

LOOKSMART LTD

FORM 10-K/A (Amended Annual Report)

Filed 11/28/2005 For Period Ending 12/31/2004

Address	625 SECOND STREET SAN FRANCISCO, California 94107
Telephone	415-348-7000
CIK	0001077866
Industry	Computer Services
Sector	Technology
Fiscal Year	12/31

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

FORM 10-K/A

(Mark One)

Amendment to Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the fiscal year ended **December 31, 2004.**

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: **000-26357**

LOOKSMART, LTD.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

13-3904355
(I.R.S. Employer
Identification No.)

625 Second Street, San Francisco, CA 94107
(Address of principal executive offices and zip code)

(415) 348-7000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value \$.001 per share

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, based upon the closing price of common stock on the last business day of the most recently completed second fiscal quarter, June 30, 2004, was approximately \$211,996,761. Shares of voting stock held by each executive officer, director and person who owns 5% or more of the outstanding voting stock have been excluded from this calculation. This determination of affiliate status is not necessarily a conclusive determination for other purposes. As of March 1, 2005, 113,750,931 shares of the registrant's common stock were outstanding.



The Registrant hereby amends Part IV, Item 15(b) of this Form 10-K, for the sole purpose of re-filing the Exhibit Index and Exhibits 10.53 and 10.54 with the asterisk footnotes shown. These asterisks indicate that confidential treatment has been requested for Exhibits 10.53 and 10.54 and that the omitted materials have been filed separately with the Securities and Exchange Commission.

No other changes to the 10-K, or the Form 10-K/A filed October 21, 2005, are made hereby.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized in San Francisco, California on November 28, 2005:

LOOKSMART, LTD.

By: /s/ David B. Hills

David B. Hills
Chief Executive Officer and Director
(Principal Executive Officer)

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ David B. Hills</u> David B. Hills	Chief Executive Officer and Director (Principal Executive Officer)	November 28, 2005
<u>/s/ John Simonelli</u> John Simonelli	Chief Financial Officer (Principal Financial and Accounting Officer)	November 28, 2005
<u>Teresa Dial</u> Teresa Dial	Director	
<u>/s/ Anthony Castagna</u> Anthony Castagna	Director	November 18, 2005
<u>/s/ Mark Sanders</u> Mark Sanders	Director	November 18, 2005
<u>Edward West</u> Edward West	Chairman of the Board	
<u>/s/ Gary Wetsel</u> Gary Wetsel	Director	November 28, 2005
<u>Timothy J. Wright</u> Timothy J. Wright	Director	

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description of Document</u>
10.53*	Prioritized Listings Syndication Agreement between the Registrant and Search123, Inc. dated August 21, 2001.
10.54*	Amendment No. 2 to the Prioritized Listings Syndication Agreement between the Registrant and Search123, Inc. dated February 8, 2005.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

(*) Material in the exhibit marked with a “***” has been omitted pursuant to a request for confidential treatment filed with the Securities and Exchange Commission. Omitted portions have been filed separately with the Securities and Exchange Commission.

Exhibit 10.53

PRIORITIZED LISTINGS SYNDICATION AGREEMENT

THIS PRIORITIZED LISTINGS SYNDICATION AGREEMENT (the “Agreement”), made as of August 21, 2001 (the “Effective Date”), is made by and between LookSmart, Ltd., a Delaware corporation (“LookSmart”), and Search123 Inc., a California corporation (“Search123”) (each, a “Party”, or collectively referred to as the “Parties”).

WHEREAS, Search123 is the owner and provider of a cost-per-click search engine (the “Search123 Service”);

WHEREAS, LookSmart is the owner of an Internet search and directory service which includes the ability to search the Internet for relevant content by typing a word or set of words into a search box (the “LookSmart Service”);

WHEREAS, the Parties desire to offer LookSmart Service as an integrated component of the Search123 Service;

NOW, THEREFORE, for good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Integration of LookSmart Service into Search123 Service .

1.1. Definitions .

“LookSmart Search Results” means a set of Prioritized Listings provided by LookSmart from its proprietary database in response to an Internet user’s keyword search query on the Search123 Service. The LookSmart Search Results, when integrated into the Search123 Service, will appear on the Search123 service search results, including the Search123 Site and Search123 Affiliate Sites, substantially as shown in Exhibit A attached hereto (which depicts the results on the Search123 Site and representative Search123 Affiliate sites).

“Search123 Affiliate” shall mean the web site operators who distribute the Search123 Service or refer Internet users to the Search123 Service.

“Search123 Affiliate Site” shall mean the default Internet home page or primary search functionality of Search123 Affiliates.

“Search123 Site” shall mean the default Internet home page that is accessed by Search123 subscribers or other Internet users and is located at www.Search123.com.

“Destination Page” means the LookSmart customer’s web page accessed by clicking on a Prioritized Listing.

“Prioritized Listing” means a text-based site title, description (maximum 255 characters, including spaces) and URL hyperlink (with tracking code) which is drawn from the LookSmart database of Prioritized Listings in response to a keyword search query.

