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HYPERFEED TECHNOLOGIES INC

Form 10-K

March 19, 2001

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2000

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 0-13093

HYPERFEED TECHNOLOGIES, INC.
Incorporated in the State of Delaware FEIN 36-3131704

Principal Executive Offices:
300 South Wacker Drive, #300, Chicago, Illinois 60606
Telephone Number: (312) 913-2800

Securities registered pursuant to Section 12(b) of the Act:
NONE

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, \$.001 par Value

Indicate by check mark whether the registrant (1) has filed all reports 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 /X/ No / /

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

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As of January 31, 2001, the aggregate market value of the Common Stock of the Registrant (based upon the closing price of the Common Stock as reported by the Nasdaq National Market) on such date held by non-affiliates of the Registrant was approximately \$35,700,000.

As of January 31, 2001, there were 15,760,301 shares of Common Stock and 47,866 shares of Preferred Stock of the Registrant outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: See Page 3

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Portions of the Registrant's Definitive Proxy Statement to be filed with the Securities and Exchange Commission in connection with the 2001 Annual Meeting of Stockholders are incorporated by reference into Part III of this report.

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PART OF FORM 10-K		DOCUMENT
PART I		None
PART II		None
PART III		
ITEM 10	Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act	Company's Proxy Statement to be filed in connection with its Annual Meeting of Stockholders
ITEM 11	Executive Compensation	Company's Proxy Statement to be filed in connection with its Annual Meeting of Stockholders
ITEM 12	Security Ownership of Certain Beneficial Owners and Management	Company's Proxy Statement to be filed in connection with its Annual Meeting of Stockholders
ITEM 13	Certain Relationships and Related Transactions	Company's Proxy Statement to be filed in connection with its Annual Meeting of Stockholders
PART IV		
ITEM 14	Exhibits, Financial Statement Schedules, and Reports on Form 8-K	Exhibits as specified in Item 14 of this Report

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HYPERFEED TECHNOLOGIES, INC.

PART I

ITEM 1. BUSINESS

GENERAL DEVELOPMENT OF BUSINESS

We were originally incorporated in the State of Illinois on June 23, 1980 as On-Line Response, Inc. We changed our name to PC Quote, Inc. in 1983 and incorporated in Delaware on August 12, 1987. In March 1999, we incorporated a subsidiary, PCQuote.com, Inc., to focus on our Web site and consumer business. In June 1999, we changed our name to HyperFeed Technologies, Inc. We are a financial markets content and solutions provider servicing the business-to-business and business-to-consumer financial marketplace. We collect financial content directly from stock, options and commodities exchanges and other news and financial information sources. We provide this

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content with a variety of optional analytics packages to businesses for their internal use and redistribution to their customers over the Internet, virtual private networks, and local or wide area networks.

We use proprietary collection techniques to process financial market activity reported to us directly from equities, options, and futures and options on futures exchanges. We consolidate the information and update in real-time our data warehouse of last sale, bid/ask, time and sales, and historical prices of more than 600,000 securities and derivatives issues. The data warehouse includes information on all North American equities, equity options, major stock indices, Level 1 Nasdaq-quoted stocks, Level 2 Nasdaq market-maker quotes, mutual funds, money market funds, futures contracts and options on futures contracts. We use proprietary extraction routines and compression algorithms to create "HyperFeed(R)", our IP Multicast digital datafeed. HyperFeed is created, and news and other financial content incorporated, at our primary processing facility located at our executive offices in Chicago, Illinois. We maintain a hot back up facility at our offices in Aurora, Illinois.

We disseminate HyperFeed to our customers over the Internet, as well as by satellite and digital data landlines. HyperFeed populates databases residing on computer servers at our customers' sites that are continuously and instantaneously updated. This process is often referred to as "real-time streaming data". Software applications on our customers' and their customers' computers access the HyperFeed populated databases to allow the end user to monitor securities activity and financial information on an on-going real-time basis. PCQuote.com maintains multiple servers for customers' real-time access, through Internet connections or through the World Wide Web. This provides our customers the same institutional quality financial data without the requirement of having their own server.

We derive our revenue from license fees charged for access to HyperFeed and from license fees charged for a packaged HyperFeed plus analytical software service. Our services are used primarily for trading analysis and as a price engine for order routing, order matching, order execution, interactive voice response, and alternative trading systems. Our customer base consists primarily of financial market data redistributors: securities broker-dealers, on-line brokerage firms, portfolio managers, other financial institutions, Internet Web sites and financial portals. PCQuote.com services individual and professional investors, in addition to selling advertising space on its Web site, www.pcquote.com. Our customers are located primarily in the United States and Canada.

The following is a description of the principal services that we provide.

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PART I-ITEM 1. BUSINESS

PRODUCTS AND SERVICES

HYPERFEED - MARKET DATA PRODUCTS

HYPERFEED(R) MARKET DATA

HyperFeed is our IP Multicast digital real-time financial market datafeed. We create HyperFeed by collecting, analyzing, processing, storing, compressing, and transmitting financial content in under 40 milliseconds. HyperFeed contains:

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- Last sale, bid/ask, time and sales, and historical prices of more than 600,000 North American securities and derivatives issues;
- Complete options chain information;
- Equity indices, mutual funds, money market funds;
- Dynamic Nasdaq Level II market maker quotes;
- Dow Jones Composite News Service (up to 90-day retrieval of nine wires "Broadtape", Professional Investor Report, Capital Markets Report, International News Wire, World Equities Report, European Corporate Report, Electronic Wall Street Journal, International Petroleum Reports, Federal Filings); and
- Multiple levels of fundamental data.

HyperFeed enables servers at our customers' sites to receive HyperFeed data and create real-time databases of financial markets activity, news and fundamental security information. HyperFeed is used primarily for trading analysis and as a price engine for order routing, order matching, order execution, interactive voice response, and alternative trading systems. Our customers pay monthly HyperFeed licensing fees and per-user or per-unit charges. HyperFeed licensees consist primarily of financial market data redistributors: securities broker-dealers, on-line brokerage firms, portfolio managers, other financial institutions, Internet Web sites and financial portals.

HyperFeed provides PCQuote.com's customers the benefit of institutional quality data, accessible over the Internet. Professional and individual investors are also able to benefit from the Internet's substantially lower costs for service and communications, its ease of access and its worldwide availability.

Powered by HyperFeed, our other services capitalize on the speed and completeness of HyperFeed to access, view and utilize the financial content we provide in a variety of ways.

HYPERSERVER (TM)

HyperFeed's Microsoft (R) Windows NT(R) HyperServer works as an independent workhorse at the client site to effortlessly manage the massive intake, processing and dissemination of real-time HyperFeed market data. Running proprietary HyperServer software, the HyperServer performs three basic functions: decompress and decrypt the HyperFeed broadcast, maintain the database, and make events/databases available to HyperFeed, third party or the client's own applications. Designed specifically for real-time data management, the HyperServer makes no demands on system resources and allows for optimal client workstation performance.

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PART I-ITEM 1. BUSINESS PRODUCTS AND SERVICES, CONTINUED

HYPERFEED (R) SDK

HyperFeed's Software Development Kit (SDK) provides developers with the necessary tools for easy integration of HyperFeed market data into proprietary software and Web based applications. Compatible with Microsoft (R)

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Windows NT(R), LINUX, UNIX, JAVA and other operating systems, HyperFeed SDK is a complete toolkit which includes a variety of programming interfaces, documentation, sample code and API (Application Programming Interface), CGI (Common Gateway Interface) and ActiveX programming tools.

HYPERFEED SMARTICKER(TM)

A cost-effective data consolidation, processing, and management solution, HyperFeed SmartTicker provides businesses with the capabilities required to receive real-time datafeeds directly from exchanges or to create their own customized datafeed. HyperFeed SmartTicker provides clients with many of the processing capabilities of a full tickerplant at a fraction of the infrastructure. In addition, SmartTicker gives clients the capability to produce a customized datafeed. Clients may combine their preferred local/global content or even their own proprietary datafeed with HyperFeed market data and output a combined feed in HyperFeed common format.

HYPERFEED - DISPLAY PRODUCTS

HyperFeed licenses high-end applications to subscribers for the purpose of viewing, analyzing and manipulating HyperFeed's robust financial market content.

APOGEE(TM)

HyperFeed's proprietary display software, Apogee, is a collection of individual financial applications which can be independently opened from the Launcher bar on the user's desktop. User-friendly, flexible and customizable, each application contributes to a full-scale real-time trading center. Apogee includes quote grids, tickers, alarms, Nasdaq Level II market maker screens, options, charts, analytics, time and sales, name look up and a spreadsheet download feature for use with Microsoft Excel and other spreadsheet programs. Powered by HyperFeed market data, Apogee is available for use by individuals and corporations and can be private-labeled for internal or external redistribution.

REALTICK(TM) FROM HYPERFEED

RealTick is a Microsoft Windows-based suite of real-time professional securities trading tools which is powered by HyperFeed market data. RealTick's comprehensive functionality includes: unlimited quote pages, charting, technical analytics, searchable news, time of sale and quote, Nasdaq Level II market maker screens, options analytical tools, dynamic data exchange into Microsoft Excel, tickers, alerts, baskets and more. RealTick is available with HyperFeed's satellite, landline, and Internet services.

HYPERFEED - WEB PRODUCTS

NEOSPHERE(TM)

Neosphere is a comprehensive e-business solution providing everything a business needs to quickly offer real-time quotes and news fully integrated into an analytic application-via the Internet. Neosphere reduces lengthy development time and eases administrative processes. A turnkey solution, Neosphere provides back-end tools for the client: administrative database, online sign-up templates, exchange authorizations, automatic reports and billing. Neosphere also takes care of the front-end with real-time Internet delivered quotes, news and analytic software. Neosphere components include: Apogee software, HyperFeed market data, news, HyperServers for HyperFeed data processing and Internet delivery, a browser-based Neosphere DB administrative SQL database for billing/reporting, Neosphere online client sign-up pages plus onsite application and troubleshooting training.

PART I-ITEM 1. BUSINESS
PRODUCTS AND SERVICES, CONTINUED

NEOSPHERE DB (TM)

A turnkey online account management system, Neosphere DB (database) provides businesses with the back office processing capabilities to set up, invoice and maintain Internet clients using applications powered by HyperFeed market data. Part of HyperFeed's unique Neosphere solution, Neosphere DB was designed to interface with an existing back office. Features include: complete account administration, reporting and online billing, easy sorting and searching capabilities, database capacity for unlimited records. Neosphere DB allows for access from multiple locations through its browser-based software and makes it easy to configure and customize client data.

