins, minerals and supplements, poses a number of risks that could materially adversely affect iVillage's business, financial condition and results of operations.

There are a number of risks involved in the sale of iVillageSolutions-branded vitamins, minerals and supplements, including:

- o the competitiveness of the vitamin, mineral and supplement industry;
- o iVillage's limited experience in operating as a retailer of vitamins, minerals and supplements;
- o iVillage's ability to identify and predict trends in a timely manner that may impact consumers' tastes for vitamins, minerals and supplements;
- o iVillage's ability to effectively market to and attract customers of competitors such as mass merchandisers, drug store chains, independent drug stores, supermarkets and health food stores;
- o the competence of the third parties that iVillage relies on for the development, manufacture and distribution of the iVillageSolutions products;
- o the reluctance of consumers to purchase vitamins, minerals and supplements online;
- o the effectiveness of iVillage's revenue sharing arrangements and other strategic alliances in connection with the sale of iVillageSolutions products;
- o changes in operating expenses due to customer acquisition costs including manufacturing, marketing and distribution expenses; and
- o changes in government regulation of vitamins, minerals and supplements could negatively impact iVillage by decreasing revenues and increasing costs.

iVillage may face potential products liability based upon its iVillageSolutions products.

As with other retailers, distributors and manufacturers of products that are ingested, iVillage faces an inherent risk of exposure to product liability claims in the event that the use of its products results in injury or death. iVillage may be subjected to various product liability claims, including, among others, that its products contain contaminants or include inadequate instructions as to use or inadequate warnings concerning side effects and interactions with other substances. iVillage carries insurance in the types and amounts that management considers reasonably adequate to cover the risks associated with the operations of this business. There can be no assurance, however, that such insurance will continue to be available at a reasonable cost or, if available, will be adequate to cover liabilities.

Government regulation could add additional costs to doing business in the vitamin, mineral and supplement industry.

The manufacturing, processing, formulating, packaging, labeling and advertising of the iVillageSolutions products are subject to regulation by federal agencies, including the Federal Drug Administration, the Federal Trade Commission, the United States Department of Agriculture and the Environmental Protection Agency. These activities may also be regulated by various agencies of the states, localities and foreign countries to which iVillageSolutions products may be distributed.

iVillage cannot (i) guarantee that existing laws and regulations have been properly interpreted and applied to the iVillageSolutions products, (ii) predict the nature of any future laws, regulations, interpretations or applications, or (iii) determine what effect additional governmental regulations or administrative orders, when and if promulgated, would have on the manufacture, sale and distribution of iVillageSolutions products. Such changes may require the reformulation of certain products to meet new standards, the recall or discontinuance of certain products not capable of reformulation, expanded documentation of the properties of certain products, expanded or different labeling, or scientific substantiation. Any or all of such requirements could ultimately have a material adverse effect upon iVillage's business, financial condition and results of operations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not Applicable.

Item 4. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures.  
-----

iVillage's management maintains disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) which it has designed to ensure that material information related to iVillage, including its consolidated subsidiaries, is made known to iVillage's disclosure committee, which consists of certain members of iVillage's management, on a regular basis.

iVillage's disclosure committee has carried out an evaluation, under the supervision and with the participation of iVillage's management, including its Chief Executive Officer, Douglas W. McCormick, and Chief Financial Officer, Scott Levine, of the effectiveness of the design and operation of iVillage's disclosure controls and procedures as of June 30, 2003. Based upon that evaluation, Messrs. McCormick and Levine concluded that iVillage's disclosure controls and procedures are effective in ensuring that information required to be disclosed by iVillage in the reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to iVillage's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

iVillage's management, including its Chief Executive Officer and Chief Financial Officer, does not expect that its disclosure controls or internal control over financial reporting will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management, despite the existence of the controls. The design of any system of controls is also based, in part, upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. As time goes by, controls may become inadequate because of changes in conditions, or the degree of compliance with such policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

(b) Changes in Internal Control over Financial Reporting.  
-----

There was no change in iVillage's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the fiscal quarter ended June 30, 2003 that has materially affected, or is reasonably likely to materially affect, iVillage's internal control over financial reporting.

PART II  
OTHER INFORMATION

Item 1. Legal Proceedings.

Reference is made to "Item 3. Legal Proceedings." in iVillage's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 for a description of certain class action securities lawsuits pending against iVillage and Women.com in connection with their respective 1999 initial public offerings.

In June 2003, a proposed settlement of this litigation was structured between the plaintiffs, the issuer defendants, the issuer officers and directors named as defendants, and the issuers' insurance companies. The proposed settlement generally provides, among other things, that the issuer defendants and related individual defendants will be released from the litigation without any liability other than certain expenses incurred to date in connection with the litigation, the issuer defendants' insurers will guarantee \$1.0 billion in recoveries by plaintiff class members, the issuer defendants will assign certain claims against the underwriter defendants to the plaintiff class members, and the issuer defendants will have the opportunity to recover certain litigation-related expenses if the plaintiffs recover more than \$5.0 billion from the underwriter defendants.

The respective boards of directors of iVillage and Women.com each approved the proposed settlement in July 2003. The proposed settlement is now subject to approval by the other involved parties as well as to the final approval of the court. iVillage does not expect this proposed settlement, if approved, to have a material impact on iVillage's financial condition or results of operations. There can be no assurance that this proposed settlement will be approved and implemented in its current form, or at all.

Item 2. Changes in Securities and Use of Proceeds.

Not Applicable.

Item 3. Defaults Upon Senior Securities.

Not Applicable.

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

Not Applicable.

Item 5. Other Information.

Not Applicable.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

-----

Number	Description
-----	-----
3.1	Restated Certificate of Incorporation of the Registrant (incorporated by reference from Exhibit 3.1 to the Registrant's Form 10-Q Quarterly Report for the period ended September 30, 2001, File No. 000-25469).
3.2	By-Laws of the Registrant (incorporated by reference from Exhibit 3.2 to the Registrant's Form 10-Q Quarterly Report for the period ended June 30, 2001, File No. 000-25469).
10.1	Employment Agreement, dated as of May 30, 2003, between the Registrant and Douglas W. McCormick.
10.2	Fifth Amendment to Lease, dated as of June 30, 2003, between the Registrant and 500-512 Seventh Avenue Limited Partnership.
10.3	Letter Agreement, dated July 22, 2003, between the Registrant and Nancy Evans.
11	Statement re: computation of earnings per share.
31	Certifications of Principal Executive Officer and Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934.
32	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350.

(b) Reports on Form 8-K.

-----

A Report on Form 8-K was furnished on May 7, 2003, reporting under Item 7, Item 9 and Item 12, and a Report on Form 8-K was filed on June 10, 2003, reporting under Item 5 and Item 7.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

iVILLAGE INC.  
(Registrant)

Dated: August 14, 2003

By: /s/ Douglas W. McCormick

-----  
Douglas W. McCormick  
Chairman and Chief Executive Officer  
(Principal Executive Officer)

Dated: August 14, 2003

By: /s/ Scott Levine

-----  
Scott Levine  
Chief Financial Officer (Principal  
Accounting and Financial Officer)

EXHIBIT INDEX

Number	Description
-----	-----
3.1	Restated Certificate of Incorporation of the Registrant (incorporated by reference from Exhibit 3.1 to the Registrant's Form 10-Q Quarterly Report for the period ended September 30, 2001, File No. 000-25469).
3.2	By-Laws of the Registrant (incorporated by reference from Exhibit 3.2 to the Registrant's Form 10-Q Quarterly Report for the period ended June 30, 2001, File No. 000-25469).
10.1	Employment Agreement, dated as of May 30, 2003, between the Registrant and Douglas W. McCormick.
10.2	Fifth Amendment to Lease, dated as of June 30, 2003, between the Registrant and 500-512 Seventh Avenue Limited Partnership.
10.3	Letter Agreement, dated July 22, 2003, between the Registrant and Nancy Evans.
11	Statement re: computation of earnings per share.
31	Certifications of Principal Executive Officer and Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934.
32	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350.

iVILLAGE INC.  
EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is entered into by and between iVillage Inc., a Delaware corporation (the "Company"), and Douglas W. McCormick ("Employee") effective as of May 30, 2003 (the "Effective Date").

In consideration of the mutual covenants and agreements hereinafter set forth, the Company and Employee hereby agree as follows:

AGREEMENT

1. EMPLOYMENT. The Company hereby employs Employee to serve as Chief Executive Officer of the Company with such duties and responsibilities as are usually vested in the office of chief executive officer of a corporation and as otherwise set forth in the Company's By-Laws, and in such other executive and managerial capacities consistent with his status and title as are determined by the Board of Directors of the Company.

Unless earlier terminated as set forth herein, the term of employment shall be for a period of twenty-four (24) months from the Effective Date (the "Term").

2. COMPENSATION.

2.1 Retention Bonus. As an incentive to execute this Agreement, Employee shall be paid a retention bonus (the "Retention Bonus") of \$200,000.

2.2 Base Salary. During the Term, Employee shall be paid a base salary at the annual rate of five hundred thousand dollars (\$500,000) (the "Base Salary"). The Base Salary shall be payable in installments consistent with the Company's payroll practices.

2.3 Bonus. Employee shall be eligible to participate in the Company's bonus plan. For fiscal year 2003, Employee's bonus will be targeted at eighty percent (80%) of Employee's Base Salary, or four hundred thousand dollars (\$400,000). For fiscal year 2004, Employee's bonus will be targeted at one hundred ten percent (110%) of Employee's Base Salary, or five hundred fifty thousand dollars (\$550,000). Payment of a bonus is based on satisfactory performance of Company, departmental and individual goals and objectives, as determined by the Board of Directors or a committee thereof. However, for fiscal year 2003, Employee's bonus will be based on the criteria set forth in Exhibit A to this Agreement. Bonus criteria for fiscal year 2004 will be set by the Compensation Committee of the Board of Directors no later than the first quarter of fiscal year 2004.

2.4 Payment. Payment of all compensation to Employee hereunder (including any payment under Section 6.1) shall be subject to all applicable employment and withholding taxes and other customary deductions.



### 3. OTHER EMPLOYMENT BENEFITS.

3.1 Business Expenses. Upon submission of itemized expense statements in the manner and form regularly specified by the Company, Employee shall be entitled to reimbursement for reasonable travel (generally first class air fare or business class air fare if first class is unavailable) and other reasonable business expenses incurred by Employee in the performance of his duties under this Agreement in accordance with the Company's travel and entertainment policy.

3.2 Fringe Benefits. The Company shall make Employee the beneficiary of and Employee shall receive the standard package of fringe benefits as the Company generally provides to its other senior executive officers including, without limitation, the ability to participate in any stock option plan, restricted stock plan, phantom stock plan, deferred compensation plan or other compensation or benefit plans. Fringe benefits to be included in this standard benefit package include, but are not limited to, medical and dental insurance coverage, disability insurance, four (4) weeks of paid vacation per year, holidays and sick leave. Participation in such fringe benefit programs will be subject to certain employee contributions that may from time to time regularly be applicable to such programs.

3.3 Administrative Assistant. During the term of this Agreement, the Company shall employ Employee's current administrative assistant (or in Employee's sole discretion, a substitute administrative assistant) on terms at least as favorable as her existing compensation package, subject to changes in Company-wide benefit programs.

3.4 No Other Benefits. Employee understands and acknowledges that the compensation specified in Sections 2 and 3 of this Agreement shall be in lieu of any and all other compensation, benefits and plans. Nothing in the previous sentence will preclude Employee from receiving any additional bonuses or compensation in addition to that contemplated herein provided such has been approved by the Company's Compensation Committee and Board of Directors.

4. EMPLOYEE'S BUSINESS ACTIVITIES. Employee shall devote substantially all of his professional time, attention and energy exclusively to the business and affairs of the Company and its affiliates, as its business and affairs now exist and as they hereafter may be changed. In addition, Employee will not engage in any consulting activity except with the prior written approval of the Company (which shall not be unreasonably withheld), or at the direction of the Company, except for consultancies for companies listed on Exhibit B hereto, provided that such consultancies do not materially detract from Employee's ability to perform his obligations hereunder. The foregoing shall not be construed as preventing Employee from investing his assets in such form or manner as will not require any significant services on his part in the operation of the affairs of the businesses or entities in which such investments are made. In addition, the foregoing shall not be construed as preventing Employee from engaging in activities involving charitable, educational, religious and other similar types of organizations and activities, or from serving as a director of other companies, so long as such activities do not interfere with the performance of his duties hereunder or otherwise violate the terms hereof.