“Referral” occurs when a bona fide Internet user (which excludes a robot, spider, software, scraper or other mechanical, artificial or fraudulent means) clicks through on a Prioritized Listing and accesses a Destination Page. LookSmart will identify Referrals by means of a “come from tag” in the URL hyperlink from Prioritized Listings. For the avoidance of doubt, no Referral will occur unless the Destination Page is fully served to the end-user’s browser.

2. Integration. LookSmart will provide the LookSmart Search Results in response to a user’s keyword search query via a text-based data feed, or other mutually agreed method, from the LookSmart database. The web pages containing LookSmart Search Results will be served and hosted by Search123, provided that Search123 shall serve the LookSmart Search Results in the order presented to Search123 by LookSmart. The database and search algorithm (and any modifications thereto during the Term) used to generate the LookSmart Search Results are proprietary to LookSmart and shall remain entirely within LookSmart’s control. All Prioritized Listings returned by LookSmart in response to a search query shall in all cases be included by Search123 (a) in the order provided by LookSmart and (b) in order of prominence relative to other Search123 results based on the price that LookSmart is paying Search123 for such queries based on the previous month’s searches as specified in Section 3. If a user’s search query does not result in any match(es) with search results from the LookSmart database, then no LookSmart Search Results will be displayed on the search results page. LookSmart retains the right to modify the appearance and content of the LookSmart Search Results, as well as the underlying database and search algorithm, so long as the modifications do not substantially change the location and layout described in this paragraph. Search123 will complete integration and launch the Prioritized Listings no later than August 30, 2001, 2001, provided that Search123 is given all necessary resources and assistance by LookSmart within 10 days of such date.

3. Fees and Payment. LookSmart shall pay to Search123 a specified amount per Referral on a monthly basis based on the volume of Referrals Search123 generates, as follows:

- [***]- [***] Referrals/mo: \$[***/Referral
- [***]-[***] Referrals/mo: \$[***/Referral
- [***] + Referrals/mo: \$[***/Referrals

LookSmart will make such payments to Search123 within 30 days after the end of calendar month.

4. Responsibility for LookSmart Search Results. LookSmart will be solely responsible for the generation and collection of revenue from advertising or sponsorships on the LookSmart Search Results, and shall have sole responsibility for building the Prioritized Listings database and delivery of the LookSmart Search Results to Search123. LookSmart shall retain sole discretion as to the location, type and content of advertising served on the LookSmart Search Results.

5. Reporting and User Data.

5.1 Monthly Traffic Reports. LookSmart shall provide to Search123 monthly Referral summaries within 30 days following the end of each month detailing the number of

*** Omitted pursuant to a request for confidential treatment filed with the Securities and Exchange Commission. Omitted portions filed separately with the Commission.

Referrals and the revenue generated in the corresponding month (“Traffic Reports”). LookSmart’s determination of the number of Referrals during any period shall be dispositive, unless there is a ten (10%) or greater discrepancy between the numbers reported by the parties, in which case the parties will promptly meet and work together in good faith to determine the cause of the discrepancy. Once a discrepancy is identified, the Parties will make any necessary adjustments at the time of the next payment.

5.2. Books & Records; Auditing. During the Term of this Agreement and for a period of six months thereafter, the Parties will each maintain accurate and complete books and records, including copies of all customer and other correspondence, relating to such Party’s performance of its obligations under this Agreement. Each Party will have the right, no more than once in any twelve (12) month period during the Term, to audit the other Party’s books and records which are relevant to the performance of its obligations under this Agreement upon ten (10) days’ prior written notice. Such audits will be performed by the auditing Party’s representatives and will be conducted during normal business hours. Costs for such audits will be paid for by the auditing Party, unless the results of the audit show a shortfall in any payment owed or paid to Search123 during the period covered by the audit exceeding ten percent (10%), in which case the reasonable costs for the audit will be paid by LookSmart.

5.3. Traffic Increases; Affiliate Distribution.

a) Search123 will provide LookSmart with 30 days prior written notice (or as soon as possible if implementation is completed in less than 30 days) before launching the Search123 Service with new affiliates or traffic sources that will, in Search123’s reasonable opinion, increase the number of monthly Referrals by the greater of (i) 30% or more over then-current levels or (ii) increase the total monthly Referrals to over two million Referrals per month. Notice shall include the proposed time frame for launching the LookSmart Search Results and Search123’s reasonable estimate of the likely increase in traffic on a monthly basis during the remainder of the Term. LookSmart will have no obligation to pay for Referrals for which a timely notice is not provided under this section. LookSmart reserves the right, upon written notice to Search123, to refuse to allow distribution, sublicensing and syndication of the LookSmart Search Results on the particular affiliate or traffic source, in its sole discretion.

b) Upon LookSmart’s request, Search123 will make commercially reasonable effort to offer reporting of affiliate traffic to allow LookSmart to determine the performance of Prioritized Listings on the Search123 and Search123 Affiliate Sites.