PCQUOTE.COM - WEB SITE

WWW.PCQUOTE.COM

Our free Web site, www.pcquote.com, provides access to delayed quotes, news, research and analytical tools and a broad range of financial information to empower the individual investor. The site also serves as the primary marketing and promotions engine for the rest of the services we provide. www.pcquote.com provides the following tools and information:

Free Delayed Quote Tools Powered by HyperFeed:

- Detailed Quote allows investors to request equity, commodity, option, mutual and money market fund and bond quotations by ticker search.
- Multiple Quote allows users to enter up to five ticker symbols into the query at one time.
- Portfolio enables users to track up to five portfolios of up to ten symbols each.
- Markets at a Glance provides a basic overview of various market indices, including the current position of the index as well as its net change for the day.
- Detailed Indices provides a detailed list of the individual securities underlying various indices.
- Top Ten allows the user to view the top ten gainers, losers, and most active stocks on the primary exchanges in North America.
- Futures offers market quotations from various futures and commodities exchanges in a way that is intuitive to the commodities trader.
- Options Strings shows relative prices for all options for a particular security.
- Funds provides information with respect to the various mutual funds within a particular fund family.

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- Symbol Search enables investors to enter a company's name and receive the matching ticker symbol.

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PART I-ITEM 1. BUSINESS PRODUCTS AND SERVICES, CONTINUED

News - provides users access to timely, original financial news and stories from a variety of sources:

- CNNfn Headlines, provided through our strategic relationship with CNNfn, gives investors access to timely, original financial and business news headlines and stories published by CNNfn.
- Wire-based news offers investors access to press releases and other wire-based news provided by COMTEX Scientific Corporation, including feeds from PR Newswire, Business Newswire, M2 Communications, and UPI Spotlights.

Research and Analysis Tools - allows users to research and analyze market quotations with tools and information:

- Stock Analysis provides investors access to three free VectorVest analysis reports per day.
- Stock Criteria Search enables the investor to run search queries on various stocks that fit user-defined investment criteria. Queries can be based on such factors as industry, price earnings ratio and dividend history.
- Charting allows investors to display historical and intra-day charts for publicly traded securities and all major indices.
- Earnings Analysis and Reporting Tools gives consensus earnings estimates and other earnings-related reports.
- Research Reports gives analysts recommendations and in-depth analysis and commentary from multiple sources.
- Corporate Profiles gives investors access to corporate profiles for most publicly traded companies.
- The IPO Resource Center gives investors the ability to research new initial public offerings (IPOs), monitor the post-offering performance of IPOs, search filings made with the SEC and receive news stories about upcoming IPOs.

PCQUOTE.COM - REAL-TIME INVESTMENT TOOLS

MARKETSMART

Our subscription-based Web site, www.marketsmart-real.pcquote.com, provides real-time, snapshot market quotations along with all of the news, research, and analytical tools available on www.pcquote.com. This site is targeted toward a more sophisticated investor than is www.pcquote.com.

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www.marketsmart-real.pcquote.com uses sparse graphics, text indices, and creative advertising to speed download times and gives investors faster access to the site's content. www.marketsmart-real.pcquote.com can be accessed from www.pcquote.com.

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PART I-ITEM 1. BUSINESS PRODUCTS AND SERVICES, CONTINUED

PCQUOTE ORBIT(R)

PCQuote Orbit provides our subscribers with streaming, real-time market quotations delivered via an Internet-enabled desktop service. This Internet-enabled desktop application allows users access to streaming real-time quotes and more complex research and analytical tools.

PCQuote Orbit offers desktop versions of the quote tools available on www.pcquote.com. These applications are similar to those offered on our Web sites, but work with our streaming, real-time data. In addition, the following tools are also offered:

- Quote Grid enables investors to enter into a grid hundreds of ticker symbols for which they desire to receive market quotations, such as high, low, bid, ask, last and close prices.
- Charting provides high-end, tick-by-tick technical analysis.
- Scrolling Ticker enables investors to display current prices and daily changes of selected stocks on a digital ticker tape that scrolls across a user's screen.

PCQUOTE 6.0, A REALTICK PRODUCT

PCQuote 6.0 RealTick is a professional-quality, Nasdaq level II, real-time quote system that offers investors reliable, streaming real-time market data for all North American equities and options. PCQuote 6.0 empowers sophisticated investors by giving them the freedom to decide how and when to trade on a daily basis. This service is online-trading enabled and offers access to order execution through participating broker-dealers.

PCQuote 6.0 includes the same analytical tools as PCQuote Orbit, plus the following:

- Nasdaq Level II Screens provides investors with access to brokerage quotations.
- Technical Analysis enables subscribers to make use of a host of technical analysis formulas through robust algorithms.
- Market Guide provides access to a company's financial and other corporate information, such as income statements, balance sheets and contact information.
- News allows investors to research companies through the printed media. This service is provided by Dow Jones and COMTEX. These news stories can be accessed via a scrolling headline ticker or by keyword search of the database.
- Alarms enables users to set customizable alarms or alerts for one

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or more stocks with a variety of parameters, such as volume, price, highs and lows.

PROSUITE 2000i FROM TRADESTATION TECHNOLOGIES

TradeStation Technologies (formerly Omega Research) offers a variety of sophisticated analytics applications within its ProSuite package, powered by HyperFeed market data, over the Internet. ProSuite applications are used primarily by professional and individual investors for technical analysis and charting.

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PART I-ITEM 1. BUSINESS PRODUCTS AND SERVICES, CONTINUED

PCQUOTE.COM - WEB SOLUTIONS

WEB TEMPLATES

Web Templates allows clients to create their own "private label" Web sites with many of the features of our own Web sites. These templates are created, hosted and maintained by us. Web Templates includes a variety of quote tools, both delayed and real-time, as well as a variety of news and research and analytical tools from our third-party vendors.

We offer companies and Web sites access to our delayed or real-time data. Utilizing standard templates, the actual Web pages that house the data applications are hosted at PCQuote.com and accessed by the client through a simple series of links over the Web. Similar to www.pcquote.com, our clients are able to offer the following tools: Detailed Quote, Multiple Quote, Portfolio, Markets at a Glance, Detailed Indices, Top Ten and Option Strings. We also offer access to third-party research and analysis.

HYPERSCRIPT

HyperScript is a proprietary development tool used to create data-rich Web sites and Internet-based market data applications. HyperScript allows business-to-business clients to develop their own data applications using HyperFeed data. Utilizing standard development techniques to access data and present it on third-party Web sites, HyperScript makes development of complex data applications a simple task. Customers can purchase HyperScript for either limited or unlimited access to data.

PATENTS, TRADEMARKS AND LICENSES

We do not have patent protection for our proprietary software. Although applicable software is readily duplicated illegally by anyone having access to appropriate hardware, we attempt to protect our proprietary software through license agreements with our customers and common law trade secret protection and non-disclosure contract provisions in our agreements with our employees. We use security measures, including a hardware key, which restricts access to our services unless proper password identification from a HyperFeed or PCQuote.com user is provided. As an additional safeguard, we provide only the object code on our diskette and retain the source code.

- HyperFeed(R) is a registered trademark of HyperFeed Technologies.
- HyperServer(TM) is a trademark of HyperFeed Technologies.
- HyperFeed SmartTicker(TM) is a trademark of HyperFeed Technologies.
- Apogee(TM) is a trademark of HyperFeed Technologies.

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- It's All About the Data(TM) is a trademark of HyperFeed Technologies.
- Neosphere(TM) is a trademark of HyperFeed Technologies.
- Neosphere DB(TM) is a trademark of HyperFeed Technologies.
- PCQuote.com(TM) is a trademark of PCQuote.com.
- PCQuote Orbit(TM) is a trademark of PCQuote.com.

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PART I-ITEM 1. BUSINESS

COMPETITION

The market for the on-line provision of financial information such as equities, commodities, futures and options quotations and news through services and software applications similar to those we provide includes a large number of competitors and is subject to rapid change. We believe our primary competitors include Reuters, Bloomberg, Bridge Information Systems, the ILX unit of Thomson Corporation, the Comstock unit of Standard & Poors, and Data Broadcasting Corporation. Many of these competitors have significantly greater financial, technical and marketing resources and greater name recognition than we do.

SEASONALITY

We have not experienced any material seasonal fluctuations in our business. Barring any prolonged period of investor inactivity in trading securities, we do not believe that seasonality is material to our business activities.

RESEARCH AND DEVELOPMENT

Our systems development personnel expend their time and effort developing new software programs and high-speed data delivery systems and expanding or enhancing existing ones. Development efforts focus on providing a solution to the informational and analytical needs of both the professional and private investors. Development activity has increased with the implementation of high-level design and prototyping tools. Our investment in software development consists primarily of:

- enhancements to our existing Windows-based private network and Internet services;
- development of new data analysis software and programmer tools; and
- application of new technology to increase the data volume and delivery speed of our distribution system.

During the fiscal years ended December 31, 2000, 1999, and 1998, we expensed \$1,794,228, \$1,070,346, and \$634,884, respectively, for research and development.

ENVIRONMENT

Compliance with Federal, state, and local provisions with respect to the environment has not had a material adverse effect on our capital expenditures, earnings, or competitive position.

EMPLOYEES

As of December 31, 2000, we employed 92 people and PCQuote.com employed 33

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people, none of whom are represented by a collective bargaining unit. We believe we have a satisfactory relationship with our employees. From time to time, we use the services of outside consultants on an hourly basis.

GOVERNMENT CONTRACTS

We have no material contracts with the Government.

BACKLOGS

Due to the nature of our business, backlogs are not a typical occurrence in our industry.

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PART I-ITEM 1. BUSINESS

MAJOR CUSTOMERS

Revenues from AB Watley, our largest customer, represent approximately 21% of the Company's consolidated revenues in 2000. We did not have any customers that accounted for 10% or more of consolidated revenue in either 1999 or 1998.

ITEM 2. PROPERTIES

Our executive offices and primary data center are located in approximately 15,000 square feet of leased space on the 3rd floor of 300 South Wacker Drive, Chicago, Illinois. The lease for the premises expires on December 31, 2004. Lease payments are subject to escalating base rent as well as adjustment for changes in real estate taxes and other operating expenses. (See Note 7 of the Notes to Consolidated Financial Statements.)

We also lease approximately 11,000 square feet of office space at two sites in Aurora, Illinois, through March 2005. The lease for 3,000 square feet of office space in New York City expires in July 2002. (See Note 7 of the Notes to Consolidated Financial Statements.)

ITEM 3. LEGAL PROCEEDINGS

GRAHAM R. CLARK V. PC QUOTE INCORPORATED (HYPERFEED) 1999 C 559, High Court of Justice, Queens Bench Division, London. This lawsuit was filed on May 10, 1999. It claimed breach of a November 18, 1992 Marketing Agreement entered into between the plaintiff and PC Quote (UK) Limited (a former subsidiary). Mr. Clark claimed approximately \$800,000 in damages and sought his attorney's fees and costs. We filed a counterclaim for approximately \$100,000 in receivables owed by Mr. Clark to us. The legal proceedings were satisfactorily resolved by settlement in October 2000. The settlement did not have a material effect on our financial condition or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

On September 23, 1999, our common stock commenced trading on the Nasdaq National Market under the symbol "HYPR." Prior to that date, our common stock

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was traded on the American Stock Exchange under the symbol "PQT."