5. OBLIGATION NOT TO COMPETE. Employee acknowledges the highly confidential nature of information regarding the Company's businesses, customers, suppliers, employees, agents, independent contractors and consultants. Employee hereby agrees that (a) while he is employed by the Company or is receiving pay pursuant to Section 6.1 of this Agreement and (b) during the one (1) year period following his termination of employment with the Company pursuant to Section 6.1 (b) or (d) (the "Restricted Period"), Employee shall not engage in, assist others in engaging in or provide services to any organization, proprietorship or entity that engages in or proposes to engage in any business in which the Company or its affiliates is actively engaged or is actively considering engagement at the time of termination of Employee's employment. Examples of specific businesses currently considered to be competitive include, but are not limited to, any organization or subsidiary, affiliate or group within such organization, that is directed or targeted to a primarily female demographic, including but not limited to, Oxygen Media, Inc., The Hearst Corporation, WE Entertainment Television or any women's portal or other similar organizations, whether currently existing or as may be formed after execution of this Agreement and regardless of the medium of distribution ("Competitive Business"); provided, however, that in the event of Employee's termination of employment pursuant to Sections 6.1(a) and (c) only, the term "Competitive Business" shall only apply to Oxygen Media or The Hearst Corporation. Employee also agrees that, during the Restricted Period, he shall not in any manner, directly or indirectly, solicit, or encourage any customer, distributor, supplier, employee, agent, independent contractor, consultant or any other person or company to terminate or alter its relationship with the Company or its affiliates. Each of the following activities shall, without limitation, be deemed to violate the provisions of this Section 5: to engage in, work with, have an interest or concern in, advise, lend money to, guarantee the debts or obligations of, or permit one's name or any part thereof to be used in connection with, an enterprise or endeavor, either individually, in partnership, or in conjunction with any person or persons, firms, associations, companies, or corporations, whether as a principal, agent, shareholder, employee, officer, director, partner, consultant or in any other manner whatsoever, which engages in a Competitive Business; provided, however, that (i) Employee and/or his affiliates shall retain the right to invest in or have an interest in entities provided that said interest does not exceed five percent (5%) of the voting control of said entity and (ii) the Company and Employee acknowledge that the Employee and/or his affiliates currently have investments in, consultancies with and/or serve on the Board of Directors of (and may retain such positions), the entities listed on Exhibit B attached hereto.

6. TERMINATION OF EMPLOYMENT AND EFFECTS OF TERMINATION.

6.1 Events of Termination. Employee's employment with the Company shall terminate upon any one of the following:

(a) The Company provides Employee with written notice of the Company's intent to terminate Employee's employment with the Company without cause, in which case termination shall be effective on the date specified in such written notice, which shall be a date no earlier than thirty (30) days after the date of the notice unless Employee consents to an earlier date. In the event of termination under this subparagraph (a), the Company shall pay Employee: (i) the compensation and benefits otherwise payable to Employee under Section 2.2 through the effective date of termination (including pay for accrued but unused vacation and any then outstanding expense reimbursements); (ii) an amount equivalent to the Base Salary that Employee would have earned had he remained employed through the end of the Term, payable in equal installments consistent with the Company's payroll practices; (iii) an amount equivalent to any bonus which would have been earned by Employee had he remained employed through the end of the Term (at the bonus targets specified in Section 2.3 above; provided that, in the event Employee is terminated in fiscal year 2005,

Employee's bonus for fiscal year 2005 shall be pro rated to reflect the percentage of that year in which Employee was employed; and provided further that Employee shall not be entitled to receive severance equal to such bonus compensation for prior completed fiscal years for which he (A) already received a bonus or (B) did not satisfy the applicable bonus criteria), payable at the time such bonuses are generally distributed by the Company; (iv) continued insurance coverage on Employee for the remainder of the Term (subject to applicable law and applicable employee contributions); (v) immediate acceleration of the vesting period for any unvested stock options held by Employee; and (vi) all stock options held by Employee will remain exercisable for a period of three (3) years after the effective date of Employee's termination. Notwithstanding the foregoing, in no event shall the sum of subparagraphs (ii) and (iii) above be less than \$700,000. Employee's rights under the Company's benefit plans of general application shall be determined under the provisions of those plans. Severance compensation described in subparagraphs (ii) - (vi) of this section are conditioned upon execution of appropriate and customary termination and release agreements with the Company to be negotiated in good faith by the parties. Employee shall continue to comply with Section 5 after termination pursuant to this subparagraph (a).

(b) The Company determines, in good faith, that Employee should be terminated for "cause" as defined in Section 6.2 below, in which case termination shall be effective on the date that written notice of termination is hand-delivered to Employee by the Company (or, if the Company is unable to hand-deliver such notice to Employee, the date that such notice is mailed or faxed to Employee pursuant to Section 10.9). In the event of termination under this subparagraph (b), the Company shall pay Employee the compensation and benefits otherwise payable to Employee under Section 2.2 through the effective date of termination (including pay for accrued but unused vacation and any then outstanding expense reimbursements), and the Company will have no obligation to pay Employee the Base Salary or any bonus or other compensation for the remainder of the Term. Employee's rights under the Company's benefit plans of general application shall be determined under the provisions of those plans. Employee shall continue to comply with Section 5 after termination pursuant to this subparagraph (b).

(c) The resignation by Employee for "good reason" as defined in Section 6.3 below, in which case resignation shall be effective on the date that written notice of Employee's resignation is delivered to the Company pursuant to Section 10.9. In the event of resignation under this subparagraph (c), the Company shall pay Employee the compensation and benefits described in subparagraph (a) of this section under the same terms and conditions described in subparagraph (a).

(d) The effective date of any voluntary termination by Employee other than for "good reason". In the event of termination under this subparagraph (d), the Company shall pay Employee the compensation and benefits described in subparagraph (b) of this section under the same terms and conditions described in subparagraph (b).

(e) The date of Employee's death or permanent disability. Permanent disability may be deemed to occur, at the Company's discretion communicated by written notice to Employee, if Employee is incapacitated or disabled by accident or sickness or otherwise so as to render him mentally or physically incapable of performing the services required to be performed by him under this Agreement for a period of 120 consecutive days. In the event of termination under this subparagraph (e), the Company shall pay Employee or his estate the compensation and benefits otherwise payable to Employee under Section 2.2 through the effective date of termination (including pay for accrued but unused vacation and any then outstanding expense reimbursements), and the Company will have no obligation to pay Employee or his estate the Base Salary, any bonus or other compensation for the remainder of the Term. Employee's rights under the Company's benefit plans of general application shall be determined under the provisions of those plans or the provision of any agreement executed pursuant to those plans. Employee shall continue to comply with Section 5 after termination as a result of permanent disability pursuant to this subparagraph (e).

(f) In the event of a termination of Employee's employment pursuant to this Section 6.1, the Company and Employee agree to work together in good faith to issue a joint press release discussing such termination with such language as shall be mutually agreed by the parties. Under no circumstances shall Employee be required to obtain suitable employment elsewhere upon termination of this Agreement or otherwise mitigate any post-termination payments required to be made to Employee by the Company.

6.2 Termination For "Cause" Defined. For purposes of Sections 6.1(a) and 6.1(b) above, "cause" for Employee's termination shall exist at any time after the happening of one or more of the following events:

(a) Employee has breached any material provision of this Agreement or any other agreement between the Company and the Employee, which breach is not cured within thirty (30) days following the delivery to Employee of written notice reasonably describing the alleged breach;

(b) Employee has engaged in habitual neglect of his duties as an employee of the Company which remains uncured following delivery to Employee of written notice reasonably describing the offending conduct and a reasonable opportunity to cure;

(c) Employee has committed a material act of dishonesty including, without limitation, Employee's theft, misuse or unauthorized disclosure of proprietary information;

(d) Employee is convicted of a felony or a crime involving moral turpitude not involving a conviction for operating a motor vehicle under the influence of alcohol or any other motor vehicle violation;

(e) Any chemical dependency or substance abuse resulting in a continuous and material impairment of the Employee's ability to perform his duties as an employee of the Company;

6.3 Resignation For "Good Reason" Defined. For purposes of Section 6.1(c) above, Employee may regard his employment as being constructively terminated and may, therefore, resign within thirty (30) days of the Employee's discovery of the occurrence of one or more of the following events, any of which shall constitute "good reason" for such resignation:

(a) Without the Employee's prior written consent, the assignment to the Employee of any duties materially inconsistent with the Employee's position, duties, responsibilities and status with the Company as set forth in this Agreement, whether after a "change in control" event (as defined in Exhibit C hereto) or otherwise;

(b) Without Employee's consent in each instance, a reduction by the Company of the Employee's base salary or of any bonus compensation formula applicable to Employee, or the Company's failure to pay Employee the applicable bonus pursuant to Section 2.3 in any fiscal year despite satisfaction of the corresponding applicable bonus criteria for such fiscal year as set forth in Exhibit A hereto for fiscal year 2003 or by the Compensation Committee of the Company's Board of Directors for subsequent fiscal years during the Term;

(c) The Company or any affiliate(s) requiring the Employee to be based anywhere other than within twenty-five (25) miles of the area in which he resides, except for required travel on the Company's or an affiliate's business to an extent substantially consistent with the Employee's present business travel obligations;

(d) A breach by the Company of any material provision of this Agreement or any other agreement between the Company and the Employee, which breach is not cured within thirty (30) days following the delivery to the Company of written notice reasonably describing the alleged breach;

(e) The Company's Nominating Committee of the Board of Directors fails to nominate Employee as a nominee for election to the Company's Board of Directors upon expiration of Employee's term as a director or Employee is removed from the Company's Board of Directors during his term without cause;

(f) As of a date at least six (6) months prior to the expiration of the Term (i.e. November 30, 2004), the Company shall have failed either to provide Employee with notice of the Company's intention to renew this Agreement on the same terms or enter into a new agreement with Employee on substantially similar or better terms than this Agreement; provided, however, that the Company's failure to offer the Retention Bonus described in Section 2.1 of this Agreement in any such renewal or new offer shall not constitute "good reason" under this Section 6.3; and/or

(g) The occurrence of a "change in control" of the Company (as defined in Exhibit C), in which case Employee shall be entitled to the severance compensation described in Section 6.1(c) of this Agreement regardless of whether or not Employee is offered or accepts a position with the surviving entity after such change in control.

6.4 Effect of Termination Payments. Employee agrees and acknowledges that upon Employee's termination of employment with the Company pursuant to Section 6 of this Agreement, Employee shall only be entitled to the severance payments and benefits (including stock option vesting), if any, specified in Section 6 or in the applicable stock option agreements and such severance payments and benefits shall be in lieu of all other severance payments and benefits which might otherwise be payable to Employee by the Company.

#### 7. CONFIDENTIALITY; WORKS FOR HIRE.

7.1 Confidentiality. As used herein, the term "Confidential Information" means all trade secrets or confidential information concerning the business, products, practices or techniques of the Company and/or its affiliates and any third parties with whom they deal, including, but not limited to, price lists, pricing information, product information systems, designs, research, membership lists, members' and users' personal information, negotiations with regard to corporate transactions, sponsorship and advertising arrangements, contracts and licenses, processes, inventions, developments, proposals, plans, advertiser and customer lists, technical, accounting and financial information of the Company and/or its affiliates, their customers or suppliers (whether or not copyrighted or copyrightable or patented or patentable). At all times, both during Employee's employment by the Company and after Employee's termination, Employee will keep in strict confidence and will not disclose any Confidential Information including, but not limited to, Confidential Information concerning any client, customer, or business partner of the Company, to any person or entity, or make use of any such Confidential Information for Employee's own purposes or for the benefit of any person or entity, except as may be necessary in the ordinary course of performing Employee's duties as an employee of the Company. The term "Confidential Information" does not include information which (i) is or becomes generally available to the public other than as a result of a disclosure by the Employee, (ii) was within the Employee's possession prior to being furnished to the Employee by or on behalf of the Company pursuant hereto or (iii) becomes available to the Employee on a non-confidential basis from a source other than the Company or any of its present or prospective directors, officers, employees, agents or advisors; provided that with respect to clauses (ii) and (iii) above, the source of such information was not bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation of confidentiality to the Company or any other party with respect to such information.

7.2 Works for Hire. Employee acknowledges that all right, title and interest he obtains in all works of authorship, designs, computer programs, copyrights and copyright applications, inventions, discoveries, developments, know-how, systems, processes, formulae, patent and patent applications, trade secrets, new products, internal reports and memoranda, strategies, and marketing plans conceived, devised, developed, written, reduced to practice, or otherwise created or obtained by Employee in connection with his employment by the Company (the "Intellectual Property") are regarded as "works for hire". Employee hereby transfers and assigns to the Company all right, title, and interest to the Intellectual Property. Promptly after Employee obtains knowledge of any Intellectual Property, he will disclose it to the Company. Upon request of the Company, he will execute and deliver all documents or instruments and take all other action as the Company may deem reasonably necessary to transfer all right, title, and interest in any Intellectual Property to the Company; to vest in the Company good, valid and marketable title to such Intellectual Property; to perfect, by registration or otherwise, trademark, copyright and patent protection of the Company with respect to such Intellectual Property; and otherwise to protect the Company's trade secrets and proprietary interest in such Intellectual Property.

In the event of the termination of Employee's employment for any reason, Employee will deliver to the Company all documents, notes, drawings, blueprints, formulae, specifications, computer programs, data and other materials of any nature pertaining to any Intellectual Property or to Employee's work with the Company, and will not take any of the foregoing or any reproduction of any of the foregoing that is embodied in a tangible medium of expression.

8. ASSIGNMENT AND TRANSFER. Employee's rights and obligations under this Agreement shall not be transferable by assignment or otherwise, and any purported assignment, transfer or delegation thereof shall be void. This Agreement shall inure to the benefit of, and be enforceable by, any purchaser of all or substantially all of the Company's assets, any corporate successor to the Company or any assignee thereof.

9. NO INCONSISTENT OBLIGATIONS. Employee is aware of no obligations, legal or otherwise, inconsistent with the terms of this Agreement or with his undertaking employment with the Company.

10. MISCELLANEOUS.

10.1 Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of New York without giving effect to any choice of law or conflicting provision or rule.

10.2 Entire Agreement. This Agreement, together with the attached exhibits, contains the entire agreement and understanding between the parties hereto and supersedes any prior or contemporaneous written or oral agreements between them respecting the subject matter hereof. Employee acknowledges, represents and warrants to the Company that no oral or written representations have been made to Employee by the Company, or any representative of the Company regarding (a) the Company's financial condition or its prospects or (b) any obligation, commitment or understanding on behalf of the Company to continue to employ Employee for any specific period of time except as specifically set forth herein.