6. Licenses.

6.1. Trademark License . During the Term of this Agreement, each party hereby grants to the other party a non-exclusive, non-sub-licensable, non-transferable, royalty-free right and license (the “Trademark License”) to use, display and reproduce such party’s name, logo, trademarks and service marks (the “Trademarks”), solely for the purposes of displaying and maintaining the LookSmart Service and Search123 Service as set forth in this Agreement. Each party acknowledges that the other party’s Trademark is and will remain the exclusive property of such party and all use by each party of any Trademark will inure solely to the benefit of the

owning party. Neither this Agreement nor any rights granted hereunder will operate as a transfer of any rights in or to any Trademark, except for the limited rights expressly granted under this Agreement. No party will take any action that would undermine, conflict with, or be contrary to the intellectual property rights and interest of the other party, including, without limitation, any use of, or attempt to register, any trademark, service mark or trade name substantially similar to any other party's Trademark.

6.2. Database License . During the Term of this Agreement and subject to the terms hereof, LookSmart hereby grants to Search123 a royalty free, non-transferable, non-exclusive license, to (i) use, transmit, integrate, display and distribute the LookSmart Search Results (the "Content") via the Search123 Service, to Internet end-users on the Search123 Site, and (ii) subject to Section 5.3 above, sublicense the Content to Search123 Affiliate Sites, provided that such Search123 Affiliates shall enter into a written contract with Search123 by which the same license and trademark limitations and restrictions are placed on Search123 Affiliates as are placed hereby on Search123. Search123 shall not allow any of the Content to be used, disclosed to or shared with any Search123 related entities, except in accordance with the terms hereof. The rights granted by LookSmart hereunder, including without limitation the license regarding the Content, are limited to the display and distribution as part of the Search123 Service directed primarily at Internet end-users in North America. LookSmart grants no license for any such services directed primarily at Internet end-users outside North America.

6.3. Content and Data Ownership . LookSmart shall retain all right, title and interest in and to the LookSmart directory, database, algorithm and related technology, and all traffic data collected under this Agreement. LookSmart will retain all right, title and interest in and to the intellectual property included in the Content (including, but not limited to, ownership of all copyrights and other intellectual property rights therein). Other than as expressly set forth herein, Search123 and its agents, officers, directors, employees, related parties, affiliates and representatives will not (i) sell, resell, rent, license, sublicense, transfer, assign or redistribute in any way the Content except as may be expressly permitted herein; or (ii) attempt to reverse engineer, decompile, disassemble or otherwise attempt to derive any of LookSmart's Content, algorithms, databases, computer programs, ontology, directory structure, patents, copyrights, or other proprietary rights or LookSmart's methodology related to the creation and compilation of LookSmart URLs from the Content or any other information furnished to Search123 by LookSmart, or permit any third party to attempt any of the foregoing.

7. Publicity . LookSmart and Search123 shall consult and confer with each other prior to making any public announcement concerning any of the transactions contemplated in this Agreement, and shall cooperate with each other to issue appropriate joint press releases in connection with the execution of this Agreement. Neither LookSmart nor Search123 shall issue a press release or make any other public statement concerning the existence or terms of this Agreement or any of the transactions contemplated in this Agreement without the prior written approval of the other Party; *provided* that nothing in this Section shall prevent a Party from making a public disclosure which is, in the opinion of such Party's counsel, required by applicable law or the rules and regulations of the securities exchange on which such Party is listed; *provided further* that in such event, the disclosing party provides the other party with written notice of the intended disclosure and uses reasonable efforts to obtain confidential treatment of the relevant portions of the Agreement.

8. Term . The term of this Agreement will commence on the Effective Date and, unless earlier terminated, will continue for twelve (12) months from the Effective Date (the “ Initial Term ”). This Agreement will automatically be renewed for successive twelve-month periods (each, a “ Renewal Term ”) on the same terms and conditions at the end of the Initial Term and at the end of each Renewal Term, unless either party provides at least 60 days prior notice of non-renewal of the then-current Term. The Initial Term and any Renewal Terms shall be known collectively as the “ Term ”. During the Term, either Party may terminate the Agreement if (i) the other Party materially breaches the Agreement and the breach remains uncured for 30 days after receipt of written notice of the breach, or (ii) the other party becomes the subject of a voluntary petition in bankruptcy or any voluntary proceeding relating to insolvency, receivership, liquidation or composition for the benefit of creditors; (iii) the other party becomes the subject of an involuntary petition in bankruptcy or any involuntary proceeding relating to insolvency, receivership, liquidation or composition for the benefit of creditors, if such petition or proceeding is not dismissed within 60 days of filing. After the Initial Term, either party may terminate the Agreement on 60 days’ prior written notice at any time for any reason.

8.1. Events upon Termination . Upon termination of this Agreement, each Party shall cease to use the Content, intellectual property, trademarks, service marks and/or trade names of the other Party, except as the Parties may agree in writing.

8.2. Survivability. Sections 7 through 12 hereof shall survive and continue beyond the term and termination of this Agreement for a period of one year.