The following tables show for 2000 and 1999 the high and low sales prices of our common stock for the periods indicated, as reported by the American Stock Exchange (through September 22, 1999) and the Nasdaq National Market (from September 23, 1999 through December 31, 2000).

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PART II-ITEM 5.

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS, CONTINUED

2000 QUARTERLY INFORMATION -----	HIGH ----	LOW ---
First	10-1/4	4-1/2
Second	6-17/32	2-3/4
Third	4-15/16	2-1/4
Fourth	3-1/8	1-13/32

1999 QUARTERLY INFORMATION -----	HIGH ----	LOW ---
First	11-7/8	1-7/8
Second	15-1/2	6-1/2
Third	11-1/2	4-5/16
Fourth	8-5/16	4-1/8

As of January 31, 2001, we had 505 stockholders of record of our common stock.

DIVIDEND POLICY

We have not paid dividends on our common stock and do not currently plan to do so in the near future. In December 1998, we issued preferred stock that has a dividend rate of 5%. Preferred dividends are payable if, and when, we declare a dividend payment. We have not, and currently do not plan in the near future, to declare any preferred dividend payments. Preferred dividends are cumulative and the entire accumulated dividend must be paid prior to the payment of any dividends to common stockholders. The accumulated preferred dividend was \$689,000 at December 31, 2000.

ITEM 6. SELECTED FINANCIAL DATA

	2000	1999	1998	1997
INCOME DATA:				
Net revenue	\$ 46,446,887	\$ 33,128,059	\$ 23,045,533	\$ 17,119,372
Operating income (loss)	\$ 1,875,851	(\$ 9,352,153)	(\$ 4,699,426)	(\$ 8,920,726)
Income (loss) before minority interest and income taxes	\$ 1,756,116	(\$ 9,511,228)	(\$ 6,445,595)	(\$11,135,654)
Net income (loss)	\$ 1,723,156	(\$ 9,431,698)	(\$ 6,449,208)	(\$11,141,416)
Net income (loss) available for common stockholders	\$ 1,723,156	(\$ 9,431,698)	(\$ 7,468,146)	(\$11,141,416)

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BALANCE SHEET DATA:

Total assets	\$ 14,326,260	\$ 15,295,184	\$ 10,053,367	\$ 10,536,448
Long term obligations	\$ 667,183	\$ 2,290,511	\$ 921,781	\$ 2,833,734
Stockholders' equity	\$ 6,692,535	\$ 4,597,633	\$ 2,915,271	\$ 66,329

PER SHARE DATA:

Basic net income (loss)	\$0.11	(\$0.63)	(\$0.57)	(\$1.33)
Diluted net income (loss)	\$0.08	(\$0.63)	(\$0.57)	(\$1.33)

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION - SAFE HARBOR DISCLOSURE

The following discussion and analysis contains historical information. It also contains forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, particularly in reference to statements regarding our expectations, plans and objectives. You can generally identify forward-looking statements by the use of the words "may," "will," "expect," "intend," "estimate," "anticipate," "believe," or "continue," or similar language. Forward-looking statements involve substantial risks and uncertainties. You should give careful consideration to cautionary statements made in this discussion and analysis. We base our statements on our current expectations. Forward-looking statements may be impacted by a number of factors, risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Our filings with the Securities and Exchange Commission identify factors that could cause material differences. Among these factors are our ability to:

- (i) fund our current and future business strategies either through continuing operations or external financing;
- (ii) attract and retain key employees;
- (iii) compete successfully against competitive products and services;
- (iv) maintain relationships with key suppliers and providers of market data; and
- (v) respond to the effect of economic and business conditions generally.

RECENT BUSINESS DEVELOPMENTS

PCQUOTE.COM AND HYPERFEED LAUNCH MERCENARY SOFTWARE

On February 28, 2001, PCQuote.com and HyperFeed announced the availability of Mercenary software. A "day-of execution tool", Mercenary is a real-time tick-by-tick technical indicator that can help traders decide when to pull the trigger. A technical analysis tool that monitors stock activity, Mercenary identifies trading opportunities and visually depicts a selected equity's momentum. Investors can input a selection of stocks (up to 50 ticker symbols per screen) and, at a glance, decide whether to buy or sell, or just keep a pulse on a market segment or specific issue's condition. Exclusively available to online investors through PCQuote.com, Mercenary is also available to financial institutions, Web portals and businesses through HyperFeed.

RESULTS OF OPERATIONS FOR 2000 COMPARED TO 1999

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Total revenue increased \$13.3 million, or 40.2%, to \$46.4 million in 2000 from \$33.1 million in 1999. Our HyperFeed services and PCQuote.com services both posted increases in 2000 over 1999. HyperFeed service revenue increased \$5.0 million, or 28.1%, to \$22.7 million in 2000 from \$17.7 million in 1999. Revenue growth was achieved through increases in analytics subscriptions and datafeed license fees to existing, as well as new customers, such as Charles Schwab and National Discount Brokers. Revenue from PCQuote.com services increased \$8.3 million, or 54.2%, to \$23.7 million in 2000 from \$15.4 million in 1999. The increase is principally due to the growth of our largest customer, AB Watley, who grew from less than 10% of our revenue in 1999 to approximately 21% of our revenue in 2000.

Direct costs of services increased \$4.2 million, or 16.6%, to \$29.7 million in 2000 from \$25.5 million in 1999. Principal components of the increase were royalties and payments to providers of market data, directly attributable to the growth of our largest customer. Amortization of software development costs remained the same at \$2.4 million in 2000 and 1999. Also included in 2000 is a \$1.7 million non-cash charge, versus \$1.2 million in 1999, for the amortization of prepaid license fees as a result of the value assigned to the warrant issued in April 1999 to CNNFN in exchange for the three-and-a-half year license agreement with PCQuote.com.

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PART II - ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, RESULTS OF OPERATIONS FOR 2000 COMPARED TO 1999, CONTINUED

The resulting gross margin increased \$9.1 million, or 118.8%, to \$16.8 million in 2000 from \$7.7 million in 1999. As a percentage of revenue, gross margin increased to 36.1% in 2000 from 23.1% in 1999. The expansion in percentage gross margin is attributable to internal cost efficiencies implemented in 1999, coupled with an increased sales focus in 2000 on higher margin datafeed services.

Direct costs associated with HyperFeed services decreased \$0.4 million, or 2.8%, to \$12.3 million in 2000 from \$12.7 million in 1999. Increases in amortization of software development costs were offset by cost-savings related to leased equipment in customer service and support and lower costs of datafeed operations principally due to the termination of a lease for satellite transmission space in the third quarter of 1999. Amortization of software development costs increased to \$1.5 million in 2000 from \$1.4 million in 1999. The resulting gross margin on HyperFeed services increased 106.0%, to \$10.4 million in 2000 from \$5.0 million in 1999. HyperFeed services gross margin as a percentage of HyperFeed services revenue increased to 45.7% in 2000 from 28.4% in 1999.

Direct costs associated with PCQuote.com services increased \$4.6 million, or 35.9%, to \$17.4 million in 2000 from \$12.8 million in 1999. Increases in license and exchange fees, directly attributable to the increase in revenue, were the principal components of the increase in direct costs. Amortization of previously capitalized software development costs decreased to \$0.9 million in 2000 from \$1.1 in 1999. The gross margin on PCQuote.com services increased \$3.8 million, or 143.5%, to \$6.4 million in 2000 from \$2.6 million in 1999. PCQuote.com services gross margin as a percentage of PCQuote.com services revenue increased to 26.9% in 2000 from 17.0% in 1999.

Total operating expenses decreased \$2.1 million, or 12.5%, to \$14.9 million in 2000 from \$17.0 million in 1999. The two primary factors that contributed

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to the decrease were (1) the \$1.4 million one-time charge in 1999 for the early termination of our old satellite distribution contract, which had the potential to run through August 2006 at a cost of \$56,000 per month; and (2) the \$1.8 million charge in 1999 for costs related to the PCQuote.com initial public offering that we decided not to pursue due to market conditions.

Growth related increases were experienced in sales costs, product and market development costs, and depreciation and amortization, while general and administrative expenses declined slightly.

Sales costs increased 6.7%, to \$3.9 million in 2000 from \$3.7 million in 1999. The increase in sales costs was directly attributable to the growth in revenue.

General and administrative expenses decreased \$0.4 million, or 7.4%, to \$4.9 million in 2000 from \$5.3 million in 1999. The decrease was principally due to a reduction in the bad debt expense.

Product and market development costs increased \$0.8 million, or 20.8%, to \$4.4 million in 2000 from \$3.6 million in 1999. The increase was due to an expansion of our development and marketing efforts for our existing and new services and markets.

Depreciation and amortization increased 34.8% to \$1.7 million in 2000 from \$1.2 million in 1999. The increase is the result of communications and computer equipment purchases for increased growth and new service offerings.

Interest expense increased to \$0.2 million in 2000 from \$0.1 million in 1999. Interest expense in 2000 consists of interest on our bank term loan and interest on PCQuote.com's \$2.0 million borrowing from Motorola, Inc. in September 1999.

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PART II - ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, CONTINUED

RESULTS OF OPERATIONS FOR 1999 COMPARED TO 1998

Total revenue increased \$10.1 million, or 43.8%, to \$33.1 million in 1999 from \$23.0 million in 1998. Our HyperFeed services and PCQuote.com services both posted increases in 1999 over 1998. HyperFeed service revenue increased \$4.6 million, or 35.0%, to \$17.7 million in 1999 from \$13.1 million in 1998. Revenue growth was experienced in license fees for our HyperFeed datafeed and fees for combined analytics and HyperFeed services. Revenue from PCQuote.com services increased \$5.5 million, or 55.3%, to \$15.4 million in 1999 from \$9.9 million in 1998. The number of subscribers to our PCQuote.com analytical services grew to 9,800 at the end of 1999 from 6,300 at the end of 1998.

Direct costs of services increased \$8.5 million, or 49.8%, to \$25.5 million in 1999 from \$17.0 million in 1998. Principal components of the increase were royalties and payments to providers of market data, directly attributable to the growth in subscribers, in addition to a one-time \$1.0 million second quarter charge incurred in connection with the termination of our software distributor agreement with Townsend Analytics and entering into two separate new agreements between Townsend and ourselves and our subsidiary, PCQuote.com. Offsetting these increases to a degree were decreases in satellite distribution and leased equipment costs, as a result of the early termination of our old satellite distribution contract and the expiration of customer site equipment operating leases. We have a new lower-cost satellite

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distribution network and our customers are now purchasing their own equipment. Amortization of software development costs increased to \$2.4 million in 1999 from \$1.8 million in 1998. Also included in direct costs for 1999 is a non-cash charge of \$1.2 million for amortization of prepaid license fees as a result of the value assigned to the warrant issued in April 1999 to CNNFN in exchange for the 3 1/2 year license agreement with PCQuote.com.

