

NMP INC  
Form S-4  
August 27, 2003  
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As filed with the Securities and Exchange Commission on August 27, 2003

Registration No. 333

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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## FORM S-4

### REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

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**NMP, Inc.**

(Exact Name of Registrant as Specified in its Charter)

**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

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**7370**  
(Primary Standard Industrial  
Classification Code)

**27-0064104**  
(I.R.S. Employer  
Identification Number)

825 Battery Street

San Francisco, CA 94111

(415) 733-0500

(Address, including Zip Code, and Telephone Number, including Area Code, of Registrant's Principal Executive Offices)

---

**Lawrence S. Kramer**

**Chairman and Chief Executive Officer**

**NMP, Inc.**

825 Battery Street

San Francisco, CA 94111

(415) 733-0500

(Name, Address, including Zip Code, and Telephone Number, including Area Code, of Agent for Service)

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**Approximate date of commencement of proposed sale of the securities to the public:** As soon as practicable after this registration statement becomes effective and all other conditions to the proposed merger described herein have been satisfied or waived.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. " \_\_\_\_\_

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. " \_\_\_\_\_

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. " \_\_\_\_\_

**CALCULATION OF REGISTRATION FEE**

<b>Title of Each Class of Securities to be Registered</b>	<b>Amount to be Registered</b>	<b>Proposed Maximum Offering Price Per Share</b>	<b>Proposed Maximum Aggregate Offering Price</b>	<b>Amount of Registration Fee</b>
Common Stock, par value \$0.01 per share	25,592,000 Shares (1)	Not Applicable	\$207,205,070 (2)	\$16,763

- (1) Represents the maximum number of shares of NMP, Inc. common stock estimated to be issuable to the stockholders of MarketWatch.com, Inc. and Pinnacor Inc. in connection with the merger of MarketWatch.com, Inc. and Pinnacor Inc.
- (2) Estimated solely for the purpose of calculating the registration fee (i) in accordance with Rule 457(f)(1) and Rule 457(f)(3) of the Securities Act of 1933, based on the average of the high and low sale prices for shares of Pinnacor Inc. common stock on the Nasdaq National Market on August 26, 2003, which was \$2.23, multiplied by 48,517,000, which is the expected maximum number of shares of Pinnacor Inc. common stock to be acquired in the merger in exchange for shares of NMP, Inc. common stock, assuming the issuance of 7,726,000 shares of Pinnacor Inc. common stock subject to issuance pursuant to outstanding Pinnacor Inc. stock options and other rights to acquire Pinnacor Inc. common stock, minus a \$44,000,000 cash payment to be made by NMP, Inc. or its affiliates to the stockholders of Pinnacor Inc. as part of the aggregate consideration to be paid to such stockholders in exchange for their shares of Pinnacor Inc. common stock acquired in the merger; plus (ii) in accordance with Rule 457(f)(1) of the Securities Act of 1933, based on the average of the high and low sale prices for shares of MarketWatch.com, Inc. common stock on the Nasdaq National Market on August 21, 2003, which was \$8.16, multiplied by 17,526,000, which is the expected maximum number of shares of MarketWatch.com, Inc. common stock to be acquired in the merger in exchange for shares of NMP, Inc. common stock, assuming the issuance of 100,000 shares of MarketWatch.com, Inc. common stock subject to issuance pursuant to outstanding MarketWatch.com, Inc. stock options and other rights to acquire MarketWatch.com, Inc. common stock.

**THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.**

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**MERGER AND OTHER PROPOSALS YOUR VOTE IS VERY IMPORTANT**

To the Stockholders of MarketWatch.com, Inc. and Pinnacor Inc.:

On July 22, 2003, the board of directors of MarketWatch.com, Inc. unanimously approved, and the board of directors of Pinnacor Inc., with the later concurrence of one member who was absent from the board meeting, unanimously approved, a merger agreement for the merger of MarketWatch and Pinnacor. A new holding company, NMP, Inc., to which we refer as the combined company or Holdco in this joint proxy statement-prospectus, has been formed and, upon the completion of the proposed merger, will own the businesses of MarketWatch and Pinnacor. Pursuant to the merger agreement, Maple Merger Sub, Inc., a wholly-owned subsidiary of Holdco, will merge with and into MarketWatch. We refer to the merger of Maple Merger Sub with and into MarketWatch, with MarketWatch as the surviving corporation, as the MarketWatch merger in this joint proxy statement-prospectus. Also pursuant to the merger agreement, Pine Merger Sub, Inc., another wholly-owned subsidiary of Holdco will merge with and into Pinnacor. We refer to the merger of Pine Merger Sub with and into Pinnacor, with Pinnacor as the surviving corporation, as the Pinnacor merger in this joint proxy statement-prospectus. The combination of MarketWatch and Pinnacor through the MarketWatch merger and the Pinnacor merger is referred to as the merger in this joint proxy statement-prospectus. Upon the completion of the merger, each of MarketWatch and Pinnacor will become a wholly-owned subsidiary of Holdco.