9. Confidentiality.

9.1. The Parties agree and shall cause their directly or indirectly related parties, parent, sister or brother companies, affiliates, employees, contractors, agents and representatives, if any, to agree to hold all Confidential Information, as defined herein, in trust and confidence for a period of five (5) years after the expiration of the Term. Except as may be authorized by the Party disclosing Confidential Information (the “ Disclosing Party ”) in writing, the Party receiving any Confidential Information (the “ Receiving Party ”) shall not use such information for any purpose or disclose it to any person or entity, other than in the performance of the Receiving Party’s obligations and duties under this Agreement.

9.2. “ Confidential Information ” shall mean any information relating to or disclosed by either party in the course of the performance of this Agreement, which is or should be reasonably understood to be confidential or proprietary, including, but not limited to, the LookSmart database, search technology, algorithms, directory organization and structure, technology, material terms of this Agreement, technical processes, source code, product designs, sales, cost and other unpublished financial information, product and business plans, projections, and marketing data. Confidential Information shall not include, and the Receiving Party will not be liable for disclosure of, any information received by the Receiving Party under this Agreement if the information: (a) is generally available to or known to the public through no wrongful act of

the Receiving Party; (b) was previously known by the Receiving Party through no wrongful act of the Receiving Party; (c) was disclosed to the Receiving Party by a third party under no obligation of confidentiality to the Disclosing Party; or (d) is lawfully required to be disclosed to any governmental agency or is otherwise required to be disclosed by law, provided that the Receiving Party will first have provided the Disclosing Party with prompt written notice of such required disclosure and will take reasonable steps to allow the Disclosing Party to seek a protective order with respect to the confidentiality of the information required to be disclosed.

10. Representations and Warranties.

10.1. By LookSmart . LookSmart hereby represents and warrants as follows:

(a) The content of the LookSmart Search Results served by LookSmart, which includes all text, graphics, logos, trademarks, content or copyrighted material of LookSmart or any third party, but does not include any content, copyrighted material, photos, graphics, text or other information accessed by clicking through the LookSmart Service onto a third party's website (the "Service Content"), and the LookSmart Trademarks licensed to Search123 for use hereunder, are owned or licensed by LookSmart.

(b) LookSmart has the authority and full corporate power to enter into this Agreement, and the execution, delivery and performance of this Agreement by LookSmart does not constitute or cause a breach of its charter, by-laws, any license or permit, or any other agreement to which LookSmart is a party.

10.2. By Search123 . Search123 hereby represents and warrants as follows:

(a) The content on the Search123 Service and the advertising and promotional material served by Search123 on the Search123 Service, which includes all text, graphics, logos, trademarks, content or copyrighted material of Search123 or any third party displayed the Search123 Service, but does not include any content, copyrighted material, photos, graphics, text or other information accessed by clicking through the Search123 Service onto a third party's website (the "Search123 Service Content"), and the Search123 Trademarks licensed to LookSmart for use hereunder, are owned by Search123 or licensed to Search123.

(b) Search123 has the authority and full corporate power to enter into this Agreement, and the execution, delivery and performance of this Agreement by Search123 does not constitute or cause a breach of its charter, by-laws, any license or permit, or any other agreement to which Search123 is a party.

11. Indemnification.

11.1. Except as otherwise provided in this Agreement, subject to the conditions and limitations set forth below in this Section 11, each Party to this Agreement (an "Indemnifying Party") will defend, indemnify and hold the other Party, its parent, subsidiaries and affiliates, and its current and former officers, directors, employees, contractors, agents and representatives (collectively, the "Indemnified Party") harmless from and against any and all liabilities, losses,

damages and costs, including reasonable attorneys' fees (collectively, "Losses"), resulting from a third party claim connected with (a) any breach by an Indemnifying Party of any covenant, representation or warranty contained herein, (b) the failure by an Indemnifying Party or any of its dealers, agents, employees or subcontractors to perform its duties or obligations hereunder, (c) the negligent, intentionally wrongful or illegal acts or omissions of an Indemnifying Party or any of its dealers, agents, employees or subcontractors, or (d) any statement by an Indemnifying Party containing misleading or inaccurate references to the other Party, including the other Party's products or services, in any press release or other public statement for which prior written approval was not obtained.

11.2. Notice; Procedure. It will be an ongoing condition of the foregoing indemnity that the Indemnified Party give the Indemnifying Party prompt written notice of any actual or threatened claim, and provide the Indemnifying Party with all reasonably accessible information regarding such claims in the Indemnified Party's possession. The Indemnified Party will promptly notify the Indemnifying Party of any claim, demand, suit or proceeding for which the Indemnifying Party has agreed to indemnify and hold the Indemnified Party harmless, and the Indemnifying Party, upon written request by the Indemnified Party, will promptly defend and continue the defense of such claim, demand, suit or proceeding at the Indemnifying Party's expense. If the Indemnifying Party fails to undertake and continue such defense, the Indemnified Party will have the right (but not the obligation) to make and continue such defense as it considers appropriate, and the expenses and costs thereof, including but not limited to attorneys' fees, out-of-pocket expenses and the costs of an appeal and bond thereof, together with the amounts of any judgment rendered against the Indemnified Party, will be paid by the Indemnifying Party. The Indemnifying Party shall not enter into any settlement of an indemnified claim for which the Indemnified Party does not receive a general release without the prior written approval of the Indemnified Party. Nothing herein will prevent the Indemnified Party from defending, if it so desires in its own discretion, any such claim, demand, suit or proceeding at its own expense through its own counsel, notwithstanding that the defense thereof may have been undertaken by the Indemnifying Party.