The resulting gross margin increased \$1.6 million, or 26.6%, to \$7.6 million in 1999 from \$6.0 million in 1998. Excluding the one-time \$1.0 million termination charge and the \$1.2 million non-cash amortization of prepaid license fees, the gross margin increased \$3.8 million, or 62.9%, to an adjusted \$9.8 million in 1999 as compared to 1998. As a percentage of revenue, the gross margin was 23.1% in 1999, 29.7% excluding the one-time termination and non-cash license fee amortization, as compared to 26.2% in 1998.

Direct costs associated with HyperFeed services increased \$2.2 million, or 21.4%, to \$12.7 million in 1999 from \$10.5 million in 1998. Increases in license and exchange fees, directly attributable to the growth in subscribers and \$500,000 of the \$1.0 million termination payment, and amortization of software development costs were offset to a degree by efficiencies in distribution and support operations. Amortization of software development costs increased \$300,000 to \$1.4 million in 1999 from \$1.1 million in 1998. The resulting gross margin on HyperFeed services increased \$2.3 million, or 88.2%, to \$5.0 million in 1999 from \$2.7 million in 1998. HyperFeed services gross margin as a percentage of HyperFeed services revenue increased to 28.4% in 1999 from 20.4% in 1998.

Direct costs associated with PCQuote.com services increased \$6.2 million, or 95.3%, to \$12.8 million in 1999 from \$6.6 million in 1998. The significant growth we experienced resulted in corresponding increases in license fees, exchange fees and data distribution costs. Contributing to the increase was \$500,000 of the \$1.0 million termination payment and the \$1.2 million non-cash charge for amortization related to the CNNFN warrant. Amortization of software development costs increased \$400,000 to \$1.1 million in 1999 from \$700,000 in 1998. Consequently, gross margin on PCQuote.com services decreased \$800,000, or 22.3%, to \$2.6 million in 1999 from \$3.4 million in 1998. Gross margin increased \$900,000, or 27.9%, after excluding the effects of the non-cash amortization of prepaid license fees and the one-time termination payment.

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PART II - ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, RESULTS OF OPERATIONS FOR 1999 COMPARED TO 1998, CONTINUED

Total operating expenses increased \$6.3 million, or 58.3%, to \$17.0 million in 1999 from \$10.7 million in 1998. Three primary factors contributed to the increase:

- the ramp-up of operations, including the hiring of a separate management team, for our subsidiary, PCQuote.com, Inc., in contemplation of its initial public offering;
- the \$1.4 million charge for the early termination of our old satellite distribution contract, which had the potential to run through August 2006 at a cost of \$56,000 per month; and
- a \$1.8 million charge for costs related to the initial public

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offering that we decided not to pursue at the current time due to market conditions.

Growth related increases were experienced in general and administrative expenses and product and market development costs, while sales costs declined slightly and depreciation and amortization remained relatively unchanged.

Sales costs decreased 4.5%, to \$3.7 million in 1999 from \$3.8 million in 1998. The decrease was the result of a change in our previous sales incentive compensation structure, in addition to lower support costs.

General and administrative expenses increased \$2.0 million, or 58.8%, to \$5.3 million in 1999 from \$3.3 million in 1998. The increase reflects the addition of management personnel for our PCQuote.com subsidiary, as well as administrative personnel required to service the growth in our operations and customer base. Increases were also experienced in collection costs, in line with our revenue growth, and legal, accounting and professional consulting fees.

Product and market development costs increased \$1.3 million, or 54.6%, to \$3.6 million in 1999 from \$2.3 million in 1998. We significantly increased personnel resources in new product development, in addition to personnel and promotional efforts to expand our PCQuote.com Web site and Internet service offerings.

Depreciation and amortization remained unchanged at \$1.2 million year to year.

Interest expense decreased \$1.7 million to slightly over \$100,000 in 1999 from \$1.8 million in 1998. The decrease is the result of the conversion of the convertible subordinated debenture and borrowings on the credit facility into equity in December 1998. Interest expense in 1999 consists of interest on our bank term loan and on PCQuote.com's \$2.0 million borrowing from Motorola, Inc.

In December 1998, we converted current debt into convertible preferred stock. The maximum conversion rates for the two series of preferred stock issued were set at and above the closing market price of our common stock at the time the conversion was approved by our Board in September 1998. Stockholder approval, obtained in December, was a condition to closing the debt conversion transactions. The market price of our common stock on the closing date was slightly higher than the maximum conversion price agreed to in September. Accounting and SEC pronouncements require this differential to be treated as non-cash preferred dividends. Consequently, preferred dividends of \$1,018,938 were recognized in 1998 with a corresponding increase in additional paid-in capital from the preferred stock issuance.

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PART II - ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, CONTINUED

LIQUIDITY AND CAPITAL RESOURCES

Net cash and cash equivalents increased \$1.1 million to \$2.5 million at the end of 2000 from the end of 1999. Expenditures for property and equipment were \$2.1 million in 2000, an increase of \$0.5 million over 1999. We spent approximately \$0.4 million to build out new office facilities at our expanded Aurora, Illinois location. Other expenditures were for equipment to support the growth in our business, as well as to improve our communications, processing and distribution networks and infrastructure. Capitalized software

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costs of \$1.3 million were \$0.1 million, or 4.7%, higher for the year ended December 31, 2000, compared to the prior year, principally due to the development of new applications and services to be introduced in 2001. There were no new direct borrowings during 2000, and we repaid \$0.3 million of the principal balance on our bank term loan and \$0.8 million on our note payable to Motorola, Inc. We received approximately \$0.4 million in net proceeds from the sale of shares of common stock to employees pursuant to our Employee Stock Purchase Plan and the sale of shares of common stock to employees who exercised options previously granted to them under our 1999 Combined Incentive and Non-Statutory Stock Option Plan.

Total revenue increased \$13.3 million, or 40.2%, to \$46.4 million in 2000 versus \$33.1 million for the 1999 period, while direct costs of services increased 16.6% to \$29.7 million versus \$25.5 million in 1999. The resulting gross margin increased 118.8% to \$16.8 million in 2000 from \$7.7 million in 1999. As a percentage of revenue, the gross margin was 36.1% in 2000 as compared to 23.1% in 1999. Given anticipated increases in the number of investors trading online and the expected demand for financial market data, we expect continued growth in revenue, gross margin and net income.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") increased to a positive \$7.7 million in 2000 from a \$4.5 million EBITDA deficit in 1999. Reducing EBITDA by capitalized software development costs and equipment purchases resulted in positive cash flows, before working capital and financing activities, of \$4.3 million in 2000 as compared to a deficit of \$7.2 million in 1999. We believe our existing capital resources, cash generated from continuing operations, and our ability to access external capital, if necessary, are sufficient for working capital purposes.

As we have previously reported, we have explored multiple alternatives that may be available for the purpose of enhancing stockholder value, including a merger, a spin-off or sale of part of our business, a strategic relationship or joint venture with another technology or financial services firm and equity financing. We continue to explore opportunities to enhance stockholder value.

EFFECT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

During 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, which is effective for all fiscal years beginning after June 15, 2000. SFAS No. 133 establishes a comprehensive standard for the recognition and measurement of derivative instruments and hedging activities. The Company does not expect the adoption of the new standard to have a material effect on its financial position, liquidity, or results of operations.

OTHER

We do not believe general inflation materially impacts our sales and operating results. We do not expect that current tax legislation will significantly affect our future financial position, liquidity or operating results.

At December 31, 2000, we had federal income tax net operating loss carryforwards of approximately \$28,175,000 for federal income tax purposes and approximately \$26,519,000 for the alternative minimum tax. The net operating loss carryforwards will expire, if not previously utilized, as follows: 2001: \$1,539,000; 2002: \$560,000; 2003: \$79,000; 2004: \$576,000; 2005: \$1,557,000; 2006: \$301,000 and thereafter \$23,563,000. (See Note 6 of the Notes to Consolidated Financial Statements.)

PART II - ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, CONTINUED

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have a bank term loan that has an interest rate equal to the bank's prime rate. PCQuote.com has a promissory note that has an interest rate equal to the prime rate announced in the Wall Street Journal. We are exposed to market risk as the prime rate is subject to fluctuations in the market. We do not believe the market risk is material to our financial statements. At December 31, 2000, we had excess cash invested in a money market account. We do not expect any material loss, if at all, on this investment.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Pursuant to Rule 12b-23 under the Securities Exchange Act of 1934, the information called for by this Item is incorporated herein by reference to the "Table of Contents" that appears elsewhere in this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS AND FINANCIAL DISCLOSURE

There have been no changes in or disagreements with accountants that would require disclosure in this Report.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

Information about HyperFeed directors and executive officers will be included in our proxy statement for our 2001 annual meeting of stockholders. This information is incorporated by reference to that proxy statement.

ITEM 11. EXECUTIVE COMPENSATION

Information about HyperFeed executive compensation will be included in our proxy statement for our 2001 annual meeting of stockholders. This information is incorporated by reference to that proxy statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information about security ownership of certain beneficial owners and management will be included in our proxy statement for our 2001 annual meeting of stockholders. This information is incorporated by reference to that proxy statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information about certain relationships and related transactions will be included in our proxy statement for our 2001 annual meeting of stockholders. This information is incorporated by reference to that proxy statement.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

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(a) 1. Financial Statements

Our consolidated financial statements are included in Item 8 of this report.

2. Financial Statement Schedule

The consolidated financial statement schedule for the valuation and qualifying accounts is included in Item 8 of this report.

(b) REPORTS ON FORM 8-K:

There were no reports on Form 8-K filed during the fourth quarter of the period covered by this report.