10.3 Amendment. This Agreement may be amended only by a writing signed by Employee and by a duly authorized representative of the Company (other than Employee).

10.4 Severability. If any term, provision, covenant or condition of this Agreement, or the application thereof to any person, place or circumstance, shall be held to be invalid, unenforceable or void, the remainder of this Agreement and such term, provision, covenant or condition as applied to other persons, places and circumstances shall remain in full force and effect.

10.5 Construction. The headings and captions of this Agreement are provided for convenience only and are intended to have no effect in construing or interpreting this Agreement. The language in all parts of this Agreement shall be in all cases construed according to its fair meaning and not strictly for or against the Company or Employee.

10.6 Rights Cumulative. The rights and remedies provided by this Agreement are cumulative, and the exercise of any right or remedy by either party hereto (or by its successor), whether pursuant to this Agreement, to any other agreement, or to law, shall not preclude or waive such party's right to exercise any or all other rights and remedies.

10.7 Nonwaiver. No failure or neglect of either party hereto in any instance to exercise any right, power or privilege hereunder or under law shall constitute a waiver of any other right, power or privilege or of the same right, power or privilege in any other instance. All waivers by either party hereto must be contained in a written instrument signed by the party to be charged and, in the case of the Company, by an officer of the Company (other than Employee) or other person duly authorized by the Company.

10.8 Remedy for Breach. The parties hereto agree that, in the event of breach or threatened breach of any covenants of Employee, the damage or imminent damage to the value and the goodwill of the Company's business shall be inestimable, and that therefore any remedy at law or in damages shall be inadequate. Accordingly, the parties hereto agree that the Company shall be entitled to apply for injunctive relief against Employee in the event of any breach or threatened breach of any of such provisions by Employee, in addition to any other relief (including damages) available to the Company under this Agreement or under law.

10.9 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally or by commercial delivery service, or mailed by registered or certified mail (return receipt requested) or sent via facsimile (with acknowledgement of complete transmission) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

if to the Company, to:

iVillage Inc.  
500 Seventh Avenue  
New York, New York 10018  
Attention: Legal Department  
Telephone No.: (212) 600-6000  
Facsimile No.: (212) 600-6556

if to Employee, to:

Douglas McCormick  
1080 Fifth Avenue  
Penthouse  
New York, New York 10128  
Telephone No.: [Intentionally withheld]  
Facsimile No.: [Intentionally withheld]



with a copy to:

David Alan Miller  
Graubard Mollen & Miller  
600 Third Avenue  
New York, New York 10016-2097  
Telephone No.: (212) 818-8800  
Facsimile No.: (212) 818-8881

and

David Alexander  
Peysner & Alexander Management Inc.  
500 Fifth Avenue, Suite 2700  
New York, New York 10110  
Telephone No.: (212) 764-6455  
Facsimile No.: (212) 921-4249

10.10 Assistance in Litigation. Employee shall, during and after termination of employment, upon reasonable notice, furnish such information and proper assistance to the Company as may reasonably be required by the Company in connection with any litigation in which it or any of its subsidiaries or affiliates is, or may become, a party. If such information or assistance is required after termination of Employee's employment, Employee shall be entitled to reasonable reimbursement of Employee's out-of-pocket expenses (excluding attorney's fees) and, in the event such assistance exceeds ten (10) hours of Employee's time in the aggregate, for Employee's time in connection therewith.

10.11 Arbitration. Any dispute or disagreement arising out of this Agreement or a claimed breach, except that which involves a right to injunctive relief, shall be resolved by arbitration in New York, New York under the Voluntary Labor Arbitration Rules of the American Arbitration Association. The arbitrator's decisions shall be final and binding upon the parties and judgment may be entered in any court.

10.12 Execution. This Agreement may be executed in counterparts, each of which shall be deemed an original but both of which together will constitute one and the same instrument.

10.13 Expenses. The Company shall reimburse Employee for the reasonable professional fees and expenses incurred by Employee in connection with the negotiation of this Agreement, up to a maximum of \$15,000 in the aggregate.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the Effective Date.

iVILLAGE INC.

EMPLOYEE

By /s/ Steven A. Elkes

/s/ Douglas W. McCormick

-----  
Name: Steven A. Elkes  
Title: Executive Vice President - Operations  
and Business Affairs

-----  
Douglas W. McCormick

## Fiscal Year 2003 Bonus Criteria

Employee shall earn and be paid his Bonus for fiscal year 2003 pursuant to Section 2.3 in accordance with the following criteria:

1. If the Company achieves "core" revenues of at least \$28.1 million in fiscal year 2003, then Employee shall be entitled to twenty-five percent (25%) of his 2003 target Bonus, or \$100,000;
2. If the Company achieves "non-core" revenues of at least \$26.1 million in fiscal year 2003, then Employee shall be entitled to an additional twenty-five percent (25%) of his 2003 target Bonus, or \$100,000;
3. If the Company achieves "core" "EBITDA" of at least (\$7.0 million) in fiscal year 2003, then Employee shall be entitled to an additional twenty-five percent (25%) of his 2003 target Bonus, or \$100,000; and/or
4. If the Company publicly reports cash and cash equivalents on its balance sheet as of December 31, 2003 of at least \$12.0 million, then Employee shall be entitled to an additional twenty-five percent (25%) of his 2003 target Bonus, or \$100,000.

For purposes of this Agreement, "core" refers to those consolidated financial results publicly reported by iVillage Inc. and its subsidiaries excluding those results attributable to the following divisions/subsidiaries of the Company in accordance with the Company's historical accounting practices: Public Affairs Group/Business Women's Network, Promotions.com/Webstakes, KnowledgeWeb, Inc. d/b/a Astrology.com and iVillage Parenting Network, Inc. (collectively, the "Non-Core Entities"). For purposes of this Agreement, "non-core" refers to the financial results included in the Company's publicly reported consolidated financial results that are attributable to the Non-Core Entities in accordance with the Company's historical accounting practices. For purposes of this Agreement, "EBITDA" refers to earnings before interest, taxes, depreciation and amortization, excluding one-time and/or non-cash charges (including, without limitation, the following by way of example only: charges related to (i) the abandonment of leased real estate, (ii) the write-off of fixed assets, (iii) the restructuring of a business unit(s), and/or (iv) an impairment of goodwill and intangible assets), as publicly reported by the Company in its periodic financial results press releases in accordance with the Company's historical accounting practices.

In the event that the Company publicly reports cash and cash equivalents on its balance sheet as of December 31, 2003 of at least \$27.0 million, then Employee shall be entitled to a separate \$100,000 bonus in addition to any portion of the Bonus for fiscal year 2003 that Employee may have earned pursuant to the foregoing provisions.

2

EXHIBIT B

Douglas W. McCormick Permitted  
Investments, Consultancies and/or Board Seats

Lovelawyer.com  
On24.com  
Starvest Investments  
Streetmail.com  
Agora Media, Inc.  
Enter-Act  
Circle Graphics, LLC

## DEFINITION OF "CHANGE IN CONTROL"

A "Change in Control" shall mean the occurrence of the following:

- (a) An acquisition (other than directly from the Company) of any voting securities of the Company (the "Voting Securities") by any "Person" (as the term person is used for purposes of Section 13(d) or Section 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), immediately after which such Person has "Beneficial Ownership" (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of fifty percent (50%) or more of the then outstanding shares of the Company's common stock ("Shares") or the combined voting power of the Company's then outstanding Voting Securities; provided, however, in determining whether a Change in Control has occurred pursuant to this Section, Shares or Voting Securities which are acquired in a "Non-Control Acquisition" (as hereinafter defined) shall not constitute an acquisition which would cause a Change in Control. A "Non-Control Acquisition" shall mean an acquisition by (i) an employee benefit plan (or a trust forming a part thereof) maintained by (A) the Company or (B) any corporation or other Person of which a majority of its voting power or its voting equity securities or equity interest is owned, directly or indirectly, by the Company (for purposes of this definition, a "Subsidiary"), (ii) the Company or its Subsidiaries, or (iii) any Person in connection with a "Non-Control Transaction". A "Non-Control Transaction" shall mean a merger, consolidation or reorganization involving the Company in connection with which (i) the stockholders of the Company, immediately before such merger, consolidation or reorganization, own, directly or indirectly, immediately following such merger, consolidation or reorganization, at least seventy percent (70%) of the combined voting power of the outstanding Voting Securities of the corporation resulting from such merger, consolidation or reorganization (the "Surviving Corporation") in substantially the same proportion as their ownership of the Voting Securities immediately before such merger, consolidation or reorganization; (ii) the individuals who were members of the Incumbent Board immediately prior to the execution of the agreement providing for such merger, consolidation or reorganization constitute at least two-thirds of the members of the board of directors of the Surviving Corporation or a corporation beneficially owning, directly or indirectly, a majority of the Voting Securities of the Surviving Corporation; and (iii) no Person (other than the Company, any Subsidiary, any employee benefit plan (or any trust forming a part thereof) maintained by the Company, the Surviving Corporation or any Subsidiary, or any Person who, immediately prior to such merger, consolidation or reorganization had Beneficial Ownership of fifteen percent (15%) or more of the then outstanding Voting Securities) owns, directly or indirectly, fifteen percent (15%) or more of the combined voting power of the Surviving Corporation's then outstanding voting securities; and

(b) The individuals who, as of March 13, 1999 are members of the Board of Directors of the Company (the "Incumbent Board"), cease for any reason to constitute at least fifty percent (50%) of the members of the Board; provided, however, that if the election, or nomination for election by the Company's common stockholders, of any new director was approved by a vote of at least fifty percent (50%) of the Incumbent Board, such new director shall, for purposes of this definition, be considered a member of the Incumbent Board; provided, further, however, that no individual shall be considered a member of the Incumbent Board if such individual initially assumed office as a result of either an actual or threatened "Election Contest" (as described in Rule 14a-11 promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board (a "Proxy Contest") including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest.

2

</TEXT>  
</DOCUMENT>

FIFTH AMENDMENT TO LEASE

THIS AGREEMENT is made as of the 30th day of June, 2003, by and between 500-512 SEVENTH AVENUE LIMITED PARTNERSHIP, a New York limited partnership having an office c/o The Chetrit Group, LLC, Suite 3 West, 601 West 26th Street, New York, New York 10001 ("Landlord"), and iVILLAGE INC., a Delaware corporation having an office at 500 Seventh Avenue, New York, New York 10018 ("Tenant").

W I T N E S S E T H :

- - - - -

Landlord is the landlord and Tenant is the tenant under that certain Agreement of Lease dated as of March 14, 2000 (the "Original Lease"), as amended by (i) that certain First Amendment to Lease dated as of June 7, 2000, (ii) that certain Second Amendment to Lease dated as of January 10, 2001, (iii) that certain Third Amendment to Lease dated as of October 17, 2001, and (iv) that certain Fourth Amendment to Lease dated as of December 3, 2001, and as supplemented by a letter agreement between Landlord and Tenant dated as of December 23, 2002 (the Original Lease, as amended and supplemented, being hereinafter referred to as the "Lease").

Pursuant to the Lease, Landlord currently leases to Tenant, and Tenant currently leases from Landlord, the entire rentable area of the fourteenth (14th) floor in the building located at 500 Seventh Avenue, New York, New York (the "500 Building") and the entire rentable area of the eleventh (11th), twelfth (12th) and thirteenth (13th) floors in the building located at 512 Seventh Avenue, New York, New York (the "512 Building") (collectively, the "Demised Premises").

Tenant desires to surrender possession of, and terminate its tenancy under the Lease with respect to, all of the Demised Premises other than (i) the entire rentable area of the fourteenth (14th) floor in the 500 Building, and (ii) a portion of the twelfth (12th) floor in the 512 Building consisting of approximately 5,638 rentable square feet as shown on Exhibit A annexed hereto and hereby made a part hereof (the "Server Room"; the Server Room, together with the entire rentable area of the fourteenth (14th) floor in the 500 Building, being hereinafter referred to collectively as the "Retained Space"), and Landlord is willing to accept such partial surrender and agree to such partial termination subject to and upon the terms and conditions hereinafter set forth.