11.3. EXCEPT AS SPECIFICALLY SET FORTH IN THIS AGREEMENT, EACH PARTY SPECIFICALLY DISCLAIMS ANY EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR NON-INFRINGEMENT OR ANY IMPLIED WARRANTY ARISING OUT OF COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE.

11.4. THE INDEMNIFICATION OBLIGATIONS SET FORTH HEREIN SHALL BE THE SOLE AND EXCLUSIVE MEANS OF OBTAINING A REMEDY FROM A PARTY HERETO IN CONNECTION WITH THIS AGREEMENT, EXCEPT IN THE EVENT OF FRAUD, GROSS NEGLIGENCE OR CRIMINAL CONDUCT. UNDER NO CIRCUMSTANCES SHALL EITHER PARTY TO THIS AGREEMENT BE LIABLE TO THE OTHER FOR ANY INDIRECT, INCIDENTAL, SPECIAL, PUNITIVE OR CONSEQUENTIAL DAMAGES, INCLUDING LOSS OF PROFITS, REVENUE, DATA, OR USE, INCURRED BY EITHER PARTY OR ANY THIRD PARTY, WHETHER IN AN ACTION IN CONTRACT OR TORT OR BASED ON A WARRANTY, EVEN IF THE

OTHER PARTY OR ANY OTHER PERSON HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. THE AMOUNT OF EITHER PARTY'S LIABILITY TO THE OTHER PARTY UNDER THIS AGREEMENT SHALL BE LIMITED TO THE AMOUNTS PAID UNDER THIS AGREEMENT BY LOOKSMART DURING THE 12 MONTHS PRECEDING THE DATE OF THE INDEMNIFYING PARTY'S RECEIPT OF NOTICE OF CLAIM FOR LOSSES.

12. General Provisions.

12.1. Entire Agreement. This Agreement sets forth the entire agreement between the parties and supersedes any and all prior written or oral proposals, agreements, and representations between them. This Agreement may be changed only by mutual agreement of the parties in writing. No waiver by either Party of any breach of any term or condition of this Agreement will constitute a waiver of, or consent to, any subsequent breach of the same or any other term or condition of this Agreement.

12.2. Assignment. This Agreement will be binding on and will inure to the benefit of the parties hereto and their respective successors and assigns. Neither this Agreement nor any right or obligation hereunder may be assigned or delegated by either Party without the express prior written consent of the other Party or its successors, which consent shall not be unreasonably withheld, and any purported assignment in derogation of the foregoing shall be without any effect; provided that either party may freely assign this Agreement, with notice to the other party, to a successor in interest or other entity acquiring said party through the sale of all or substantially all of said party's assets, acquisition, merger or similar transaction, provided that the successor entity has agreed in writing to assume all rights and obligations of said party hereunder.

12.3. Severability. Any term or provision of this Agreement held to be illegal or unenforceable shall, if possible, be interpreted so as to be construed as valid, but in any event the validity or enforceability of the remainder hereof shall not be affected.

12.4. Notices. Any notice or other communication required or permitted to be given under this Agreement shall be in writing and may be personally served, sent by a recognized overnight courier or by registered or certified United States, or Canadian mail, return receipt requested, and shall be deemed to have been received when: (a) delivered in person; (b) one (1) business day after delivery to the office of such overnight courier service; or (c) three (3) business days after depositing the notice in the United States or Canadian mail with postage prepaid and properly addressed to the other Party via certified or registered mail. Any such notices will be addressed as follows, or to such other address as may be specified hereafter in writing in accordance with this sentence:

For LookSmart :

LookSmart, Ltd.
625 Second Street
San Francisco, CA 94107
Attn: Claudine Ryan

Copy to: Erik Riegler, Esq.
Fax: (415) 348-7034

For Search123 :

SEARCH123.com Inc.
5701 Lindero Canyon Rd.
Building 2, Suite 200
Westlake Village, CA 91362
Attn: Brian McCarthy
Copy to: James Beriker
Fax: (818) 991-7439

12.5. Choice of Law. This Agreement will be governed by and construed in accordance with the substantive laws of the State of California, without regard to or application of choice-of-laws provisions, and the Parties agree to submit to the exclusive jurisdiction of and bring any actions in the state or federal courts located in the State of California, San Francisco County.

12.6. Independent Contractors. The parties agree that their relationship is that of independent contractors acting for their own account. Neither Party is authorized to make any commitment or representation, express or implied, on the other's behalf unless authorized in writing. This Agreement will not be interpreted or construed to create an association, joint venture or partnership or to impose any partnership obligation or liability upon either Party.