(c) EXHIBITS

- 3(a) Articles of Incorporation of Company, incorporated by reference to Appendix B of Company's Proxy Statement dated July 2, 1987.
- 3(b) By-laws of the Company, as amended and restated, incorporated by reference to Exhibit 3(b) to Company's Annual Report on Form 10-K for the year ended December 31, 1987.
- 3(c) Certificate of Amendment, dated as of October 22, 1997, to Company's Certificate of Incorporation, incorporated by reference to Exhibit 4.12 of the Company's Report on Form 10-Q for the quarter ended September 30, 1997.
- 3(d) Certificate of Amendment, dated as of December 18, 1998, to Company's Certificate of Incorporation, incorporated by reference to Exhibit 3(d) of the Company's Annual Report on Form 10-K for the year ended December 31, 1998.
- 3(e) Certificate of Amendment, dated as of June 18, 1999, to Company's Certificate of Incorporation, incorporated by reference to Exhibit 3(e) of the Company's Annual Report on Form 10-K for the year ended December 31, 1999.
- 4(a) Specimen Common Share Certificate of the Company, incorporated by reference to Exhibit 4.1 of the Company's Registration Statement on Form S-18, Commission File No. 2-90939C.
- 4(b) \$2,500,000 Convertible Subordinated Debenture due 2001 issued by the Company to Physicians Insurance Company of Ohio, Inc., incorporated by reference to Exhibit 4(b) to Company's Annual Report on Form 10-K for the year ended December 31, 1996.
- 4(c) Form of First Amendment to Convertible Subordinated Debenture and Debenture Agreement, incorporated by reference to Exhibit 10.2 of the Company's Report on Form 10-Q for the quarter ended June 30, 1997.
- 4(d) Form of Loan and Security Agreement dated as of May 5, 1997 between the Company and PICO Holdings, Inc., incorporated by reference to Exhibit 10.1 of the Company's Report on Form 10-Q for the quarter ended June 30, 1997.
- 4(e) Form of Promissory Note made by the Company to the order of PICO Holdings, Inc., incorporated by reference to Exhibit 10.4 of the

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Company's Report on Form 10-Q for the quarter ended June 30, 1997.

- 4(f) Form of Common Stock Purchase Warrant for 640,000 shares of the Company's Common Stock issued to PICO Holdings, Inc., incorporated by reference to Exhibit 10.3 of the Company's Report on Form 10-Q for the quarter ended June 30, 1997.

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PART IV - ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K, CONTINUED

- 4(g) Form of First Amendment to Loan and Security Agreement dated as of August 8, 1997 between the Company and PICO Holdings, Inc., incorporated by reference to Exhibit 10.5 of the Company's Report on Form 10-Q for the quarter ended June 30, 1997.
- 4(h) Form of Common Stock Purchase Warrant for 500,000 shares of the Company's Common Stock issued to PICO Holdings, Inc., incorporated by reference to Exhibit 10.6 of the Company's Report on Form 10-Q for the quarter ended June 30, 1997.
- 4(i) Form of Second Amendment to Loan and Security Agreement dated as of September 22, 1997 between the Company and PICO Holdings, Inc., incorporated by reference to Exhibit 10.1 of the Company's Report on Form 10-Q for the quarter ended September 30, 1997.
- 4(j) Form of Common Stock Purchase Warrant for 129,032 shares of the Company's Common Stock issued to PICO Holdings, Inc., incorporated by reference to Exhibit 4.1 of the Company's Report on Form 10-Q for the quarter ended September 30, 1997.
- 4(k) Form of Stock and Warrant Purchase Agreement dated as of October 15, 1997 between the Company and Imprimis Investors LLC and Wexford Spectrum Investors LLC, incorporated by reference to Exhibit 10.2 of the Company's Report on Form 10-Q for the quarter ended September 30, 1997.
- 4(l) Form of Common Stock Purchase Warrant for 350,000 shares of the Company's Common Stock issued to Imprimis Investors LLC, incorporated by reference to Exhibit 4.2 of the Company's Report on Form 10-Q for the quarter ended September 30, 1997.
- 4(m) Form of Common Stock Purchase Warrant for 150,000 shares of the Company's Common Stock issued to Wexford Spectrum Investors LLC, incorporated by reference to Exhibit 4.3 of the Company's Report on Form 10-Q for the quarter ended September 30, 1997.
- 4(n) Form of Common Stock Purchase Warrant for 101,500 shares of the Company's Common Stock issued to Imprimis Investors LLC, incorporated by reference to Exhibit 4.4 of the Company's Report on Form 10-Q for the quarter ended September 30, 1997.
- 4(o) Form of Common Stock Purchase Warrant for 43,500 shares of the Company's Common Stock issued to Wexford Spectrum Investors LLC, incorporated by reference to Exhibit 4.5 of the Company's Report on Form 10-Q for the quarter ended September 30, 1997.

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- 4(p) Form of Common Stock Purchase Warrant for 38,500 shares of the Company's Common Stock issued to Imprimis Investors LLC, incorporated by reference to Exhibit 4.6 of the Company's Report on Form 10-Q for the quarter ended September 30, 1997.
- 4(q) Form of Common Stock Purchase Warrant for 16,500 shares of the Company's Common Stock issued to Wexford Spectrum Investors LLC, incorporated by reference to Exhibit 4.7 of the Company's Report on Form 10-Q for the quarter ended September 30, 1997.
- 4(r) Form of Common Stock Purchase Warrant for 175,000 shares of the Company's Common Stock issued to Imprimis Investors LLC, incorporated by reference to Exhibit 4.8 of the Company's Report on Form 10-Q for the quarter ended September 30, 1997.
- 4(s) Form of Common Stock Purchase Warrant for 75,000 shares of the Company's Common Stock issued to Wexford Spectrum Investors LLC, incorporated by reference to Exhibit 4.9 of the Company's Report on Form 10-Q for the quarter ended September 30, 1997.

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PART IV - ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K, CONTINUED

- 4(t) Form of Common Stock Purchase Warrant for 35,000 shares of the Company's Common Stock issued to Imprimis Investors LLC, incorporated by reference to Exhibit 4.10 of the Company's Report on Form 10-Q for the quarter ended September 30, 1997.
- 4(u) Form of Common Stock Purchase Warrant for 15,000 shares of the Company's Common Stock issued to Wexford Spectrum Investors LLC, incorporated by reference to Exhibit 4.11 of the Company's Report on Form 10-Q for the quarter ended September 30, 1997.
- 4(v) Form of Third Amendment to Loan and Security Agreement dated as of December 30, 1997 between the Company and PICO Holdings, Inc., incorporated by reference to Exhibit 4(v) of the Company's Annual Report on Form 10-K for the year ended December 31, 1997.
- 4(w) Form of Fourth Amendment to Loan and Security Agreement dated as of February 5, 1998 between the Company and PICO Holdings, Inc., incorporated by reference to Exhibit 4(w) of the Company's Annual Report on Form 10-K for the year ended December 31, 1997.
- 4(x) Form of Fifth Amendment to Loan and Security Agreement dated as of March 10, 1998 between the Company and PICO Holdings, Inc., incorporated by reference to Exhibit 4(x) of the Company's Annual Report on Form 10-K for the year ended December 31, 1997.
- 4(y) Form of First Amendment to the Amendment of the Convertible Subordinated Debenture Agreement, dated as of March 30, 1998, incorporated by reference to Exhibit 4(a) of the Company's Report on Form 10-Q for the quarter ended March 31, 1998.
- 4(z) Form of Sixth Amendment to Loan and Security Agreement dated as of May 5, 1998 between the Company and PICO Holdings, Inc., incorporated by reference to Exhibit 4(b) of the Company's Report

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on Form 10-Q for the quarter ended March 31, 1998.

- 4(aa) Form of Amendment No. 2 to the Amendment of the Convertible Subordinated Debenture Agreement, dated as of May 11, 1998, incorporated by reference to Exhibit 4(c) of the Company's Report on Form 10-Q for the quarter ended March 31, 1998.
- 4(ab) Form of Seventh Amendment to Loan and Security Agreement dated as of June 1, 1998 between the Company and PICO Holdings, Inc., incorporated by reference to Exhibit 4(a) of the Company's Report on Form 10-Q for the quarter ended June 30, 1998.
- 4(ac) Form of Amendment No. 3 to the Amendment of the Convertible Subordinated Debenture Agreement, dated as of July 16, 1998, incorporated by reference to Exhibit 4(b) of the Company's Report on Form 10-Q for the quarter ended June 30, 1998.
- 4(ad) Form of Eighth Amendment to Loan and Security Agreement dated as of July 24, 1998 between the Company and PICO Holdings, Inc., incorporated by reference to Exhibit 4(c) of the Company's Report on Form 10-Q for the quarter ended June 30, 1998.
- 4(ae) Form of Amendment No. 4 to the Amendment of the Convertible Subordinated Debenture Agreement, dated as of July 24, 1998, incorporated by reference to Exhibit 4(d) of the Company's Report on Form 10-Q for the quarter ended June 30, 1998.
- 4(af) Form of Ninth Amendment to Loan and Security Agreement dated as of July 31, 1998 between the Company and PICO Holdings, Inc., incorporated by reference to Exhibit 4(e) of the Company's Report on Form 10-Q for the quarter ended June 30, 1998.

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PART IV - ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K, CONTINUED

- 4(ag) Securities Purchase Agreement between PC Quote, Inc. and PICO Holdings, Inc. and Physicians Insurance Company of Ohio dated as of September 23, 1998, incorporated by reference to Exhibit 4.1 of the Company's Report on Form 8-K dated October 6, 1998.
- 4(ah) Form of Registration Rights Agreement between PC Quote, Inc. and PICO Holdings, Inc. and Physicians Insurance Company of Ohio, incorporated by reference to Exhibit 4.3 of the Company's Report on Form 8-K dated October 6, 1998.
- 4(ai) Form of Common Stock Purchase Warrant issued to PICO Holdings, Inc., incorporated by reference to Exhibit 4.4 of the Company's Report on Form 8-K dated October 6, 1998.
- 4(aj) Form of First Amendment to Common Stock Purchase Warrant dated May 5, 1997, incorporated by reference to Exhibit 4.5 of the Company's Report on Form 8-K dated October 6, 1998.
- 4(ak) Form of First Amendment to Common Stock Purchase Warrant dated August 8, 1997, incorporated by reference to Exhibit 4.6 of the

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Company's Report on Form 8-K dated October 6, 1998.