Landlord and Tenant desire to modify and amend the Lease in the respects hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency whereof are hereby acknowledged, the parties hereto hereby agree as follows:

1. Effective as of the Effective Date (defined below), Tenant shall irrevocably relinquish and surrender to Landlord all of Tenant's right, title and interest under the Lease with respect to the following spaces (collectively, the "Relinquished Space"): (i) the entire rentable area of the eleventh (11th) and thirteenth (13th) floors in the 512 Building, and (ii) the entire balance of the rentable area of the twelfth (12th) floor in the 512 Building exclusive of the Server Room, and, subject to the terms and conditions hereinafter set forth, Landlord shall accept such surrender. On or before the Effective Date, Tenant shall surrender and deliver the Relinquished Space to Landlord in a condition which will render such space reasonably suitable for viewing by prospective



replacement tenants, free and clear of all of Tenant's employees, and of all tenancies, subtenancies and persons in possession, other than the existing sublease dated October 2001 (the "Sublease") of the entire rentable area of the eleventh (11th) floor in the 512 Building between Tenant, as sublandlord, and Dun & Bradstreet, Inc. ("D&B"), as subtenant. Exhibit B annexed hereto and hereby made a part hereof lists (i) the items of personal property, equipment, fixtures, trade fixtures and furniture (collectively, "Personal Property") which, to the extent Tenant has not already done so, Tenant shall remove, at Tenant's expense, from the Relinquished Space reasonably promptly after the Effective Date (collectively, the "Retained Items"), and (ii) the items of Personal Property which Tenant shall surrender with the Relinquished Space on the Effective Date (such items, together with the balance of Tenant's existing installation not listed as being among the Retained Items, being hereinafter referred to as the "Relinquished Existing Installations"). Tenant shall repair and restore any damage (other than de minimus damage) to the Demised Premises created by Tenant's removal of the Retained Items. The Relinquished Existing Installations (a) shall not be removed by Tenant from the Relinquished Space and instead shall be deemed surrendered to Landlord with the Relinquished Space as of the Effective Date, and (b) shall become the property of Landlord and shall be deemed to have been relinquished, abandoned and conveyed by Tenant to Landlord effective as of the Effective Date. Tenant represents to Landlord that Tenant is, and that Tenant will be on the Effective Date, the lawful owner of the Relinquished Existing Installations and that the same is, and that the same will be on the Effective Date, free and clear of all claims, liens, encumbrances and security interests, in each case other than the rights, if any, of Landlord or Landlord's mortgagees and mezzanine lenders and, as to the eleventh (11th) floor in the 512 Building only, the rights of D&B under the Sublease. On the Effective Date, Tenant shall assign to Landlord all guaranties and warranties, if any, with respect to the Relinquished Existing Installations.

2. (a) Landlord shall have the option, at Landlord's expense, exercisable at any time upon reasonable prior written notice to Tenant, to construct a common corridor on the twelfth (12th) floor of the 512 Building in order to permit access to the Server Room and the balance of the space on the 12th floor in the 512 Building, which common corridor shall comply with applicable law, and, at Landlord's option, shall be constructed in a manner so as to afford Landlord and any other tenant(s) of a portion or portions of the balance of the 12th floor of the 512 Building access to the bathrooms, utilities, mechanical and HVAC systems on such floor. Landlord shall have the option, at Landlord's expense, exercisable at any time upon reasonable prior written notice to Tenant, to separate the utilities, mechanical and HVAC systems presently existing on the 12th floor of the 512 Building so that the same service both the Server Room and the balance of the 12th floor. All such work shall be done in a manner so as to minimize disruption of Tenant's use of the Server Room. Nothing contained in this subparagraph 2(a) shall limit Tenant's obligations under Exhibit C attached hereto. For so long as the Server Room constitutes a portion of the Demised Premises, Tenant shall continue to have reasonable access to the utility lines and panel boxes servicing, but located outside of the perimeter of, the Server Room, including for the purposes of maintaining and repairing the same. Landlord shall have no obligation to perform any other work at or to the Retained Space or make any monetary contribution to Tenant in order to ready the Retained Space for Tenant's continued occupancy thereof or otherwise pursuant to this Agreement.

(b) Tenant, at Tenant's sole cost and expense, shall perform, as promptly as commercially reasonable following the Effective Date and in any event within sixty (60) days after Tenant's receipt of the requisite building permits therefor, all of the work listed on Exhibit C annexed hereto and hereby made a part hereof (the "Tenant's Required Work") in or affecting the Retained Space and the Relinquished Space, which work hereby is approved by Landlord (subject to the submission of plans and specifications for Landlord approval to the extent preparation of plans and specifications, and submission of the same for approval, is required under the Original Lease or applicable law) and which work Landlord and Tenant have agreed constitutes all the work necessary for Tenant to perform to effect the surrender of the Relinquished Space and the possession and occupancy thereafter by Tenant of the Retained Space alone. Tenant, at Tenant's expense, shall promptly apply for all requisite building permits required in connection with Tenant's Required Work and, upon the completion thereof, Tenant shall obtain all requisite sign-offs and approvals therefor. All application, permit, filing and like fees and architect's, engineer's, expediter's and other professional fees incurred in connection therewith shall be borne by Tenant. Such work shall be performed with due diligence in accordance with applicable law and the provisions of Article 13 of the Original Lease.

(c) Upon the completion of all of Tenant's Required Work and Tenant's obtaining of any requisite sign-offs and lien waivers therefor and a certificate from Tenant's licensed architect that Tenant's Required Work has been completed, Landlord shall confirm such completion in writing.

(d) Tenant's performance of Tenant's Required Work shall satisfy all of Tenant's obligations with respect to the Relinquished Space, including without limitation any additional obligations of Tenant which otherwise may have arisen under paragraph 2 of the Second Amendment to Lease. Nothing contained herein shall be deemed to relieve Tenant from any of Tenant's additional obligations under paragraph 2 of the Second Amendment to Lease with respect to the Retained Space, all of which are hereby ratified and confirmed. Notwithstanding the foregoing, Landlord and Tenant acknowledge and agree that Tenant shall have no obligation to comply with Section 2(b) of the Second Amendment to Lease between the parties dated as of January 10, 2001 with respect to the 14th floor of the 500 Building or with respect to the 12th floor of the 500 Building, except as specified on Exhibit C hereto.

3. To and until the later to occur of (i) the Effective Date, and (ii) the date on which Tenant surrenders the Relinquished Space to Landlord, Tenant (x) shall continue to pay fixed rent, electricity charges, Tenant's Tax Payment, porter's wage escalation, and all other items of additional rent and other sums and charges for the Relinquished Space and for the Retained Space in accordance with the terms of the Lease, calculated without regard to this Agreement, and (y) shall otherwise continue to comply with the terms thereof. Tenant shall be deemed to have fulfilled the requirements of subdivision (ii) of the preceding sentence notwithstanding the fact that Tenant has not commenced Tenant's Required Work as of the surrender date.

4. Time shall be of the essence as to Tenant's obligation to surrender the Relinquished Space to Landlord on or before the Effective Date; provided, however, that if for any reason whatsoever Tenant fails to surrender the Relinquished Space to Landlord in accordance with paragraph 1 above within fifteen (15) days after the occurrence of the Effective Date, this Agreement shall nevertheless remain in effect on all of its terms, but Tenant shall pay to Landlord on demand, as additional rent (which shall be in addition to the fixed rent and additional rent payable for the Retained Space and the Relinquished Space calculated pursuant to paragraph 3 above), the additional sum of \$2,500 per day for each day during which Tenant holds over in the Relinquished Space beyond such 15-day period. In addition and without limiting Landlord's other remedies provided for above, Landlord shall also be entitled to proceed against Tenant with a holdover proceeding in the Civil Court of the City of New York with respect to the Relinquished Space. Tenant warrants and represents that it will not defend against, interpose in such proceeding an answer and/or counterclaim, or otherwise contest any such holdover proceeding commenced by Landlord to recover possession of the Relinquished Space, except for a defense based on Tenant's good faith interpretation of this Agreement (as opposed to merely for delaying purposes). Tenant hereby agrees that in connection with any such holdover proceeding it: (a) consents to Landlord's service of process by certified mail, return receipt requested, at the address first above written for Tenant; (b) admits the existence of the Lease, as amended hereby; (c) admits that the term of the Lease, as amended hereby, expires on the Effective Date with respect to the Relinquished Space; (d) consents to Landlord's right to terminate Tenant's occupancy of the Relinquished Space on the Effective Date based upon the obligations herein

contained; (e) admits that Landlord has standing to commence and prosecute a holdover summary proceeding with respect to the Relinquished Space only if Tenant holds over in the Relinquished Space; and (f) if Tenant holds over in the Relinquished Space, consents to the immediate issuance of a warrant of eviction with respect to the Relinquished Space only without any stays of the execution thereof, and Tenant hereby waives the right to appeal therefrom except for an appeal based upon Tenant's good faith interpretation of this Agreement (as opposed to merely for delaying purposes). In the event that a bankruptcy proceeding is filed by or against Tenant, then, in such event, Tenant, to the extent permitted under applicable law, hereby consents to the immediate lifting of the automatic stay provisions of the Bankruptcy Code so as to permit Landlord to commence and/or prosecute any necessary action or proceeding to regain possession of the Relinquished Space. If Landlord elects to commence a holdover or other action or proceeding by reason of Tenant's failure to timely comply with Tenant's obligations hereunder, Tenant shall reimburse Landlord for Landlord's reasonable and actual attorneys' fees and expenses and costs incurred in prosecuting such action and/or proceeding.

5. From and after the later to occur of (i) the Effective Date, and (ii) the date on which Tenant surrenders the Relinquished Space to Landlord (irrespective of whether Tenant has commenced Tenant's Required Work), and for the balance of the term of the Lease, as amended hereby, and the Extension Term (if the Extension Option is exercised), (i) the premises demised under the Lease, as amended hereby, shall be comprised solely of the Retained Space, and (ii) all references under the Lease, as amended hereby, to the "Demised Premises" shall, for all purposes (including the exercise of any Extension Option), be deemed to mean solely the Retained Space.

6. Effective as of, and conditional upon the occurrence of, the Effective Date, the Lease shall be modified as follows:

(a) Section 1.04 of the Original Lease, as amended by paragraph 6(b) of the Third Amendment to Lease, shall be further amended such that the annual fixed rent to be paid by Tenant to Landlord under the Lease shall be at the rate of One Million Four Hundred Seventy Thousand Dollars (\$1,470,000.00), exclusive of electricity (which shall continue to be payable by Tenant pursuant to Article 16 of the Original Lease), which shall be payable in equal monthly installments of One Hundred Twenty-Two Thousand Five Hundred Dollars (\$122,500.00) each.

(b) Provided that Tenant is not then in monetary or material non-monetary default under the Lease, as amended hereby, beyond any applicable period of notice and grace, Tenant shall be entitled to a one-time credit against Tenant's obligation to pay fixed rent in the aggregate amount of One Million Nine Hundred Sixty Thousand Hundred Dollars (\$1,960,000.00) (the "Credit"), which shall be applied against Tenant's obligation to pay fixed rent for the period commencing on January 1, 2014 and ending on April 30, 2015. Notwithstanding the foregoing, the Credit shall not be applied against electricity charges, Tenant's Tax Payment, or any other item of additional rent, all of which amounts shall be paid without abatement in accordance with the terms of the Lease, as amended hereby. Without limiting the generality of the foregoing, Tenant shall not be required to pay porter's wage escalation under Section 5.07(h) of the Original Lease accruing solely during the period from January 1, 2014 through April 30, 2015. The Credit shall not be taken into account in determining the annual fixed rent payable by Tenant during the Extension Term, if the Extension Option is exercised.

(c) Sections 2.01(b), 2.03 and 13.04 of the Original Lease shall be amended only insofar as to provide that no portion of the Demised Premises shall be used as a cafeteria or for the cooking and preparation of food.

(d) Section 5.01(d) of the Original Lease, as amended by paragraph 6(c) of the Third Amendment to Lease, shall be further amended as follows: (i) "Tenant's 500 Proportionate Share" shall mean 6%, and (ii) the rentable square foot area of the portion of the Demised Premises in the 500 Building shall be deemed to be 36,362 square feet.

(e) Section 5.01(e) of the Original Lease shall be amended as follows: (i) "Tenant's 512 Proportionate Share shall mean 1.1%; and (ii) the rentable square foot area of the portion of the Demised Premises in the 512 Building shall be deemed to be 5,638 square feet.

(f) Section 5.07(g) of the Original Lease, as amended by paragraph 6(d) of the Third Amendment to Lease, shall be further amended such that the term "Wage Rate Multiple" shall mean 42,000.

(g) Tenant shall not be required to maintain a security deposit under the Lease, as amended hereby, and all references to a security deposit (including the letter of credit delivered as security) in the Original Lease shall be deemed deleted for all purposes.



(h) Article 39 of the Original Lease shall be deleted in its entirety.

(i) The last sentence of Section 9.04(a)(x) of the Original Lease shall be deleted.

(j) The last sentence of Section 43.01 of the Original Lease shall be deleted and Section 43.02 of the Original Lease shall be deleted in its entirety.

(k) The reference to "5,000 rentable square feet" in the second line of Section 9.11(e) of the Original Lease shall be changed to "3,000 rentable square feet."

(l) Section 11.02(a) of the Original Lease shall be amended to require Tenant to carry insurance with liability limits of not less than Three Million Dollars (\$3,000,000).

(m) A new Section 9.05(n) shall be added to the Original Lease to read in its entirety as follows:

"Notwithstanding anything to the contrary herein, the Credit described in paragraph 6(b) of the Fifth Amendment to Lease shall be applicable to whichever person is the then tenant under this Lease notwithstanding assignment or sublease of this Lease."

7. Tenant acknowledges that effective as of the Effective Date, it will no longer be satisfying the Occupancy Requirement.

8. Modifying Article 32 of the Original Lease, notices to Landlord shall be sent to Landlord to the address set forth on the first page of this Agreement, with a copy simultaneously only of notices of default or lease termination to Gerstein Strauss & Rinaldi LLP, 57 West 38th Street, 9th Floor, New York, New York 10018, Attn: Victor Gerstein, Esq., and (b) a copy only of notices to Tenant of default or lease termination shall be sent simultaneously to Gibson Dunn & Crutcher LLP, 200 Park Avenue, New York, New York 10166, Attn: Randy Mastro, Esq.