12.7. Headings. The section headings herein are provided for convenience only and have no substantive effect on the construction of this Agreement.

12.8. Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which will be considered an original, but all of which together will constitute one and the same instrument. A facsimile of a signed copy of this Agreement received from either Party may be relied upon as an original.

* * *

IN WITNESS WHEREOF, duly authorized representatives of the parties have executed this Agreement as of the date set forth on the first page hereof.

LOOKSMART, LTD.

SEARCH123.COM INC.

By: /s/ Jim Kaufman

By: /s/ James K. Beriker

Name: Jim Kaufman
Title: SVP Business Development

Name: James K. Beriker
Title: CEO

10

CONFIDENTIAL
Exhibit 10.54

**SECOND AMENDMENT TO THE PRIORITIZED LISTINGS SYNDICATION AGREEMENT
BETWEEN LOOKSMART, LTD. AND SEARCH123 INC.**

This Second Amendment (the “Second Amendment”) to the Prioritized Listings Syndication Agreement dated as of August 21, 2001 (the “Agreement”) and the Amendment dated as of June 7, 2002, is entered into and effective as of February 8, 2005 by and between LookSmart, Ltd., a Delaware corporation, (“LookSmart”) and Search123, Inc., a California corporation (“Partner”).

NOW, THEREFORE, in consideration of the mutual promises contained herein, the parties agree that during the term of this Second Amendment, the Agreement (as amended) shall be amended as follows:

1. The following definitions shall be added to Section 1.1:

“Click” occurs when a bona fide Internet user (which excludes a robot, spider, software, scraper or other mechanical, artificial or fraudulent means, or a person who is not seeking to use the Partner Network for a legitimate web search, e.g., has been paid or otherwise motivated to click) clicks on a Prioritized Listing and accesses the destination site.

“Partner Network” means the Search123 Site together with the Search123 Affiliate Sites.

2. Section 2 is hereby deleted and replaced with the following:

2. Obligations.

2.1 **Implementation of Prioritized Listings.** Partner will query LookSmart’s servers for search queries on the Partner Network and will implement and display Prioritized Listing provided by LookSmart as set forth on Exhibit A.

2.2 **Attribution; Look and Feel.** Partner may provide attribution on pages displaying Prioritized Listings. The size and location of such attribution shall be at the parties’ mutual agreement. Other than as set forth herein, Partner shall control the look and feel of its search service.

2.3 **Service Levels/Technical Support** . LookSmart will use commercially reasonable efforts to provide the Service Levels and Technical Support in Exhibit B.

3. Section 3 of the Agreement (as amended) is hereby deleted and replaced with the following:

3.1 **Cost Per Click (CPC)** . Subject to the terms and conditions hereof, for any given calendar month, LookSmart will pay Partner [***] for all valid Clicks generated by Partner, as recorded by LookSmart’s proprietary click tracking system. For each Click, the share of revenue paid to Partner will be equal to the CPC bid by LookSmart for the corresponding search term, less a month-end adjustment for credit card fraud, advertising complaints or similar items.

*** Omitted pursuant to a request for confidential treatment filed with the Securities and Exchange Commission. Omitted portions filed separately with the Commission.

LookSmart will determine the CPC bid and include it in the live feed sent in response to such query. LookSmart will have sole discretion to decide the CPC bid for each search term, and such CPC bid may change frequently. Partner may use the CPC bid included in the live feed for its internal purposes, but the parties agree that all CPC bid amounts submitted by LookSmart are confidential information for internal use only, and shall not be posted on Partner's or Partner's Network web pages or disclosed to any third parties.

3.2 **Invalid Clicks** . LookSmart shall have no obligation to pay for clicks which are invalid as determined by its proprietary click tracking system. Invalid clicks may come as a result of but are not limited to clicks (i) generated via automated crawlers, robots or click generating scripts, (ii) that an advertiser receives and rejects, (iii) that come as a result of auto-spawning of browsers, automated redirects, and clicks that are required for Users to navigate on the Partner Network, (iv) that are derived from international users (non-US and Canada) unless otherwise specified by LookSmart, (v) that are derived from adult related traffic or (vi) that come as a result of any incentive such as cash, credits or loyalty points. LookSmart reserves the right to require Partner to provide server log files that include, but are not limited to, the daily number of clicks delivered to LookSmart. In the event that LookSmart determines by its proprietary click tracking system that Partner has delivered invalid clicks or low quality traffic during the term of this Agreement, LookSmart may immediately terminate this Agreement upon written notice to Partner.

IN WITNESS WHEREOF , the Parties have executed this Second Amendment as of the date set forth above. In the event of any conflict between the terms hereof and the terms of the Agreement, the terms hereof shall govern. This Second Amendment may be executed in counterparts, each of which may be an original or fax copy, and all of which together shall form one instrument.

LookSmart Ltd.

By: /s/ Bryan Everett

Name: Bryan Everett
Title: SVP, Sales

Search123, Inc.