- 4(al) Form of First Amendment to Common Stock Purchase Warrant dated September 22, 1997, incorporated by reference to Exhibit 4.7 of the Company's Report on Form 8-K dated October 6, 1998.
- 4(am) Form of Second Amendment to Convertible Subordinated Debenture dated as of September 23, 1998, incorporated by reference to Exhibit 4(h) of the Company's Report on Form 10-Q for the quarter ended September 30, 1998.
- 4(an) Form of Stock and Warrant Purchase Agreement between PC Quote, Inc. and Howard Todd Horberg dated December 29, 1998, incorporated by reference to Exhibit 4(an) of the Company's Annual Report on Form 10-K for the year ended December 31, 1998.
- 4(ao) Form of Common Stock Purchase Warrant for 120,000 shares issued to Howard Todd Horberg, incorporated by reference to Exhibit 4(ao) of the Company's Annual Report on Form 10-K for the year ended December 31, 1998.
- 4(ap) Form of Stock and Warrant Purchase Agreement between PC Quote, Inc. and Steve Levy dated December 29, 1998, incorporated by reference to Exhibit 4(ap) of the Company's Annual Report on Form 10-K for the year ended December 31, 1998.
- 4(aq) Form of Common Stock Purchase Warrant for 120,000 shares issued to Steve Levy, incorporated by reference to Exhibit 4(aq) of the Company's Annual Report on Form 10-K for the year ended December 31, 1998.
- 4(ar) Form of Stock and Warrant Purchase Agreement between PC Quote, Inc. and Cranshire Capital, LP dated December 29, 1998, incorporated by reference to Exhibit 4(ar) of the Company's Annual Report on Form 10-K for the year ended December 31, 1998.
- 4(as) Form of Common Stock Purchase Warrant for 80,000 shares issued to Cranshire Capital, LP, incorporated by reference to Exhibit 4(as) of the Company's Annual Report on Form 10-K for the year ended December 31, 1998.
- 4(at) Form of Stock and Warrant Purchase Agreement between HyperFeed Technologies, Inc. and Howard Todd Horberg dated November 22, 1999, incorporated by reference to Exhibit 4(at) of the Company's Annual Report on Form 10-K for the year ended December 31, 1999.

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PART IV - ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K, CONTINUED

- 4(au) Form of Stock and Warrant Purchase Agreement between HyperFeed Technologies, Inc. and David Horberg dated November 22, 1999, incorporated by reference to Exhibit 4(au) of the Company's Annual Report on Form 10-K for the year ended December 31, 1999.
- 4(av) Form of Common Stock Purchase Warrant for 125,000 shares issued to

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Howard Todd Horberg, incorporated by reference to Exhibit 4(av) of the Company's Annual Report on Form 10-K for the year ended December 31, 1999.

- 4 (aw) Form of Common Stock Purchase Warrant for 10,000 shares issued to David Horberg, incorporated by reference to Exhibit 4(aw) of the Company's Annual Report on Form 10-K for the year ended December 31, 1999.
- 4 (ax) Form of Common Stock Purchase Warrant for 30,000 shares issued to Wildman, Harrold, Allen & Dixon, incorporated by reference to Exhibit 4(ax) of the Company's Annual Report on Form 10-K for the year ended December 31, 1999.
- 10 (a) Vendor Agreement with the Option Price Reporting Authority, incorporated by reference to Exhibit 10.4 of Company's Registration Statement on Form S-18, Commission File No. 2-90939C.
- 10 (b) Vendor Agreement with the New York Stock Exchange, Inc., incorporated by reference to Exhibit 10.5 of Company's Registration Statement on Form S-18, Commission File No. 2-90939C.
- 10 (c) Vendor Agreements with the National Association of Securities Dealers, Inc. incorporated by reference to Exhibit 10(d) of Company's Annual Report on Form 10-K for the year ended December 31, 1989.
- 10 (d) Form of Employee Non-Disclosure Agreement, incorporated by reference to Exhibit 10.10 of Company's Registration Statement on Form S-18, Commission File No. 2-90939C.
- 10 (e) Amended and Restated PC Quote, Inc. Employees' Combined Incentive and Non-Statutory Stock Option Plan, incorporated by reference to Appendix E to Company's Proxy Statement dated July 2, 1987 and Company's Proxy Statement dated September 15, 1997.
- 10 (f) Lease regarding office space at 50 Broadway, New York City, dated January 31, 1987, as amended by First Amendatory Agreement dated May 18, 1987, by and between Company and 50 Broadway Joint Venture, incorporated by reference to Exhibit 10(y) to Company's Annual Report on Form 10-K for the year ended December 31, 1987.
- 10 (g) Satellite Service Agreement dated June 12, 1991 between Company and SpaceCom Systems, Inc. incorporated by reference to Exhibit 10(r) to Company's Annual Report on Form 10-K for the year ended December 31, 1991.
- 10 (h) Amendment to satellite service agreement dated September 6, 1991 between Company and SpaceCom Systems, Inc. incorporated by reference to Exhibit 10(s) to Company's Annual Report on Form 10-K for the year ended December 31, 1991.
- 10 (i) Amendment to point-to-multipoint satellite network service agreement dated November 22, 1989 between Company and GTE SpaceNet Satellite Services Corporation incorporated by reference to Exhibit 10(v) to Company's Annual Report on Form 10-KSB for the year ended December 31, 1992.
- 10 (j) Amendment to satellite service agreement dated October 4, 1993 between Company and SpaceCom Systems, Inc. incorporated by

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reference to Exhibit 10(z) to Company's Annual Report on Form 10-KSB for the year ended December 31, 1993.

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PART IV - ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K, CONTINUED

- 10(k) Satellite Service Agreement dated September 15, 1994 between Company and SpaceCom Systems, Inc. incorporated by reference to Exhibit 11(a) to Company's Annual Report on Form 10-K for the year ended December 31, 1994.
- 10(l) Satellite Service Agreement dated October 15, 1993 between Company and SpaceCom Systems, Inc. incorporated by reference to Exhibit 11(b) to Company's Annual Report on Form 10-K for the year ended December 31, 1994.
- 10(m) Satellite Service Agreement dated June 1, 1993 between Company and SpaceCom Systems, Inc. incorporated by reference to Exhibit 11(b) to Company's Annual Report on Form 10-K for the year ended December 31, 1994.
- 10(n) Vendor Agreement with Global Information Systems Inc. incorporated by reference to Exhibit 11(d) of Company's Annual Report on Form 10-K for the year ended December 31, 1994.
- 10(o) Lease regarding office space at 300 South Wacker Drive, Chicago, Illinois dated June 1, 1994, by and between Company and Markborough 300 WJ Limited Partnership, incorporated by reference to Exhibit 11(e) to Company's Annual Report on Form 10-KSB for the year ended December 31, 1994.
- 10(p) Agreement dated November 14, 1996 between the Company and Physicians Insurance Company of Ohio, Inc., incorporated by reference to Exhibit 10(p) to Company's Annual Report on Form 10-K for the year ended December 31, 1996.
- 10(q) Employment agreement dated July 16, 1996 between the Company and Howard Meltzer, incorporated by reference to Exhibit 10(q) to Company's Annual Report on Form 10-K for the year ended December 31, 1996.
- 10(r) Employment agreement dated December 2, 1996 between the Company and Louis J. Morgan, incorporated by reference to Exhibit 10(r) to Company's Annual Report on Form 10-K for the year ended December 31, 1996.
- 10(s) Termination Agreement by and between Townsend Analytics, Ltd and PC Quote, Inc., dated May 28, 1999, incorporated by reference to Exhibit 10(a) of the Company's Report on Form 10-Q for the quarter ended June 30, 1999.
- 10(t) Software Distributor Agreement dated August 9, 1999 by and between Townsend Analytics, Ltd. and HyperFeed Technologies, Inc., incorporated by reference to Exhibit 10(a) of the Company's Report on Form 10-Q for the quarter ended June 30, 1999.

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- 10(u) PC Quote, Inc. 1999 Combined Incentive and Non-Statutory Stock Option Plan, incorporated by reference to Exhibit 10(u) of the Company's Annual Report on Form 10-K for the year ended December 31, 1999.
- 21 Subsidiaries of Registrant: PCQuote.com, Inc., incorporated in the State of Delaware.
- 23 Consent of KPMG LLP.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

HYPERFEED TECHNOLOGIES, INC.

By: /s/ JIM R. PORTER

Jim R. Porter, Chairman of the Board and
Chief Executive Officer
March 16, 2001

By: /s/ JOHN E. JUSKA

John E. Juska, Chief Financial Officer and
Principal Accounting Officer
March 16, 2001

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ JIM R. PORTER

Jim R. Porter, Chairman of the Board and
Chief Executive Officer
March 16, 2001

/s/ JOHN L. BORLING

John L. Borling, Director
March 16, 2001

/s/ JOHN R. HART

John R. Hart, Director
March 16, 2001

/s/ CHARLES HENRY

Charles Henry, Director
March 16, 2001

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/s/ RONALD LANGLEY

Ronald Langley, Director
March 16, 2001

/s/ LOUIS J. MORGAN

Louis J. Morgan, Director
March 16, 2001

/s/ KENNETH J. SLEPICKA

Kenneth J. Slepicka, Director
March 16, 2001

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
HyperFeed Technologies, Inc.:

We have audited the accompanying consolidated balance sheets of HyperFeed Technologies, Inc. and subsidiary as of December 31, 2000 and 1999, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial

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statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of HyperFeed Technologies, Inc. and subsidiary as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP
Chicago, Illinois
March 5, 2001

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HYPERFEED TECHNOLOGIES, INC. CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2000 AND 1999

ASSETS	2000 ----	1999 ----
Current Assets		
Cash and cash equivalents	\$ 2,522,593	\$ 1,452,186
Restricted cash equivalents	200,000	---
Accounts receivable, less allowance for doubtful accounts of: 2000: \$89,724; 1999: \$442,276	2,848,983	2,652,350
Prepaid license fees, current	1,680,000	1,680,000
Prepaid expenses and other current assets	235,512	244,477
	-----	-----
TOTAL CURRENT ASSETS	7,487,088	6,029,013
	-----	-----
Property and Equipment		
Satellite receiving equipment	282,474	436,759
Computer equipment	4,520,991	4,323,921
Communication equipment	1,243,584	1,173,595
Furniture and fixtures	194,818	263,941
Leasehold improvements	831,348	402,692
	-----	-----
	7,073,215	6,600,908
Less: accumulated depreciation and amortization	4,247,134	4,189,766
	-----	-----

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	2,826,081	2,411,142
	-----	-----
Prepaid license fees, net of accumulated amortization of: 2000: \$2,870,000; 1999: \$1,190,000	1,330,000	3,010,000
	-----	-----
Software development costs, net of accumulated amortization of: 2000: \$7,795,215; 1999: \$6,890,526	2,602,283	3,775,491
	-----	-----
Deposits and other assets	80,808	69,538
	-----	-----
TOTAL ASSETS	\$14,326,260	\$15,295,184
	=====	=====

See Notes to Consolidated Financial Statements.

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HYPERFEED TECHNOLOGIES, INC.

CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2000 AND 1999

LIABILITIES AND STOCKHOLDERS' EQUITY	2000	1999
	----	----
Current Liabilities		
Notes payable	\$1,199,634	\$1,050,000
Accrued satellite termination fees	399,000	550,000
Accounts payable	1,744,102	1,700,000
Accrued expenses	759,818	2,310,000
Accrued compensation	269,736	460,000
Income taxes payable	35,000	
Unearned revenue	2,559,252	2,300,000
	-----	-----
TOTAL CURRENT LIABILITIES	6,966,542	8,400,000
	-----	-----
Notes payable, less current portion	250,000	1,440,000
Accrued satellite termination fees, less current portion	225,000	620,000
Unearned revenue, less current portion	82,090	70,000
Accrued expenses, less current portion	108,264	130,000
Minority interest	1,829	
	-----	-----
TOTAL NONCURRENT LIABILITIES	667,183	2,290,000
	-----	-----
TOTAL LIABILITIES	7,633,725	10,690,000
	-----	-----
Stockholders' Equity		
Preferred stock, \$.001 par value; authorized 5,000,000 shares; issued and outstanding:		

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Series A 5% convertible: 19,075 shares at December 31, 2000		
and December 31, 1999	19	
Series B 5% convertible: 28,791 shares at December 31, 2000		
and December 31, 1999	29	
Common stock, \$.001 par value; authorized 50,000,000 shares;		
issued and outstanding: 15,756,310 shares at December 31, 2000		
and 15,592,690 shares at December 31, 1999	15,756	1
Additional paid-in capital - Series A 5% convertible preferred stock	3,086,013	3,08
Additional paid-in capital - Series B 5% convertible preferred stock	4,664,891	4,66
Additional paid-in capital - common stock	25,555,214	25,18
Additional paid-in capital - convertible subordinated		
debenture and warrants	8,630,491	8,63
Accumulated deficit	(35,259,878)	(36,98
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	6,692,535	4,59
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 14,326,260	\$ 15,29
	=====	=====

See Notes to Consolidated Financial Statements.

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HYPERFEED TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

	2000	1999	
REVENUE			
HyperFeed services	\$ 22,713,264	\$ 17,733,813	\$
PCQuote.com services	23,733,623	15,394,246	
	-----	-----	---
TOTAL REVENUE	46,446,887	33,128,059	
	-----	-----	---
DIRECT COST OF SERVICES			
HyperFeed services	12,337,640	12,697,106	
PCQuote.com services	17,356,548	12,774,875	
	-----	-----	---
TOTAL DIRECT COST OF SERVICES	29,694,188	25,471,981	
	-----	-----	---
GROSS MARGIN	16,752,699	7,656,078	
	-----	-----	---
OPERATING EXPENSES			
Sales	3,924,601	3,676,887	
General and administrative	4,868,007	5,257,617	
Product and market development	4,398,116	3,640,457	
Depreciation and amortization	1,686,124	1,251,048	
Satellite and offering termination expense	---	3,182,222	
	-----	-----	---

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TOTAL OPERATING EXPENSES	14,876,848	17,008,231
INCOME (LOSS) FROM OPERATIONS	1,875,851	(9,352,153)
OTHER INCOME (EXPENSE)		
Interest income	77,875	50,062
Interest expense	(197,610)	(120,751)
Loss on sale of minority interest	---	(88,386)
NET OTHER EXPENSE	(119,735)	(159,075)
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTEREST	1,756,116	(9,511,228)
INCOME TAXES	35,000	5,000
INCOME (LOSS) BEFORE MINORITY INTEREST	1,721,116	(9,516,228)
Minority interest	2,040	84,530
NET INCOME (LOSS)	1,723,156	(9,431,698)
Preferred dividends	---	---
NET INCOME (LOSS) AVAILABLE FOR COMMON STOCKHOLDERS	\$ 1,723,156	(\$ 9,431,698)
Basic net income (loss) per share	\$0.11	(\$0.63)
Diluted net income (loss) per share	\$0.08	(\$0.63)
Basic weighted-average common shares outstanding	15,655,643	14,878,160
Diluted weighted-average common shares outstanding	21,240,018	14,878,160

See Notes to Consolidated Financial Statements.

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HYPERFEED TECHNOLOGIES, INC. CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

	Series A 5% Convertible Preferred Stock Shares	Series B 5% Convertible Preferred Stock Shares	Series A 5% Convertible Preferred Stock Amount	Series B 5% Convertible Preferred Stock Amount	Common Stock Shares
Balance at December 31, 1997	---	---	\$ ---	\$ ---	12,436,800
Net loss	---	---	---	---	---
Issuance of preferred stock	19,075	28,791	19	29	---
Issuance of common stock	---	---	---	---	4,735,332
Purchase and retirement of					

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common stock	---	---	---	---	(2,988,949)
Value assigned to beneficial conversion feature of convertible preferred stock	---	---	---	---	---
Value assigned to employee stock options issued	---	---	---	---	---
Balance at December 31, 1998	19,075	28,791	19	29	14,183,183
Net loss	---	---	---	---	---
Issuance of common stock	---	---	---	---	1,409,507
Value assigned to PCQuote.com, Inc. warrant issued	---	---	---	---	---
Balance at December 31, 1999	19,075	28,791	19	29	15,592,690
Net income	---	---	---	---	---
Issuance of common stock	---	---	---	---	163,620
Balance at December 31, 2000	19,075	28,791	\$ 19	\$ 29	15,756,310

	Additional Paid-In Capital Series A Convertible Preferred	Additional Paid-In Capital Series B Convertible Preferred	Additional Paid-In Capital Common	Additional Paid-In Capital Convertible Debenture and Warrants	Accumulat Deficit
-----	-----	-----	-----	-----	-----
Balance at December 31, 1997	\$ ---	\$ ---	\$17,386,591	\$ 2,750,491	(\$20,083,1
Net loss	---	---	---	---	(6,449,2
Issuance of preferred stock	2,966,794	3,765,172	---	---	---
Issuance of common stock	---	---	5,432,571	---	---
Purchase and retirement of common stock	---	---	(2,985,960)	---	---
Value assigned to beneficial conversion feature of convertible preferred stock	119,219	899,719	---	---	(1,018,9
Value assigned to employee stock options issued	---	---	117,779	---	---
Balance at December 31, 1998	3,086,013	4,664,891	19,950,981	2,750,491	(27,551,3
Net loss	---	---	---	---	(9,431,6
Issuance of common stock	---	---	5,232,650	---	---
Value assigned to PCQuote.com, Inc. warrant issued	---	---	---	5,880,000	---
Balance at December 31, 1999	3,086,013	4,664,891	25,183,631	8,630,491	(36,983,0
Net income	---	---	---	---	1,723,1
Issuance of common stock	---	---	371,583	---	---
Balance at December 31, 2000	\$3,086,013	\$4,664,891	\$25,555,214	\$ 8,630,491	(\$35,259,8

See Notes to Consolidated Financial Statements.

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HYPERFEED TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

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	2000	1999
Cash Flows From Operating Activities:		
Net income (loss)	\$1,723,156	(\$9,431,698)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization of property and equipment	1,686,122	1,251,048
Provision for doubtful accounts	180,000	650,000
Amortization of software development costs	2,440,131	2,447,854
Amortization of value assigned to warrant issued in lieu of license fees	1,680,000	1,190,000
Amortization of deferred discount on convertible subordinated debenture	---	---
Interest on converted debt, net of conversion costs	---	---
Common stock issued in lieu of cash compensation	---	70,204
Common stock issued in lieu of cash payments for professional fees	---	300,000
Write-off of capitalized software development costs	---	---
Compensation value assigned to employee stock options granted	---	---
Loss on sale of minority interest	---	88,399
Minority interest in loss	(2,040)	(84,530)
Changes in assets and liabilities:		
Accounts receivable	(376,633)	(1,812,211)
Restricted cash equivalents	(200,000)	---
Prepaid expenses and other current assets	8,965	(130,466)
Deposits and other assets	(11,270)	145,378
Accounts payable	34,780	(2,429,195)
Accrued expenses	(1,777,523)	2,221,517
Accrued satellite termination fees	(558,000)	1,182,000
Unearned revenue	258,957	879,425
Income taxes payable	30,000	1,839
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	5,116,645	(3,460,436)
Cash Flows From Investing Activities:		
Purchase of property and equipment	(2,101,061)	(1,580,645)
Software development costs capitalized	(1,266,923)	(1,210,374)
NET CASH USED IN INVESTING ACTIVITIES	(3,367,984)	(2,791,019)
Cash Flows From Financing Activities:		
Proceeds from issuance of common stock	371,746	4,863,856
Purchase and retirement of common stock	---	---
Proceeds from issuance of notes payable	---	3,500,000
Borrowings under credit facility	---	---
Principal payments on notes payable	(1,050,000)	(1,800,000)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(678,254)	6,563,856
Net increase in cash and cash equivalents	1,070,407	312,401
Cash and cash equivalents:		
Beginning of year	1,452,186	1,139,785
End of year	\$ 2,522,593	\$ 1,452,186

See Notes to Consolidated Financial Statements.

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HYPERFEED TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

	2000 ----	1999 ----
Supplemental Disclosures of Cash Flow Information:		
Interest paid	\$ 251,194	\$ 67,167
Income taxes paid	\$ 4,378	\$ 3,161
Supplemental Disclosures of Noncash Investing and Financing Activities:		
Additional paid-in capital - value assigned to PCQuote.com, Inc. warrant issued in lieu of license fees	---	\$ 5,880,000
Additional paid-in capital from issuance of employee stock options	---	---
Series A preferred stock issued for converted debt	---	---
Additional paid-in capital - Series A preferred stock - from conversion of convertible subordinated debenture principal, plus accrued interest, net of conversion costs	---	---
Additional paid-in capital - Series A preferred stock - value assigned to beneficial conversion feature of preferred stock	---	---
Series B preferred stock issued for converted debt	---	---
Additional paid-in capital - Series B preferred stock - from conversion of credit facility borrowings, plus facility fee and accrued interest, net of conversion costs	---	---
Additional paid-in capital - Series B preferred stock - value assigned to beneficial conversion feature of preferred stock	---	---
Convertible subordinated debenture principal balance converted into Series A convertible preferred stock	---	---
Credit facility borrowings converted into Series B convertible preferred stock	---	---
Common stock issued in lieu of cash compensation	---	\$ 70,204
Common stock issued in lieu of cash payments for professional fees	---	\$ 300,000

See Notes to Consolidated Financial Statements.

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HYPERFEED TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

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HyperFeed Technologies, Inc. (the "Company") is a financial markets content and solutions provider servicing the business-to-business and business-to-consumer financial marketplace. We collect financial content directly from stock, options and commodities exchanges and other news and financial information sources. We provide this content with a variety of optional analytics packages to businesses for their internal use and redistribution to their customers over the Internet, virtual private networks, and local or wide area networks.

We use proprietary collection techniques to process financial market activity reported to us directly from equities, options, and futures and options on futures exchanges. We consolidate the information and update in real-time our data warehouse of last sale, bid/ask, time and sales, and historical prices of more than 600,000 securities and derivatives issues. The data warehouse includes information on all North American equities, equity options, major stock indices, Level 1 Nasdaq-quoted stocks, Level 2 Nasdaq market-maker quotes, mutual funds, money market funds, futures contracts and options on futures contracts. We use proprietary extraction routines and compression algorithms to create "HyperFeed", our IP Multicast digital data stream.