9. Provided that all requisite lender consents to this Agreement set forth in paragraph 11 below shall have been obtained within the time period set forth in paragraph 11 below, Tenant hereby irrevocably authorizes Landlord to draw down in full on the Letter of Credit in the amount of Eight Million Four Hundred Seventy-Four Thousand Three Hundred Eighty and 10/100 Dollars (\$8,474,380.10) being held by Landlord as security under the Lease and to retain and apply the entire proceeds thereof (other than the sum of Five Hundred Forty-Seven Thousand Fifty-Eight and 50/100 Dollars (\$547,058.50) thereof, representing the entire unpaid balance of the Construction Payment due to Tenant pursuant to the Lease, as amended hereby, which sum of Five Hundred Forty-Seven Thousand Fifty-Eight and 50/100 Dollars (\$547,058.50) shall be paid by Landlord to Tenant out of the proceeds of the Letter of Credit immediately after Landlord's receipt of such entire proceeds), in reimbursement of amounts heretofore expended by Landlord on the Construction Payment and brokerage commissions in connection with the Lease and amounts Landlord reasonably anticipates expending in order to relet the Relinquished Space, and/or for such other matters as Landlord may determine in its sole and absolute discretion. Tenant confirms that provided all requisite lender consents to this Agreement set forth in paragraph 11 below shall have been obtained, the Letter of Credit and the entire proceeds thereof (other than the sum of Five

Hundred Forty-Seven Thousand Fifty-Eight and 50/100 Dollars (\$547,058.50) of such proceeds, which shall be paid to Tenant as aforesaid) shall constitute the sole, exclusive and absolute property of Landlord and Tenant shall not make a claim that the receipt and retention of such proceeds shall constitute a preference by Landlord. Tenant shall promptly take all appropriate action and execute any and all authorizations, instruments and documents of any kind as may be necessary or required to permit Landlord's draw down in full of the Letter of Credit. Tenant has represented to Landlord that the cost of drawing down upon the Letter of Credit does not exceed \$11,000, and Landlord and Tenant shall each bear 50% of such cost. Landlord expressly agrees that all requirements and conditions of the Lease to payment of the balance payable to Tenant of the Construction Payment have been met, satisfied or waived, that the balance of the Construction Payment now due and payable by Landlord and unpaid is Five Hundred Forty-Seven Thousand Fifty-Eight and 50/100 Dollars (\$547,058.50), and that if such balance is not paid in full to Tenant in accordance with the provisions of this paragraph 9 and this Agreement terminates for any reason, this sentence shall survive termination of this Agreement and Landlord shall be liable immediately to pay said amount to Tenant. Tenant acknowledges that upon its receipt of said sum of Five Hundred Forty-Seven Thousand Fifty-Eight and 50/100 Dollars (\$547,058.50), Landlord shall have fulfilled all of Landlord's obligations under the Lease, as amended hereby, with respect to the Construction Payment. Landlord's timely payment to Tenant of said sum of Five Hundred Forty-Seven Thousand Fifty-Eight and 50/100 Dollars (\$547,058.50) shall be a condition to Tenant's obligations hereunder.

10. Not later than three (3) business days after the receipt of all requisite lender consents described in paragraph 11 below, Landlord shall deliver to Tenant an attornment agreement in the form of Exhibit D attached hereto and made a part hereof in all material respects (the "Attornment Agreement") executed by Landlord in which Landlord exercises its option, pursuant to Section 5(a) of the Sublease and Section 3 of the consent thereto dated as of December 3, 2001 (the "Consent"), that D&B shall attorn directly to Landlord on the terms of the Sublease. Promptly after the execution hereof, Tenant shall execute and shall cause D&B, as subtenant under the Sublease, to execute the Attornment Agreement and Tenant shall deliver partially executed counterparts of the same to Landlord upon Tenant's receipt of counterparts thereof executed by Landlord. If requested by Landlord, Tenant shall execute and deliver to Landlord an assignment of Tenant's interest as sublandlord under the Sublease in form reasonably satisfactory to Landlord. Landlord represents to Tenant that Landlord has reviewed the Sublease and the representations made by D&B in the Attornment Agreement, is satisfied with the same, acknowledges that Landlord is not entitled to payment by Tenant of any amounts in respect of the Sublease under Section 9.10 of the Original Lease, and accepts Tenant's interest as sublandlord under the Sublease without recourse to or warranty by Tenant, except that Tenant hereby represents to Landlord that to the best of Tenant's knowledge, all of the representations and warranties made by D&B in the Attornment Agreement are true and correct in all material respects.

11. This Agreement and the rights and obligations of Landlord and Tenant hereunder are conditional on Landlord's obtaining the written consent to all of the terms of this Agreement from (i) Wachovia Bank, National Association, and Merrill

Lynch Mortgage Capital Inc., respectively, the holders of the first and second mortgages on the 500 Building and 512 Building (collectively, "Landlord's Mortgagees") and from (ii) Capital Trust and (iii) SL Green, each of which is a mezzanine lender to Landlord whose consent is required for the transaction provided for herein and which lenders collectively are all of Landlord's mezzanine lenders and are the only persons in addition to Landlord's Mortgagees whose consent is required for the transaction provided for herein. Landlord shall promptly request such consents in writing, and each request shall, *inter alia*, reference the Credit provided for in paragraph 6(b) hereof. Landlord shall provide Tenant with a copy of each such consent promptly after Landlord's receipt thereof. Notwithstanding the foregoing, if for any reason whatsoever all such requisite written consents are not obtained within twenty (20) business days after the date hereof, then this Agreement shall be void ab initio and of no force or effect, and the Lease shall continue in full force and effect on all of its terms as if this Agreement had not been entered into. Landlord shall not be required to modify the terms of any of its existing loans or make any payment to any of its lenders (other than customary legal and processing fees, the first \$5,000 of which shall be paid by Landlord and the balance, if any, shall be paid 50% by each of Landlord and Tenant) or commence an action against any of its lenders in order to obtain any of the requisite consents.

12. The "Effective Date" shall be the first day on which all of the following conditions shall have been fulfilled:

(a) Landlord shall have received all requisite lender consents pursuant to paragraph 11 above;

(b) D&B and Tenant shall have executed and delivered to Landlord the Attornment Agreement in accordance with paragraph 10 above; and

(c) Landlord shall have received proceeds of the Letter of Credit in the amount of Seven Million Nine Hundred Twenty-Seven Thousand Three Hundred and Twenty-One and 60/100 Dollars (\$7,927,321.60) payable to Landlord in accordance with paragraph 9 above.

If for any reason the Effective Date shall not have occurred on or before August 15, 2003, then this Agreement shall be void ab initio and of no force or effect and the Lease shall continue in full force and effect on all of its terms.

13. Tenant hereby covenants and represents that (i) it has not assigned the Lease, as amended hereby, and except for the Sublease it has not sublet all or a portion of the Demised Premises or allowed all or a portion of the Demised Premises to be used by any third party in violation of the terms of the Lease, (ii) it has done nothing which would give any person or entity a claim in and to the Demised Premises and/or the Lease, as amended hereby, in violation of the terms of the Lease, and (iii) it will not assign the Lease, as amended hereby, or sublet all or a portion of the Demised Premises, or allow all or a portion of the Demised Premises to be used by any third party, in each case in a manner which is in violation of the terms of the Lease, as amended hereby, and in any event will not sublet all or any portion of the Relinquished Space. Landlord agrees that in determining any amount payable to Landlord under Section 9.10 of the Lease, the amount of the Credit shall be added to "Assignment Expenses" and to "Tenant's Basic Cost," as applicable. Landlord agrees that notwithstanding Sections 9.02-9.04 of the Original Lease, Landlord shall not be entitled to exercise any recapture, leaseback or

termination right in a manner which would deprive Tenant of the opportunity to recover from an assignee or sublessee the amount of the Credit. In order to give effect to the preceding sentence, Landlord agrees that the following shall apply (pro-rated in the event of a transaction involving less than the entire Demised Premises) (i) in the event of termination of the Lease, as amended hereby, pursuant to Section 9.02 of the Original lease, Landlord shall pay to Tenant the dollar amount (without any present value discount) of all or any portion of the Credit not yet enjoyed by Tenant, (ii) in the event of a leaseback by Landlord pursuant to Section 9.02 of the Original Lease, the amount of the Credit shall be added to the rental obligations of Landlord to Tenant, and (iii) in the event of another or different transaction not arising out of or related to a termination of the Lease, as amended hereby, resulting from a default by Tenant thereunder, Landlord shall be liable to pursue its rights with respect to such transaction only in a manner which shall not deprive Tenant of the opportunity to recover from an assignee or sublessee the amount of the Credit.

14. Tenant acknowledges that as of the date hereof, Landlord has complied with all of Landlord's obligations under the Lease, subject to the matters described below in this paragraph 14, and is not in default in respect of any of Landlord's obligations under the Lease. Landlord acknowledges that as of the date hereof, Tenant has complied with all of Tenant's obligations under the Lease, subject to the matters described below in this paragraph 14, and is not in default in any of Tenant's obligations under the Lease. Notwithstanding anything in this Agreement to the contrary, Landlord and Tenant acknowledge the existence of an outstanding dispute between them with respect to Tenant's right to receive payment of, or a refund or credit in respect of, a

proportionate share of a real estate tax abatement received by Landlord for the Tax Years 2001-2002 and 2002-2003 based on tax escalation payments made by Tenant prior to the date of this Agreement. Landlord and Tenant both wish to settle such dispute and, to that end and in full settlement and satisfaction of such dispute, (i) Tenant is hereby released from Tenant's obligation to pay the outstanding balance of the amount billed by Landlord to Tenant for Tenant's Tax Payment for the second half installment of the 2002-2003 Tax Year (it being understood and agreed that any amounts heretofore paid by Tenant to Landlord on account of such installment shall be retained by Landlord), and (iii) Tenant shall receive a one-time rent credit in the aggregate amount of \$10,500 to be applied against Tenant's monthly installment of fixed rent due under the Lease, as amended hereby, for the month of August 2003. Such rent credit shall be in addition to the Credit provided for in paragraph 6(b) above. Upon Tenant's receipt of such credit in the sum of \$10,500, Landlord and Tenant shall be deemed to have released one another from any claims and demands for the overpayment or underpayment of real estate tax escalation under the Lease, as amended hereby, through the Tax Year ending June 30, 2003; provided, however, that nothing contained herein shall relieve or release Tenant from its obligation to pay Tenant's Tax Payments in respect of the 2003-2004 Tax Year and for the balance of the term of the Lease, as amended hereby.

15. Landlord further acknowledges that it has not yet delivered to Tenant a Subordination, Non-Disturbance and Attornment Agreement between Tenant and Landlord's Mortgagees and Tenant hereby irrevocably withdraws its request to receive the same from Landlord's Mortgagees, but such withdrawal shall be without prejudice to Tenant's right under the Lease (as amended hereby) to receive an SNDA from any future mortgagee.



16. Landlord shall have the option (the "Partial Recapture Option"), exercisable by giving written notice to Tenant ("Landlord's Notice") at any time during the initial term hereof, to cause Tenant to surrender the Server Room on a date (the "Surrender Date") specified in Landlord's Notice, which Surrender Date shall be at least 90 days after the date of Landlord's Notice. If Landlord exercises the Partial Recapture Option, then and in such event (i) Tenant shall surrender the Server Room free and clear of all of Tenant's employees, subtenants, possessory rights and persons in possession, and otherwise in the condition hereinafter set forth on or before the Surrender Date, and (ii) effective as of the later to occur of (x) the Surrender Date, and (y) the date upon which Tenant actually surrenders the Server Room in the condition hereinafter set forth, (A) the Server Room shall no longer be deemed to be part of the Demised Premises, (B) the annual fixed rent to be paid by Tenant to Landlord under the Lease, as amended hereby, shall be reduced to One Million Two Hundred Seventy-Two Six Hundred Seventy Dollars (\$1,272,670), exclusive of electricity, which shall be payable in equal monthly installments of One Hundred Six Thousand Fifty-Five and 83/100 Dollars (\$106,055.83), (C) the Credit shall be reduced by an amount equal to the product of (i) a fraction (not to exceed 1.0), the numerator of which shall be an amount equal to the difference between (x) the number of calendar months in the period from the Effective Date through April 2015, less (y) the number of calendar months in the period from the Effective Date through the Surrender Date, and the denominator of which shall be the number of calendar months in the period from the Effective Date through April 2015,

multiplied by (ii) Two Hundred Sixty-Three Thousand One Hundred Six and 67/100 Dollars (\$263,106.67), (D) the Wage Rate Multiple set forth in Section 5.07(g) of the Original Lease, as amended by paragraph 6(d) of the Third Amendment to Lease and as further amended by paragraph 6(f) hereof, shall be reduced to 36,362, and (E) Tenant's 512 Proportionate Share shall be reduced to zero percent (0%), the rentable square foot area of the Demised Premises in the 512 Building shall be reduced to zero, and Tenant shall no longer be required to pay real estate tax escalation in respect of the Server Room. Landlord's Notice shall specify whether Tenant shall (i) surrender the Server Room in its then "as-is" condition as of the date specified in Landlord's Notice, or (ii) demolish the Server Room, at Tenant's expense, substantially in accordance with Landlord's building-standard demolition requirements, and in either event Tenant shall promptly perform the work specified in Exhibit C annexed hereto specifically required to be performed after Tenant's surrender of the Server Room. Tenant shall surrender the Server Room in the condition specified in Landlord's Notice, but in either case, (x) Tenant shall be entitled to remove its computers and computer data, server, racks and storage equipment and related peripherals and accessories from the Server Room, and (y) Tenant shall surrender the Server Room to Landlord free of all debris and free of all hazardous materials installed by Tenant.