By: /s/ James K. Beriker

Name: James K. Beriker
Title: CEO

EXHIBIT A

IMPLEMENTATION

1. **Display of Prioritized Listings.** In connection with each search by a user on the Partner Network, Partner will query LookSmart's servers via a live data feed. If any Prioritized Listings are returned by LookSmart's servers in response to such query, such Prioritized Listings will be displayed on search result pages on the Partner Network. All Prioritized Listings must be displayed in the order received from LookSmart's servers and prominently on such search results pages. Partner will not display any CPC or price-related data that would allow users to determine the price paid by advertisers in connection with Prioritized Listings. Partner will cooperate with LookSmart to allow LookSmart to track clicks on Prioritized Listings displayed on the Partner Networks, including the use of redirects, tracking URLs or other methods as reasonably requested by LookSmart. Partner will not modify, add to, edit or delete the URLs, titles or reviews contained within any Prioritized Listing without LookSmart's prior written approval. Partner will use the tracking URLs associated with each individual Prioritized Listing provided by LookSmart (though Partner may use the display URLs for purposes of displaying the listing). Other than as set forth herein, Partner shall be solely and exclusively responsible for the design, development, operation and maintenance of the Partner Network and for all advertising, sponsorship or other use of the media contained therein.
2. **Partner Display Ordering.** Partner represents that it displays and will continue to display Prioritized Listings on the Partner Network based on the Cost Per Click assigned to the listings in the Prioritized Listings (CPC Sorted). In the event that Partner decides to change the method by which it determines the order of its Prioritized Listings, Partner will provide to LookSmart thirty (30) days written notice of such change. Partner will make reasonable effort to work with LookSmart to display Prioritized Listings in the new display order at positions comparable to the CPC sorted implementation.
3. **Position in Search Results.** In implementations where Partner determines the display and presentation of Prioritized Listings on the CPC paid to Partner, Partner agrees to display Prioritized Listings in Partner's Prioritized Listings in the position based on the agreed upon Cost Per Click. Based on the agreed upon CPC, Partner must display Prioritized Listings above (i) any other listing with the same CPC and (ii) the listing with the next lowest CPC available for display in Partner's Prioritized Listings. Partner will in no way manipulate Partner's Prioritized Listings or any other listing CPCs to display Prioritized Listings in a position below listings with CPCs lower than those agreed upon and thus assigned to Prioritized Listings.
4. **Top Bid Pricing .** In implementations where Partner determines the display and presentation of Prioritized Listings on the CPC paid to Partner, Partner agrees to provide LookSmart with an automated, regularly updated mechanism from which LookSmart can determine the bid prices (CPC paid to partner) of the top 5 listings for individual and specific keywords. For example, Partner may make available an API or other data interface that provides such data.
5. **Query Source Identification.** Partner must provide LookSmart with the IP, User Agent and HTTP referrer for every query for which Partner requests a LookSmart Prioritized Listing.
6. **Traffic Volume and Increases .** Partner will provide LookSmart with 3 days written notice before launching with new affiliates or traffic sources that will, in Partner's reasonable opinion, increase the number of Searches by the lesser of 50% over then-current levels or 500,000 queries per day. LookSmart will have no obligation to pay for Referrals for which a timely notice is not provided under this section.
7. **Blocking Distribution .** LookSmart may request that Partner block distribution of Prioritized Listings to a specified list of sources (sites and/or IP addresses) deemed questionable by LookSmart. LookSmart may update the list from time to time, in its sole discretion. All sources contained within the list must be blocked from distribution by Partner as soon as practicable after, but in any event within 5 business days from, receipt of notice from LookSmart. LookSmart shall have no obligation to pay Partner for Clicks delivered to Prioritized Listing from these sources, five business days beyond notice. Partner will not display, sublicense or syndicate the Prioritized Listing on or to any third party, distribution network or web site (A) via spyware or any other form of advertising that delivers advertisements to a user without the user's prior consent, (B) that displays adult-oriented content, (C) via a web site or distribution network directed primarily at users outside of the United States or Canada, or (D) that violates any applicable laws or regulations.

EXHIBIT B

Service Level Agreement — LookSmart Data Feed (VAL)

Below is the level of service to be supplied by LookSmart in connection with LookSmart's provision of Prioritized Listings (the "Service"). The Service to be provided to Partner shall consist of a real-time data feed of Prioritized Listings as defined in the Agreement.

Partner Implementation Guide. Following the execution of this Agreement, LookSmart will provide Partner with a partner implementation guide to assist in the process of implementing the technical aspects of the Service. The parties will use commercially reasonable efforts to abide by the procedures and steps set forth in the guide.

Service Integration Technical Assistance. During the Term, LookSmart agrees to provide a designated technical account manager during normal business hours (8am – 5pm Pacific Time) to Partner to assist in the effective integration of the Service onto the Partner's site. In no event will such support exceed ten (10) hours per month, and all such support will be provided during business hours. The parties agree that the Service is provided in a standard format and is well documented. LookSmart will not provide technical assistance relating to on-site server configuration or programming.