We disseminate HyperFeed to our customers over the Internet, as well as by satellite and digital data landlines. HyperFeed populates databases residing on computer servers at our customers' sites that are continuously and instantaneously updated. This is often referred to as "real-time streaming data" within the industry. Software applications on our customers' and their customers' computers access the HyperFeed populated databases to allow the end user to monitor securities activity and financial information on an on-going real-time basis. PCQuote.com, our majority owned subsidiary, maintains multiple servers for customers' real-time access, through Internet connections or through the World Wide Web, to equivalent institutional quality financial data without the requirement of having their own server.

We derive our revenue from license fees charged for access to HyperFeed and from license fees charged for a packaged HyperFeed plus analytical software service. Our services are used primarily for trading analysis and as a price engine for order routing, order matching, order execution, interactive voice response, and alternative trading systems. Our customer base consists primarily of financial market data redistributors: securities broker-dealers, on-line brokerage firms, portfolio managers, other financial institutions, Internet Web sites and financial portals. PCQuote.com services individual and professional investors, in addition to selling advertising space on its Web site, www.pcquote.com.

Significant accounting policies are as follows:

PRINCIPLES OF CONSOLIDATION: The consolidated financial statements include the accounts of HyperFeed Technologies, Inc. (the "Company") and its subsidiary, PCQuote.com, Inc., and have been prepared in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements include all adjustments, including the elimination of all significant intercompany transactions in consolidation, which, in the opinion of management, are necessary in order to make the financial statements not misleading.

ACCOUNTING 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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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CASH AND CASH EQUIVALENTS: The Company considers all cash and cash investments with an original maturity of three months or less to be cash equivalents. The Company typically invests excess cash in a money market account at a financial institution which management believes has a strong credit rating.

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HYPERFEED TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT: Property and equipment are stated at cost. Depreciation on owned assets is provided using the straight-line method over the following estimated useful lives: satellite receiving, computer and communications equipment: 3 to 5 years; furniture, fixtures and leasehold improvements: 5 to 10 years. Leasehold improvements are amortized over the lesser of the estimated useful lives or the terms of the respective leases. The accumulated depreciation and related property and equipment costs are removed from the respective accounts effective in the year following full depreciation.

Maintenance and repair costs are charged to earnings as incurred. Costs of improvements are capitalized. Upon retirement or disposition, the cost and related accumulated depreciation and amortization are removed from the accounts and any gain or loss is included in the statements of operations.

SOFTWARE DEVELOPMENT COSTS: The Company's continuing investment in software development consists primarily of enhancements to its existing Windows-based private network and Internet services, development of new data analysis software and programmer tools designed to afford easy access to its data-feed for data retrieval and analysis purposes and application of new technology to increase the data volume and delivery speed of its distribution system and network.

Costs associated with the planning and design phase of software development, including coding and testing activities necessary to establish technological feasibility of computer software products to be licensed or otherwise marketed, are charged to research and development as incurred. Once technological feasibility has been determined, costs incurred in the construction phase of software development including coding, testing, and product quality assurance are capitalized.

Amortization commences at the time of capitalization or, in the case of a new service offering, at the time the service becomes available for use. Unamortized capitalized costs determined to be in excess of the net realizable value of the product are expensed at the date of such determination. The accumulated amortization and related software development costs are removed from the respective accounts effective in the year following full amortization.

The Company's policy is to amortize capitalized software costs by the greater of (a) the ratio that current gross revenue for a product bear to the total of current and anticipated future gross revenue for that product or (b) the straight line method over the remaining estimated economic life of the product including the period being reported on, principally three to five years. The Company assesses the recoverability of its software development costs against estimated future undiscounted cash flows. Given the highly competitive environment and technological changes, it is reasonably possible that those estimates of anticipated future gross revenue, the remaining estimated economic

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life of the product, or both may be reduced significantly.

FINANCIAL INSTRUMENTS: The Company has no financial instruments for which the carrying value materially differs from fair value.

INCOME TAXES: Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

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HYPERFEED TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION: The Company principally derives its revenue from service contracts for the provision of market data only ("HyperFeed license fees"), service contracts for the provision of market data together with analytical software ("Analytics license fees"), and the sale of advertising on its Web site, www.pcquote.com. Revenue from service contracts is recognized ratably over the contract term as the contracted services are rendered. Revenue from the sale of advertising is recognized as the advertising is displayed on the Web site. HyperFeed license fees and Analytics license fees for satellite and landline services are generally billed one month in advance with 30-day payment terms. License fees for Analytics on the Internet are generally paid by credit card within five days prior to the month of service. These and other payments received prior to services being rendered are classified as unearned revenue on the balance sheet. Revenue and the related receivable for advance billings are not reflected in the financial statements. Customers' deposits on service contracts are classified as either current unearned revenue, if the contract expires in one year or less, or non-current unearned revenue, if the contract expiration date is greater than one year.

HyperFeed services primarily consist of the provision of HyperFeed and HyperFeed with analytics to the business-to-business marketplace, while PCQuote.com services primarily consist of analytics service, powered by HyperFeed, to the consumer marketplace. In addition, PCQuote.com sells advertising on its Web site.

The Company adopted the provisions of Statement of Position (SOP) 97-2, Software Revenue Recognition, on January 1, 1998. SOP 97-2 specifies the following four criteria that must be met prior to recognizing revenue: (1) persuasive evidence of the existence of an arrangement, (2) delivery, (3) fixed or determinable fee, and (4) probable collection. In addition, revenue earned on software arrangements involving multiple elements is allocated to each element based on the relative fair value of the elements. When applicable, revenue allocated to the Company's software products (including specified upgrades/enhancements) is recognized upon delivery of the products. Revenue allocated to post contract customer support is recognized ratably over the term of the support and revenue allocated to service elements (such as training) is recognized as the services are performed.

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COMPUTATION OF NET INCOME (LOSS) PER SHARE: The Company adopted SFAS No. 128, "Earnings Per Share," which established new methods for computing and presenting earnings per share ("EPS") and replaced the presentation of primary and fully-diluted EPS with basic ("Basic") and diluted EPS. Basic earnings per share is based on the weighted average number of shares outstanding and excludes the dilutive effect of unexercised common stock equivalents. Diluted earnings per share includes the dilutive effect of unexercised common stock equivalents. The Company had equity securities that, if exercised, would have had a dilutive effect on EPS had the Company generated income in all quarterly periods during 2000, 1999, and 1998. The dilutive effect of such securities would have been an additional 2,240,720, 9,118,000 and 225,500 weight-average shares outstanding during the years ended December 31, 2000, 1999, and 1998, respectively. As described in Note 4, CNNFN has the right to convert the value of its interest in PCQuote.com into an equivalent interest in HyperFeed in the form of HyperFeed common stock. CNNFN had not exercised its right as of December 31, 2000. For the year ended December 31, 2000, weighted-average equity securities totaling 1,941,501 were excluded from the calculations as their effect was anti-dilutive due to such securities having exercise prices in excess of the weighted-average fair value of the Company's common stock during the quarterly periods.

RECLASSIFICATIONS: Certain amounts in the consolidated financial statements have been reclassified to conform to the 2000 presentation.

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HYPERFEED TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. NOTES PAYABLE

The Company has a \$1,500,000 term loan with a bank, payable in monthly installments of \$25,000 plus interest at prime (9.5% at December 31, 2000). The loan is collateralized by substantially all assets of the Company. At December 31, 2000, the outstanding balance was \$199,634.

On September 3, 1999, our subsidiary, PCQuote.com, Inc., borrowed \$2.0 million from Motorola, Inc. The promissory note bears interest at the prime rate from time to time as announced in the Wall Street Journal (9.5% on December 31, 2000). Payments are due in eight equal installments on a quarterly basis commencing June 30, 2000 through March 31, 2002, subject to early repayment upon the closing of an initial public offering of PCQuote.com's common stock. At December 31, 2000, the outstanding principal balance was \$1.3 million.

NOTE 3. TRANSACTIONS WITH AFFILIATES

On November 14, 1996, the Company entered into an agreement (the "Debt Agreement") with Physicians Insurance Company of Ohio, ("Physicians"), a wholly-owned subsidiary of PICO Holdings, Inc. ("PICO"), which then owned approximately 30% of the Company's outstanding shares of common stock. Pursuant to the Debt Agreement, Physicians invested \$2.5 million in the Company in exchange for a Subordinated Convertible Debt (the "Debt") in the principal amount of \$2.5 million with interest at 1% over prime. Interest was payable semiannually, beginning January 1, 1998. Physicians made the investment and the Debt was issued on December 2, 1996. The Debt was to mature on December 31, 2001.

On May 5, 1997, the Company and PICO entered into a Loan and Security

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Agreement (the "Loan Agreement"), under which PICO agreed to make a secured loan to the Company in an aggregate principal amount of up to \$1.0 million at a fixed rate equal to 14% per annum. PICO was also entitled to be paid a "facility fee" of \$40,000 on the maturity date of the loan contemplated by the Loan Agreement. The principal amount was subsequently increased to \$2.0 million in August 1997, \$2.25 million in September 1997, and \$3.25 million in July 1998. Also on May 5, 1997, in consideration of the loan by PICO to the Company, the Company issued a Common Stock Purchase Warrant (the "Warrant") to PICO entitling PICO to purchase a minimum of 640,000 shares of the Company's common stock at a price per share (the "Warrant Price") equal to the lesser of (a) the mean of the closing bid price per share for the 20 trading days preceding exercise of the Warrant or (b) \$1.5625 per share (the market value of the Company's common stock on the date the Warrant was issued).

On May 19, 1998, PICO exercised a portion of one of their warrants, issued in consideration of the Loan Agreement financings, and purchased 320,000 shares of common stock of the Company for \$500,000.

On September 23, 1998, the Company entered into a Securities Purchase Agreement (the "Securities Agreement"), subject to shareholder approval, with PICO and Physicians. Under the terms of the Securities Agreement, the Company and Physicians, as the holder of the Debenture in the principal amount of \$2,500,000, plus accrued interest in the amount of \$423,123 as of September 23, 1998, plus interest accruing at the rate of \$651 per day thereafter (such principal and all accrued interest through the Closing Date, the "Debenture Balance"), and PICO, to whom the Company was indebted in the principal amount of \$3,290,000, plus accrued interest in the amount of \$377,742 as of September 23, 1998, plus interest accruing at the rate of \$1,262 per day thereafter (such principal and all accrued interest through the Closing Date, the "PICO Indebtedness") provided for the purchase of Series A 5% Convertible Preferred Stock by Physicians through the conversion of the Debenture Balance and for the purchase of Series B 5% Convertible Preferred Stock by PICO in consideration for the cancellation of the PICO Indebtedness.

Shareholder approval of the terms and conditions of the Securities Agreement for the debt conversion and the transactions contemplated by the Securities