17. This Agreement, together with the Lease, constitutes the entire Agreement of the parties hereto with respect to the matters stated herein, and may not be amended or modified unless such amendment or modification shall be in writing and shall have been signed by the party against whom enforcement is sought.

18. As modified hereby, all of the terms, covenants and conditions of the Lease shall remain in full force and effect and are hereby ratified and confirmed in all respects. Each party hereto hereby irrevocably and unconditionally submits to the jurisdiction of a Court in the State of New York, County of New York.

19. Landlord and Tenant each represents and warrants to the other that it neither consulted nor negotiated with any broker or finder with respect to this Agreement other than Newmark & Company Real Estate, Inc. ("Newmark") and Cushman & Wakefield, Inc. Landlord agrees to indemnify, defend and save Tenant harmless from and against any and all liability, damages, settlement payments, costs and expenses (including, without limitation, legal fees and disbursements incurred in defending any claim or action or in enforcing this indemnity), incurred by Tenant as a result of or in connection with any claim, demand or action for fees or commissions from anyone other than Cushman & Wakefield, Inc. with which Landlord has dealt in connection with this Agreement. Tenant agrees to indemnify, defend and save Landlord harmless from and against any and all liability, damages, settlement payments, costs and expenses (including, without limitation, legal fees and disbursements incurred in defending any claim or action or in enforcing this indemnity), incurred by Landlord as a result of or in connection with any claim, demand or action for fees or commissions from anyone other than Newmark with which Tenant has dealt in connection with this Agreement. Landlord represents to Tenant that no fee is due to Newmark in connection with this Agreement. Tenant represents to Landlord that no fee is due to Cushman & Wakefield, Inc. in connection with this Agreement.

20. This Agreement shall be construed and governed by the laws of the State of New York.

21. No waiver by either party of any failure or refusal by the other party to comply with its obligations hereunder shall be deemed a waiver of any other or subsequent failure or refusal to so comply.

22. If any provision of this Agreement shall be invalid or unenforceable, the remainder of this Agreement or the application of such provision other than to the extent that it is invalid or unenforceable shall not be affected, and each provision of this Agreement shall remain in full force and effect notwithstanding the invalidity or unenforceability of such provision, but only to the extent that application and/or enforcement, as the case may be, would be equitable and consistent with the intent of the parties in entering into this Agreement.

23. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors and permitted assigns.

24. This Agreement shall not be binding upon the parties hereto until this Agreement has been executed and delivered by each of the parties hereto.

25. It is agreed by and between the parties that this Agreement is the result of extensive negotiations between the parties and that both parties shall be deemed to have prepared this Agreement and any ancillary documents, in order to avoid any negative inference by any court as against the preparer of this Agreement. This Agreement supersedes and revokes all previous negotiations, arrangements, representations and information, whether oral or in writing, between Landlord and Tenant and their respective representatives or any other person purporting to represent Landlord or Tenant with respect to the subject matter hereof. This Agreement may be executed in one or more facsimile counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

26. The submission by Landlord of this Agreement for execution by Tenant shall have no binding force or effect on Landlord unless and until Landlord shall have executed this Agreement and a counterpart thereof shall have been delivered to Tenant.

27. Capitalized terms used but not expressly defined herein shall have the meanings ascribed to them in the Original Lease.

28. This Agreement shall not be recorded.

[The balance of this page has been left blank intentionally]

29. Each party hereto represents to the other that it is duly authorized to execute and deliver this Agreement and to perform the transactions provided for herein.

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

500-512 SEVENTH AVENUE LIMITED  
PARTNERSHIP

By: 500-512 SEVENTH AVENUE GP LLC

By: /s/ Jacob Chetrit

-----  
Name: Jacob Chetrit  
Title: President

AND

By: /s/ Edward Minskoff

-----  
Name: Edward Minskoff  
Title: Vice President

iVILLAGE INC.

By: /s/ Steven A. Elkes

-----  
Name: Steven A. Elkes  
Title: Executive Vice President, Operations  
and Business Affairs

## EXHIBIT A

[Floor plan describing the Server Room and the 12th Floor of the 512 Building]

## EXHIBIT B

ITEMS IVILLAGE WILL BE REMOVING FROM  
512 7TH AVE FLOODS 12 AND 13

SEE ATTACHED FLOOR PLANS FOR LOCATIONS LISTED BELOW

LOCATION*	FLOOR	ITEM
-----	-----	----
Conference Rooms	13	iVillage will take 1 PC 1VCR and 1 television - (1 conference room table, 10 chairs 1 TV cabinet, 1 side table will stay)
Pantry	13	iVillage will be taking 2 vending machines, 1 water cooler, 2 coffee machines and all supplies and small appliances on the counters and in cupboard (iVillage will not be taking the refrigerator, 2 microwaves or dishwasher)
Hallways/Reception	13	iVillage will take all artwork, accessories, plants, signs, pictures and decorations
Filing Cabinets	13	All 5, 3 & 2 drawer file cabinets (total of 70 cabinets)
CopyRoom	13	Self standing shelving from storage cabinets, supplies and 2 copy machines, all office supplies, all stationary, etc
Offices	13	All whiteboards, and corkboards
Offices	13	Up to 10 offices full of furniture (10 desks, 20 side chairs, 10 credenzas, 10 desk chair, 20 file cabinets, 10 bookcases) ALL of the systems furniture (cubicles), round tables and desk chairs and at least 11 complete offices full of furniture will stay on the floor
Security Closet	12	Security System (computer hardware, software, security system, including 5 Cameras located on the 13th)
Pantry	12	iVillage will be taking 2 vending machines, 1 water cooler, 2 coffee machines and all supplies and small appliances on the counters and in cupboard (iVillage will not be taking the refrigerator, 2 microwaves or dishwasher)
Conference Rooms	12	iVillage will take 1 PC 1VCR and 1 television - (1 conference room table, 10 chairs, 1 TV cabinet, 1 side table will stay)
Telephone Room	12	iVillage will be taking all desks, shelving and storage cabinets, 1 Lucent PBX Phone System, 1 Lucent Voicemail System, 1 UPS for PBX Phone System, all spare Lucent Phones and all telephone equipment

NOTWITHSTANDING THE ABOVE, AT A MINIMUM, EACH OFFICE, CUBICLE AND WORK STATION SHALL BE EQUIPPED WITH A DESK AND AT LEAST ONE CHAIR.

2

EXHIBIT C  
Tenant's Required Work

1. Work Required Pursuant to Section 2(b):  
-----

- a. Separate all multi-floor and multi-building mechanical and HVAC systems, electrical, telecommunications, utility and other systems (except as provided in Section 2 below), specifically:

13th Floor, 512 Seventh Avenue  
-----

- o In-fill with concrete block (2 each) existing passageways between the 14th floor of 500 Seventh Avenue and the 13th floor of 512 Seventh Avenue to separate these floors/buildings;
- o Finish in-filled openings with fire rated gypsum wall board to finish flush with existing walls; tape and spackle same, paint to match existing walls; and
- o In-fill and fire stud (2 each) poke through locations in the slab between 13th floor and 12th floor of 512 Seventh Avenue.

12th Floor, 512 Seventh Avenue  
-----

- o Disconnect power serving computer racks in server room from 13th floor; and
- o Disconnect redundant power source from 13th floor to air conditioning units, leaving one power source to serve unit.

500 Seventh Avenue  
-----

- o Disconnect all redundant power to 512 Seventh Avenue universal power source (UPS) from 500 Seventh Avenue; and
- o Disconnect all redundant power to 512 Seventh Avenue mechanical units from 500 Seventh Avenue.

b. On the 12th Floor of 500 Seventh Avenue, perform such work as is necessary to permit Landlord to create a pass-through between the "A" and "B" sections of such floor in the future at Landlord's option by continuing the existing corridor in the "A" section formerly leased by Tenant up to the existing demising wall separating the "A" and "B" sections. Landlord and Tenant acknowledge and agree that this project involves removing the existing doors to the electrical closet in such corridor, finishing the walls, flooring and ceiling that will constitute such corridor, reducing and renovating the existing men's bathroom, removing and relocating certain electrical equipment in the corridor, and creating a new small electrical closet for such equipment. All such work shall be performed by Tenant in accordance with applicable building codes, rules and regulations and the terms of the Lease. Notwithstanding the foregoing, Tenant shall not be required to break the existing demising wall between the "A" and "B" sections of such floor or create a finished pass-through corridor. Landlord, at its own option and expense, shall be responsible for creating a finished pass-through once Tenant has performed the work set forth above.





2. Work Required Pursuant to Section 16: In addition to the other work set forth  
-----  
in Section 16, upon Landlord's exercise of the Partial Recapture Option, Tenant shall also remove and terminate any cabling from 512 Seventh Avenue to 500 Seventh Avenue within the time frame set forth in such Section 16.

Landlord agrees to provide access to, or the right to use thereafter, any riser space or common areas necessary in order to complete the work set forth in this Exhibit C.

Tenant agrees to surrender the Relinquished Space (other than the eleventh floor of the 512 Building which is subject to the provisions of the Sublease with D&B) broom clean, free of debris and free of any hazardous materials installed by Tenant.

EXHIBIT D

D&B Attornment Agreement

This Agreement dated as of June 30, 2003 by and among Dun & Bradstreet, Inc., a Delaware corporation having an office at 103 JFK Parkway, Short Hills, New Jersey 07078 ("Subtenant"), iVillage Inc., a Delaware corporation having an office at 500 Seventh Avenue, New York, New York 10018 ("Tenant"), and 500-512 SEVENTH AVENUE LIMITED PARTNERSHIP, a New York limited partnership having an office c/o The Chetrit Group, LLC, Suite 3 West, 601 West 26th Street, New York, New York 10001 ("Landlord").

W I T N E S S E T H :

- - - - -

Whereas, Landlord is the landlord and Tenant is the tenant under that certain Agreement of Lease dated as of March 14, 2000 (the "Original Lease"), as amended by (i) that certain First Amendment to Lease dated as of June 7, 2000, (ii) that certain Second Amendment to Lease dated as of January 10, 2001, (iii) that certain Third Amendment to Lease dated as of October 17, 2001, (iv) that certain Fourth Amendment to Lease dated as of December 3, 2001, and that certain Fifth Amendment to Lease dated as of the date hereof (the "Fifth Amendment to Lease"), and as supplemented by a letter agreement between Landlord and Tenant dated as of December 23, 2002 (the Original Lease, as amended and supplemented, being hereinafter referred to as the "Lease").

Whereas, pursuant to the Lease, Landlord leased to Tenant, and Tenant leased from Landlord, the entire rentable area of the fourteenth (14th) floor in the building located at 500 Seventh Avenue, New York, New York (the "500 Building") and the entire rentable area of the eleventh (11th), twelfth (12th) and thirteenth (13th) floors in the Building located at 512 Seventh Avenue, New York, New York (the "512 Building") (collectively, the "Demised Premises").

Whereas, Tenant is the sublandlord and Subtenant is the subtenant under that certain Sublease dated as of October 2001 pursuant to which Subtenant subleased from Tenant the entire rentable area of the eleventh (11th) floor in the 512 Building") (the "Sublet Premises").

Whereas, Landlord consented to the Sublease pursuant to that certain consent to sublease dated as of December 3, 2001 (the "Consent") between Landlord, Tenant and Subtenant.

Whereas, Landlord and Tenant have agreed to terminate Tenant's lease and tenancy under the Lease with respect to a portion of the Demised Premises which includes the Sublet Premises as of the "Effective Date" as defined in the Fifth Amendment to Lease (the "Transition Date").

Whereas, Section 5(a) of the Sublease and Section 3 of the Consent provide that in the event of such termination, Landlord may, at its option, succeed to the interest of Tenant under the Sublease and cause Subtenant to attorn directly to Landlord under the Sublease, and Landlord has elected to exercise said option.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency whereof are hereby acknowledged, the parties hereto hereby agree as follows:

1. As of the Transition Date, Landlord is the sublandlord under the Sublease as to the Subleased Premises, Subtenant agrees to attorn directly to Landlord as the sublandlord under the Sublease, to make all payments that it is required to make under the Sublease to Landlord, and otherwise to perform the Sublease in accordance with its terms, and Tenant is released and relieved of any and all liability under or in respect of the Sublease accruing prior to the Transition Date.

2. Notwithstanding the foregoing, Subtenant agrees that Landlord shall not (i) be liable for any prepayment of more than one (1) month's rent or any security deposit paid by Subtenant under the Sublease (except to the extent such security deposit is assigned and delivered by Tenant to Landlord), (ii) be liable for any defaults of Tenant as sublandlord under the Sublease, (iii) be subject to any defenses or offsets accrued prior to such attornment which Subtenant may have against Tenant as sublandlord under the Sublease, or (iv) be bound by any changes or modifications made to the Sublease without the written consent of Landlord. Subtenant hereby represents and warrants to Landlord and to Tenant that as of the date hereof (i) Subtenant has not paid any rent under the Sublease for more than the current month due and payable, nor has Subtenant paid or deposited any security deposit under the Sublease, (ii) there are no defaults by Tenant as sublandlord under the Sublease, (iii) Subtenant has no defenses or offsets accrued against Tenant as sublandlord under the Sublease and knows of no events which, with the giving of notice or the passage of time, would constitute a default by Tenant under the Sublease, (iv) Subtenant has not entered into any changes or modifications to the Sublease and a true and complete copy of the Sublease is attached hereto, (v) Subtenant is in occupancy of the Sublet Premises (subject, as to a portion of the Sublet Premises, to that certain Space Sharing Agreement made as of May 1, 2001 and the Consent thereto by Landlord made as of December 3, 2001 and Subtenant has not given any notice to Tenant of Subtenant's intention to vacate the Sublet Premises, (vi) the Sublease is in full force and effect, (vii) Subtenant is not entitled to any free rent, rent credit, rent abatement or work contribution under the Sublease; (viii) Tenant has completed all of the work at or to the Sublet Premises required to be performed by Tenant under the Sublease, and (ix) the annual fixed rent under the Sublease is Six Hundred Fourteen Thousand Four Hundred Sixty Dollars (\$614,460.00), exclusive of electricity.