Service Response Time. The load time for a non-page-load query (i.e. where the data returned does not include the formatted page), as measured round-trip from the time Partner servers send a search request to LookSmart to the time of Partner's servers' receipt of a completed set of search result(s) will be less than 375 milliseconds at least 98% of the time, as measured daily, weekly, and monthly, from domestic locations.

Service Uptime. The Service will be available 24 hours/day, 7 days/week. Scheduled downtime will be communicated to partners with 5 business days notice. Service is guaranteed to be up 99.5% of the time as measured weekly and 99.8% of the time as measured monthly, excluding scheduled downtime. Should LookSmart determine that a reconfiguration of the Service is required, such as major software version changes, changes in hosting facilities or other network reconfiguration; LookSmart will provide Partner with 30-day notice of such change, and will work in good faith to minimize any Service outages.

Quality Criteria. LookSmart will use commercially reasonable efforts to ensure that the Service shall not contain more than 3% Inactive Links out of any random sample of 10,000+ queries. "Inactive Links" shall be defined as any link provide by the Service which, when clicked, does not result in the user receiving a web page within 60 seconds at least 3 out of 5 times in any 1 week period.

TECHNICAL SUPPORT

To ensure that problems with the Service are identified, addressed and resolved in a timely manner, the following framework shall be followed for reporting problems, communicating progress on troubleshooting activities, resolving problems, and, if necessary, escalating the level of attention placed on such problems. This framework proposes a three-category approach to technical support for dealing with problems. The first type deals with **general technical support** such as consultation regarding technical specification interpretation and understanding the process, the second with **changes** in the Service, and the third addresses **problem reporting and resolution** associated with the Service.

Type 1: General Technical Support

This category of service provides consultation regarding the proper interpretation of format specifications and data, as well as support on how the Service works, the quality or content of Service results for specific queries or how Partners might integrate the Service into their Web site (s). It does not address any desired changes in the basic service parameters. Within 3 business days of the Execution Date of this Agreement, Partner will be provided with the names of both a business development account manager and a technical account manager who will provide this type of service during normal business hours, up to 10 hours per month, for the first three months. Partner should expect a response to Type 1 issues within 2 business days, after which they should be escalated as detailed below.

Type 2: Changes

Requests for changes in the Service should be directed to the business development account manager who will be assigned to Partner within 3 days of the Execution Date of this Agreement. Partner should expect a response to Type 2 issues within 2 business days, after which they should be escalated as detailed below.

Type 3: Problem Reporting and Resolution

Problems reaching LookSmart servers (e.g., major networking issues, Service outage, etc.) should be addressed with the LookSmart Technical Operations team as detailed below. ALL OTHER requests (e.g. product issues) should be treated as Type 1 or Type 2 issues.

1. Contact the System Technical Support team by:
 - Email: xxxx@looksmart.net
 - Email Page: xxxx@looksmart.net
 - Please remember to include an area code with the callback telephone number

If after 15 minutes, a callback is not received...

2. Contact the Director of Production Operations by use of the following contact information:
 - Dean Cookson
 - Work/Day: 415-348-xxxx
 - Cell: 415-516-xxxx
 - Email: xxxx@looksmart.net

- Email Page: xxxx@looksmart.net

If after 15 minutes, a callback was not received...

3. Contact the Vice President of Technical Operations by use of the following contact information:

- Michael Grubb
- Work/Day: 415-348-xxxx
- Cell: 415-308-xxxx
- Email: xxxx@looksmart.net
- Email Page: xxxx@looksmart.net

Escalation Procedures

If Partner does not receive timely responses (according to the timetables outlined above) issues should be escalated to any of the following individuals:

<u>Person to Contact</u>	<u>Title</u>	<u>Role</u>	<u>Phone</u>	<u>Email</u>
David Hoare	Technical Account Manager	Business Development	415-348-xxxx (o) 415-378-xxxx (m)	xxxx@looksmart.net

Partner Points of Contact

Communication of issues from LookSmart to Partner should be directed to the following individuals:

<u>Person to Contact</u>	<u>Title</u>	<u>Role</u>	<u>Phone</u>	<u>Email</u>
Aaron Bush	Partner Operations Manager	Business Development	818-575-xxxx (o)	xxxx@valueclick.com
Kelly Harrel	Director	Engineering	818-575-xxxx	xxxx@valueclick.com
Brian McCarthy	VP	Search Services	818-575-xxxx (o) 310-991-xxxx (m)	xxxx@valueclick.com

CERTIFICATION

I, David B. Hills, certify that:

1. I have reviewed this Amendment to Annual Report on Form 10-K/A of LookSmart, Ltd.;
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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) 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
 - (d) 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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.

CERTIFICATION

I, John Simonelli, certify that:

1. I have reviewed this Amendment to Annual Report on Form 10-K/A of LookSmart, Ltd.;
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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) 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
 - (d) 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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: November 28, 2005

/s/ John Simonelli

Chief Financial Officer

End of Filing