3. Landlord, Tenant and Subtenant hereby acknowledge and agree that Landlord's and Subtenant's respective rights and obligations under the Sublease shall not be increased, reduced, impaired or affected as a result of the modification of the Lease pursuant to the Fifth Amendment to Lease being entered into concurrently herewith; provided, however, that Sections 3(g) and 5(b)(10) of the Sublease shall be of no further force or effect.

4. Notices to Subtenant shall be sent to 103 JFK Parkway, Short Hills, New Jersey 07078, Attention: Real Estate Department, with a copy to Subtenant at the Sublet Premises. Notices to Landlord shall be sent to the address in the first paragraph hereof, with a copy to Victor Gerstein, Esq., Gerstein, Strauss & Rinaldi, LLP, 57 West 38th Street, 9th Floor, New York, New York 10018.

5. This Agreement shall be of no force or effect until it has been executed and delivered by all parties hereto. This Agreement may be entered into in counterparts, and such counterparts shall have the same force as if each party had signed the same single instrument.

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

500-512 SEVENTH AVENUE LIMITED  
PARTNERSHIP

By: 500-512 SEVENTH AVENUE GP LLC

By:

-----  
Name: Jacob Chetrit  
Title: President

AND

By:

-----  
Name:  
Title: Vice President

iVILLAGE INC.

By:

-----  
Name:  
Title:

DUN & BRADSTREET, INC.

By:

-----  
Name:  
Title:

July 22, 2003

Ms. Nancy Evans  
321 West 77th Street  
New York, N.Y. 10024

Dear Nancy:

This is to confirm that your employment with iVillage Inc. (the "Company") has terminated and that you have resigned from the Company's Board of Directors, each effective as of July 15, 2003 (the "Separation Date").

1. Consideration. In consideration of the terms of this letter, the Company shall provide you with the following separation benefits:

- (a) Severance Payment. You will receive severance in the gross amount of \$325,000.00, which reflects twelve (12) months of base salary, payable in twenty-four (24) equal semi-monthly installments of \$13,541.66 in accordance with the Company's standard payroll practices, subject to appropriate tax and other withholdings. The period of time within which you will be receiving severance pay will be known as "the Severance Period";
- (b) Potential 2003 Bonus Payment. In the event that any employee at or above the level of senior vice president of the Company receives a bonus during 2004 for services rendered during the Company's 2003 fiscal year, you will receive a pro-rated portion of your annual target bonus payment of \$130,000 reflecting the portion of the year that you were employed by the Company (i.e. 54%) and the percentage of the bonus target received by an officer of the Company at or above the level of senior vice president who received the highest percentage of his annual bonus target. By way of example, if the officer receiving the highest percentage of his annual bonus target is paid a bonus in 2004 for services rendered in fiscal year 2003 of fifty percent (50%) of his target bonus of \$100,000 (i.e. \$50,000) you would receive a bonus payment reflecting fifty percent (50%) of fifty-four percent (54%) of your annual target bonus of \$130,000 (i.e. \$35,100). The payment of a signing bonus and/or sales commission to any Company employee shall not entitle you to a bonus payment pursuant to this provision provided that the form of payment was not designed solely to avoid the payment of a bonus to you hereunder;

- (c) Medical and Dental Coverage. Your current health care benefits under the iVillage Group Plan will end July 15, 2003. However, under COBRA, if you are currently enrolled for medical and/or dental benefits under the iVillage Group Plan, you are eligible to continue your medical and/or dental coverage for up to 18 months. If you elect COBRA, the Company will continue to contribute the amount towards the premium for health coverage that it pays for active employees during the Severance Period. You will continue to be responsible for paying the portion of the premium that active employees must contribute towards health coverage. COBRA premium co-payments are your responsibility and must be paid directly to our third party COBRA Administrator. You will receive additional information from iVillage's third party administrator, COBRA Compliance Systems, Inc. (1-800-594-6957) regarding your rights to continue benefits coverage under COBRA and the costs of such coverage within 30 days from July 15, 2003;
- (d) Stock Options. Your options to purchase the Company's common stock shall continue to vest according to their terms during the Severance Period after which time all your unvested stock options shall expire and terminate. Notwithstanding any conflicting terms in the Company's stock option plans under which such stock options were granted and subject to applicable law, the exercise period with respect to the remaining vested options to be held by you thereafter shall expire and terminate on the one (1) year anniversary of termination of the Severance Period. Notwithstanding anything to the contrary contained in this letter agreement, Section 3 of that certain letter agreement between the Company and you executed by you on March 7, 2003 (the "March 2003 Agreement") shall continue in full force and effect during the Severance Period. You shall be solely responsible, and the Company shall bear no liability, for your failure to timely exercise your Company stock options; and
- (e) Legal Fees. The Company shall reimburse you for your reasonable legal fees associated with the negotiation and execution of this letter agreement, up to \$10,000, upon presentation of a statement for services rendered reasonably satisfactory to the Company.

2. Other Effects of Termination. Except as otherwise provided in this letter, effective as of the Separation Date, you shall be treated like any other employee whose employment has terminated. As such, your participation in each and every other Company benefit plan, policy, program or practice shall terminate on the Separation Date in accordance with the terms of such plan, policy, program or practice.

3. Return of Company Property. By signing below, you represent that you will return to the Company all Company property including, without limitation, laptop computers, cellular telephones, credit cards, identification badges, parking tags and keys to any Company facilities, and any reports, files, advertiser and customer lists, memoranda, records and software, computer access codes or disks, instructional manuals, and any other physical or personal property that you received in connection with your employment with the Company that you have in your possession, and that you have not retained any copies, duplicates, reproductions or excerpts thereof.

4. Release and Other Promises. The intent of this section is to secure your promise not to sue the Company, or anyone connected with it for any harm you may claim to have suffered in connection with your employment or the termination of your employment, in return for the benefits described in this letter. Accordingly, in exchange for the payments, benefits and promises described above ("Consideration"), you hereby agree as follows:

(a) Release. Except as otherwise provided in this Section 4(a), you hereby release the Company and all of its past, present and/or future related entities, divisions, affiliates, subsidiaries, officers, directors, stockholders, trustees, employees, agents, representatives, administrators, attorneys, insurers, fiduciaries, predecessors, successors and assigns, in their individual and/or representative capacities (hereinafter collectively referred to as the "Released Parties"), from any and all causes of action, suits, agreements, promises, damages, disputes, controversies, contentions, differences, judgments, claims and demands of any kind whatsoever ("Claims") which you or your heirs, executors, administrators, successors and assigns ever had, now have or may have against the Released Parties, whether known or unknown to you, and whether asserted or unasserted, (i) by reason of your employment and/or cessation of employment with the Company or (ii) otherwise involving facts which occurred on or prior to the date that you sign this Agreement.

Such released Claims include, without limitation, any and all Claims under Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1871, the Civil Rights Act of 1991, the Fair Labor Standards Act, the Family and Medical Leave Act of 1993, the Americans With Disabilities Act, the Employee Retirement Income Security Act of 1974 (including, without limitation, any claim for severance pay), the New York State Human Rights Law, the New York City Human Rights Law, the Sarbanes-Oxley Act, and any and all other federal, state or local laws, statutes, rules and regulations pertaining to employment (each as amended); any and all Claims under state contract or tort law; any and all Claims based on the design or administration of any Company employee benefit plan or program or arising under any Company policy, procedure, or employee benefit plan; any and all Claims for wages, commissions, bonuses, continued employment with the Company in any position, and compensatory, punitive or liquidated damages; and any and all Claims for attorneys' fees and costs. Notwithstanding the foregoing, nothing contained herein shall interfere with or waive your right to enforce this Agreement in a court of competent jurisdiction;



(b) No Lawsuits. If you commence, continue, join in, or in any other manner attempt to assert any Claim released herein against the Released Parties (exclusive of Claims described in Section 4(c) below), or otherwise breach the promises made in this letter, you shall reimburse the Released Parties for all attorneys' fees incurred by the Released Parties in defending against such a Claim and the Company shall have a right to the return of all Consideration paid to you pursuant to this letter (exclusive of the Consideration paid pursuant to Section 4(c) below), together with interest thereon, and to cease furnishing to you any further Consideration described in this letter; provided that this right of return of such Consideration and the cessation of payment of further Consideration is without prejudice to the Released Parties' other rights hereunder, including any right to obtain an agreement and release of any and all claims against the Released Parties;

(c) Release of Claims Under the Age Discrimination in Employment Act of 1967, as amended. The Claims released by you pursuant to this Section 4 also include any and all Claims arising under the Age Discrimination in Employment Act of 1967, as amended by the Older Workers' Benefit Protection Act of 1990 or otherwise (the "ADEA"). You acknowledge and agree that 25% of the cash value of the Consideration described in Section 1 above has been paid to you solely in order to effect a valid waiver of Claims under the ADEA;

(d) Continued Confidentiality Obligation. You understand and agree that, in the course of your employment with the Company, you have acquired confidential information and trade secrets concerning personal, business, financial, technical and other information and material, including the Company's operations, processes, technology, contracts, advertiser and customer lists, future plans and methods of doing business, which are the property of the Company and which involve the Company and the Company's employees, which information you understand and agree would be extremely damaging to the Company if disclosed to a competitor or a third party. You understand and agree that such information has been divulged to you in confidence, and you agree to forever keep such information secret and confidential, and that you shall not communicate or disclose to any third party, or use for your own account, without prior written consent of the Company, any of the aforementioned information or material, except as required by law, unless and until such information or material becomes generally available to the public through no fault of yours. In view of the nature of your employment and the information and trade secrets which you have received during the course of your employment, you likewise agree that the Company would be irreparably harmed by any violation, or threatened violation, of the prohibited disclosure of trade secrets and that, therefore, the Company shall be entitled to an injunction prohibiting you from any violation or threatened violation of such disclosure restrictions;

(e) Cooperation with the Company. You shall fully cooperate and assist the Company in any dispute in which the Company is involved and in which you may have been involved. Such cooperation and assistance shall be provided at a time and in a manner which is mutually agreeable to you and the Company, and shall include providing information, documents, etc., submitting to depositions, providing testimony and general cooperation to assist the Company in defending its position with reference to any matter. You will be reimbursed in accordance with the Company's expense reimbursement policy for any reasonable out-of-pocket expense you incur in fulfilling your obligations under this subparagraph; and

(f) Non-Competition/Non Solicitation. You agree that during the Severance Period, you will not take any action that could reasonably be considered to materially harm the economic or other interest of the Company. Accordingly, during the Severance Period, you will not (i) directly or indirectly engage in any Competitive Business (as defined below), whether such engagement shall be as an employer, officer, director, owner, employee, partner or other participant, (ii) assist others in engaging in any Competitive Business in the manner described in the foregoing clause (i), or (iii) induce employees of the Company or its affiliates or subsidiaries to terminate their employment with the Company or such affiliate or subsidiary or engage in any Competitive Business. "Competitive Business" means and includes any business located in the United States of America that develops or produces any online channel the content of which is similar to any online channel produced or under active development by the Company during your employment. "Online" shall refer to any form or manner of electronic or digital communication or transmission of data, content or information including, without limitation, the Internet, World Wide Web, broadband, wireless, or Wi-Fi. Notwithstanding this provision, you shall be permitted to own securities of a public company not in excess of one percent (1%) of any class of such securities and such ownership shall not, by itself, violate the terms of this paragraph.

You acknowledge that the foregoing obligation is not meant to prevent you from earning a living or fostering your career. It does intend however, to prevent any Competitive Business from gaining any unfair advantage from your knowledge of confidential information.

5. Non-Admission of Liability. The Company is providing you with the benefits described in this letter solely to ease the impact of your separation from employment with the Company. The fact that the Company is offering these benefits to you should not be understood as an admission that the Company has violated your rights (or the rights of anyone else) in any manner whatsoever.

6. Acknowledgments. By signing this letter below, you hereby acknowledge as follows:

(a) Sufficiency of Consideration. The Consideration received by you in exchange for the release contained in Section 4 and the other promises contained in this letter, including the Company's promise to forego any rights it might have pursuant to the March 2003 Agreement, are greater in value than anything else to which you would be entitled from the Company if you did not execute this letter agreement, and the benefits described in this letter are being provided to you in place and stead of any separation benefits to which you might otherwise be entitled under any applicable policy, plan, and/or procedure of the Company or under any prior agreement between you and the Company including the March 2003 Agreement which is hereby superseded and made null and void except as otherwise expressly provided herein;

(b) No Other Wages or Benefits Due. Except as described in this letter, you have been paid all wages and attendant benefits due you from the Company in consideration of the services you rendered while employed by the Company, including but not limited to vacation pay, sick or disability pay, overtime pay, holiday pay, expense reimbursement, bonuses, commissions, payments due you from the Company pursuant to any agreement or other contract to which you and/or the Company was a party, and any and all monetary or other benefits that are or were due you pursuant to policies of the Company in effect prior to the Separation Date.

(c) Entire Agreement; Prior Agreements. This letter contains the entire agreement between yourself and the Company concerning your employment and the termination of your employment. In agreeing to the terms of this letter, you are not relying upon any written or oral promise or representation made to you by any employee or representative of the Company, other than the promises contained herein. This letter fully supersedes any and all prior agreements or understandings between you and the Company pertaining to the subject matter addressed in this letter, shall continue in full force and effect, and may not be amended, superseded, cancelled, or terminated other than in writing and unless the writing is signed both by you or your attorney and by the Company or its attorney or other designated representative; and

(d) No Duress. You have not been forced or pressured in any manner whatsoever to sign this letter, and you have agreed to all of its terms voluntarily. You have read this letter in its entirety and have been given at least twenty-one (21) days to consider all of its terms. You have been advised to consult with an attorney and any other advisors of your choice prior to signing this letter. You fully understand that by signing below you are giving up any right which you may have to sue or bring any other Claims against the Company, including but not limited to the right to sue or bring any other Claims against the Company under the ADEA.

7. Confidentiality of this Letter; Public Statements. You shall keep this letter and its terms and provisions strictly confidential, except that you may disclose the terms of this letter, on a need to know basis, to federal, state or local authorities, legal counsel and financial advisors, provided you instruct such persons that the information you have disclosed to them is to remain confidential. The parties have mutually agreed on a joint press release and internal Company announcement announcing your separation from the Company in the respective forms attached as Exhibit A hereto (the "Announcements"), each to be issued as soon as practicable after execution of this letter agreement by both parties. Except as expressly provided herein or to the extent required by law, legal process, regulation (including without limitation the rules and regulations of the Securities and Exchange Commission), court order or NASDAQ Stock Market rule or regulation (or any other stock exchange or quotation system on which the Company's securities are then publicly traded), after the Separation Date the parties expressly agree that they will not make, or cause to be made, any statements, observations or opinions, or communicate any information (whether oral or written) ("Statements") inconsistent with the Announcements and/or any required public disclosure pursuant to the foregoing proviso, as applicable, that references or refers to (a) the terms of your separation from the Company; (b) the existence of this agreement or (c) any Statements, including Statements to the press or media, that disparage or are likely in any way to harm the reputation of each other, which in the case of the Company shall include any of its respective former, present or future directors, officers, stockholders or employees and which shall include Statements likely to damage each other's business opportunities and reputations. In addition, you hereby agree that you will not speak, present, appear, sell, publish, initiate contact with the media, make any Statements or otherwise disclose any non-public information regarding the Company, your separation from the Company and/or any similar or related topic without the prior written consent of the Company; provided, however, that the foregoing clause shall not preclude you from speaking or writing publicly about your role as a co-founder of the Company or your accomplishments and experiences at the Company provided you do not violate any of the other restrictions or conditions contained in this letter agreement. Further, in the event you are contacted by a member of the media seeking information or comments regarding the Company, you agree that you will coordinate with the Company's public relations department and/or the Chief Executive Officer, in addition to any other restrictions or conditions included within this agreement, prior to responding; provided, however, that the foregoing clause shall not preclude you from responding to media inquiries about your role as a co-founder of the Company or your accomplishments and experiences at the Company provided you do not violate any of the other restrictions or conditions contained in this letter agreement. Notwithstanding the foregoing, you acknowledge and agree that the Company will be required to disclose the existence of this letter agreement and the terms thereof pursuant to the federal securities laws, including, without limitation, the rules and regulations promulgated by the Securities and Exchange Commission.

8. Severability. The provisions of this letter are severable and as such, if any part of this letter is found to be unenforceable, the remaining parts shall remain valid and enforceable; provided, however, that if you are declared entitled to litigate any claims settled by the terms of this letter, then (as described in Section 4(b) above) you shall remit to the Company the Consideration paid pursuant to Section 1 (together with interest thereon) prior to and as a condition precedent to the commencement or continuation of any proceedings related to such claims.

9. Successors and Assigns. This letter shall bind and inure to the benefit of the parties and their respective successors and assigns, legal representatives and heirs; provided, however, that you may not assign this Agreement or any of your rights or interest herein, in whole or in part, to any other person or entity without the prior written consent of the Company.

10. Choice of Law; Arbitration; Venue. The validity, interpretation, construction and performance of this letter shall be governed by the laws of the State of New York. In the event any disputes, claims or controversies relating to or arising out of this agreement cannot timely be resolved by good faith negotiations between the parties, the parties hereby agree to refer any such dispute, claim or controversy, except that which involves a right to injunctive relief, to any nationally recognized arbitrator selected by the Company for settlement, which arbitration proceeding shall be kept strictly confidential. The arbitrator's decisions shall be final and binding upon the parties and judgment may be entered thereon in any court. All costs and expenses of any such arbitration proceeding shall be the responsibility of the losing party. Notwithstanding the foregoing, the parties acknowledge and agree that the Company will have no adequate remedy at law for any breach or alleged breach by you of Section 4(d)-(f) or Section 7 of this agreement and that the Company shall be entitled to injunctive relief, in addition to any other remedies available at law and/or hereunder, in connection with any breach or alleged breach by you of your obligations under Section 4(d)-(f) or Section 7 of this agreement. For the purposes of any suit, action or proceeding involving a right to injunctive relief, you hereby submit to the jurisdiction of all federal and state courts sitting in the State of New York, and you further agree that such courts shall have exclusive jurisdiction over any suit, action or proceeding involving a right to injunctive relief.

11. Effective Date. The agreements described in this letter shall become effective on the day you sign and deliver this letter to the Company, except that your agreement to waive any Claims under the ADEA (as described in Section 4(c) above) shall not become effective until the 8th day following the date you sign this letter. You may revoke your agreement to waive such ADEA Claims within seven (7) days after you sign it by delivering written notice of revocation to me. In the event of such revocation, the total cash value of the Consideration described in Section 1 above shall be reduced by 25%, in accordance with Section 4(c). For purposes of calculating the date by which the Consideration described in Section 1(a) shall be paid, the "Effective Date" shall be the 8th day following your signature and delivery of this letter.

iVILLAGE INC.

By: /s/ Steven A. Elkes

-----  
Name: Steven A. Elkes  
Title: Executive Vice President of  
Operations and Business Affairs

By signing this letter agreement, I acknowledge that I have had the opportunity to review this agreement carefully with an attorney of my choice; that I have read this agreement and understand the terms of the agreement; and that I voluntarily agree to them.

/s/ Nancy Evans

-----  
Nancy Evans

10

EXHIBIT A

[iVillage Logo]

NOT FOR IMMEDIATE RELEASE

#### iVillage Co-Founder and Editor-in-Chief Departs

NEW YORK - July XX, 2003 - iVillage Inc. (NasdaqSC: IVIL), a leading women's media company and the number one source for women's information online, today announced that Nancy Evans, iVillage Co-Founder and Editor-in-Chief, has resigned from iVillage and from the Company's Board of Directors.

Ms. Evans commented, "It's been a glorious eight years - defying the odds to create a platform of lasting consequence for women, working with the most wonderful colleagues on the planet and serving the millions of women who inspire and delight. But boy is it time to move on to do a few more things from what iVillage women call the 'forever' projects list."

Douglas W. McCormick, iVillage Chairman and CEO said, "From the very first day to the present, Nancy has been a tremendous asset to iVillage, her editorial sensibilities and talent helped to define the Internet for women. She has built an editorial staff that continues to produce award-winning content and that is the strongest it has ever been. We accept her decision and have the greatest gratitude and appreciation for the role she played here."

iVillage's editorial staff will assume Ms. Evans' responsibilities.

#### About iVillage Inc.

iVillage Inc. is a leading women's media company and the number one source for women's information online. iVillage operates the iVillage.com Web site, Women.com Networks, Inc. (operator of the Women.com Web site), iVillage Parenting Network, Inc., Public Affairs Group, Inc., Promotions.com, Inc., iVillage Consulting (formerly iVillage Solutions), and Knowledgeweb, Inc. (operator of the Astrology.com Web site). iVillage.com and Women.com are leading women's online destinations providing practical solutions and everyday support for women 18 and over. iVillage Parenting Network is a holding company for Lamaze Publishing Company, a publisher of advertiser supported educational materials for expectant and new parents, and iVillage Integrated Properties, Inc., the operator of The Newborn Channel, a satellite television network broadcast in over 1,050 hospitals nationwide, and the publisher of Baby Steps magazine. Public Affairs Group is comprised of three divisions: Business Women's Network, Diversity Best Practices and Best Practices in Corporate Communications, each offering extensive databases of pertinent information to subscribing companies and members. Promotions.com provides promotions and direct marketing programs that are integrated with customers' offline marketing initiatives.

iVillage.com is organized into channels and communities across multiple topics of high importance to women and offers interactive services, peer support, content and online access to experts and tailored shopping opportunities. The major content areas include Babies, Beauty, Diet & Fitness, Entertainment, Food, Health, Home & Garden, Horoscopes, Money, Parenting, Pets, Pregnancy, Quizzes, Relationships and Work. iVillage facilitates use across content areas by providing a similar look and feel within each area and across the network, resulting in a consistent and strongly branded Web site.

Established in 1995 and headquartered in New York City, iVillage Inc. (NasdaqSC: IVIL) is recognized as an industry leader in developing innovative sponsorship and commerce relationships that match the desire of marketers to reach women with the needs of iVillage.com members for relevant information and services. Membership to iVillage.com is free and provides features such as personal homepages, message boards and other community tools.

Page views for the iVillage network of Web sites have grown to a monthly average of over 420 million for the quarter ended March 31, 2003. In May 2003, according to comScore Media Metrix, iVillage ranked 31st among the top 100 Web and Digital Media properties with nearly 15 million unique visitors in the United States and had an average reach of approximately 10% of the total online population. Also according to comScore Media Metrix, during this period visitors returned an average of nearly 2 times per month.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: iVillage Inc. has included in this press release certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 concerning iVillage's business, operations and financial condition. The words or phrases "can be", "expects", "may affect", "may depend", "believes", "estimate", "project" and similar words and phrases are intended to identify such forward-looking statements. Such forward-looking statements are subject to various known and unknown risks and uncertainties and iVillage cautions you that any forward-looking information provided by or on behalf of iVillage is not a guarantee of future performance. Actual results could differ materially from those anticipated in such forward-looking statements due to a number of factors, some of which are beyond iVillage's control, in addition to those discussed in iVillage's other press releases, public filings and statements by iVillage's management, including (i) the volatile and competitive nature of the media industry, (ii) changes in domestic and foreign economic, political and market conditions, (iii) the effect of federal, state and foreign regulation on iVillage's business, (iv) the impact of recent and future acquisitions and joint ventures on iVillage's business and financial condition, (v) iVillage's ability to establish and maintain relationships with advertisers, sponsors, and other third party providers and partners, and (vi) the impact of pending litigation on iVillage's business and financial condition. All such forward-looking statements are current only as of the date on which such statements were made. iVillage does not undertake any obligation to publicly update any forward-looking statement to reflect events or circumstances after the date on which any such statement is made or to reflect the occurrence of unanticipated events.

# # #

CONTACT:

iVillage Inc.  
Carl Fischer  
212.600.6502  
cfischer@mail.ivillage.com

</TEXT>  
</DOCUMENT>



## STATEMENT RE: COMPUTATION OF EARNINGS PER SHARE

## LOSS PER SHARE

Computation of loss per share  
(in thousands, except per share data)

	Six months ended June 30,	
	2003	2002
	-----	-----
Net loss .....	\$(18,195)	\$(21,500)
	=====	=====
Weighted average shares of common stock outstanding ..	55,353	53,762
Weighted average shares of common stock held for former Women.com stockholders .....	187	369
Weighted average shares of common stock held for former Promotions.com stockholders .....	2	4
	-----	-----
Adjusted weighted average shares of common stock outstanding used in computing basic and diluted net loss per share .....	55,542	54,135
	=====	=====
Basic and diluted net loss per share .....	\$ (0.33)	\$ (0.40)
	=====	=====

&lt;/TEXT&gt;

&lt;/DOCUMENT&gt;

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES  
EXCHANGE ACT OF 1934

I, Douglas W. McCormick, certify that:

1. I have reviewed this quarterly report on Form 10-Q of iVillage Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2003

/s/ Douglas W. McCormick

-----  
Douglas W. McCormick  
Chief Executive Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES  
EXCHANGE ACT OF 1934

I, Scott Levine, certify that:

1. I have reviewed this quarterly report on Form 10-Q of iVillage Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - b) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2003

/s/ Scott Levine

-----  
Scott Levine  
Chief Financial Officer

</TEXT>  
</DOCUMENT>

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL  
FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the accompanying Quarterly Report on Form 10-Q of iVillage Inc. for the period ended June 30, 2003, the undersigned, Douglas W. McCormick, Chief Executive Officer of iVillage Inc., and Scott Levine, Chief Financial Officer of iVillage Inc., each hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to their respective knowledge:

- (1) such Quarterly Report on Form 10-Q for the period ended June 30, 2003 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in such Quarterly Report on Form 10-Q for the period ended June 30, 2003 fairly presents, in all material respects, the financial condition and results of operations of iVillage Inc.

August 14, 2003  
-----

Date

/s/ Douglas W. McCormick  
-----

Douglas W. McCormick  
Chief Executive Officer

August 14, 2003  
-----

Date

/s/ Scott Levine  
-----

Scott Levine  
Chief Financial Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to iVillage Inc. and will be retained by iVillage Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The information in this Exhibit 32 is being furnished to the Securities and Exchange Commission and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

</TEXT>  
</DOCUMENT>