Both MarketWatch and Pinnacor believe that the combined company resulting from the merger will be a market-leading provider of online business news and financial applications to the general public, as well as organizations in numerous industries, including banking, brokerage and media. After the merger is completed, Holdco will be renamed MarketWatch.com, Inc. MarketWatch, one of Holdco's operating subsidiaries after the merger, will be renamed MarketWatch Media, Inc. and Pinnacor, the other Holdco operating subsidiary after the merger, will continue to be named Pinnacor Inc.

Upon the effectiveness of the merger, MarketWatch stockholders will receive one share of Holdco common stock for each share of MarketWatch common stock they own. Pinnacor stockholders will receive either \$2.42 in cash or 0.2659 of a share of Holdco common stock for each share of Pinnacor common stock they own. Subject to the proration rules described in this joint proxy statement-prospectus, Pinnacor stockholders may elect to receive cash, Holdco common stock or a combination of both in exchange for their shares of Pinnacor common stock.

Based on the number of shares of MarketWatch common stock outstanding on July 22, 2003, the last full trading day prior to the public announcement of the proposed merger, upon the completion of the merger, former Pinnacor stockholders will hold approximately 26%, and former MarketWatch stockholders will hold approximately 74%, of the outstanding Holdco common stock. Holdco intends to apply to list its common stock on the Nasdaq National Market under the symbol MKTW, the same ticker symbol currently used by MarketWatch.

In addition to the actions of the board of directors of MarketWatch and Pinnacor relating to the merger, the board of directors of Holdco has unanimously adopted, contingent upon the completion of the merger, a 2003 stock incentive plan and a 2003 employee stock purchase plan to enable Holdco after the merger to attract and retain the best available personnel, to provide additional incentive to employees, directors and consultants, and to promote the success of Holdco's business. Under the stock incentive plan, stock options, restricted stock, stock appreciation rights, dividend equivalent rights, performance units and performance shares may be granted to employees, directors and consultants of Holdco and Holdco's subsidiaries, including MarketWatch and Pinnacor after the merger. Under the employee stock purchase plan, Holdco may provide its employees and employees of its subsidiaries with an opportunity to purchase Holdco common stock through accumulated payroll deductions.

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The board of directors of Holdco has initially reserved a total of \_\_\_\_\_ shares of Holdco common stock under the stock incentive plan and a total of \_\_\_\_\_ shares of Holdco common stock under the employee stock purchase plan.

The boards of directors of both MarketWatch and Pinnacor unanimously recommend that their respective stockholders vote FOR the adoption of the merger agreement and the transactions contemplated by the merger agreement.

The board of directors of Holdco unanimously recommends that the stockholders of MarketWatch and Pinnacor, as the future stockholders of Holdco after the completion of the merger, vote FOR approval and adoption of (A) the 2003 stock incentive plan, and (B) the 2003 employee stock purchase plan.

Information about the merger, the 2003 stock incentive plan and the 2003 employee stock purchase plan is contained in this joint proxy statement-prospectus.

**We urge you to read this entire document, including the section describing the risks associated with the merger, the combined company, the separate businesses of MarketWatch and Pinnacor, and Holdco common stock that begins on page 26.**

The dates, times and places of the special meetings of stockholders are as follows:

For MarketWatch stockholders:	For Pinnacor stockholders:
_____, 2003 at _____ a.m., local time	_____, 2003 at _____ a.m., local time
825 Battery Street	601 West 26th Street, 13th Floor
San Francisco, CA 94111	New York, NY 10001

**YOUR VOTE IS VERY IMPORTANT, REGARDLESS OF THE NUMBER OF SHARES YOU OWN. WHETHER OR NOT YOU PLAN TO ATTEND YOUR RESPECTIVE SPECIAL MEETING OF STOCKHOLDERS, PLEASE VOTE AS SOON AS POSSIBLE TO ENSURE THAT YOUR SHARES ARE REPRESENTED. IF YOU DO NOT VOTE, YOU ABSTAIN FROM VOTING OR YOU DO NOT INSTRUCT YOUR BROKER OR BANK ON HOW TO VOTE, IT WILL HAVE THE SAME EFFECT AS VOTING AGAINST THE MERGER PROPOSAL BUT WILL HAVE NO EFFECT ON THE VOTE FOR THE ADOPTION OF THE EQUITY PLAN PROPOSALS.**

We strongly support the merger of MarketWatch and Pinnacor and join with our boards of directors in enthusiastically recommending that you vote in favor of the merger.

Sincerely,

Lawrence S. Kramer  
Chairman and Chief Executive Officer

Sincerely,

Kirk Loevner  
Chairman and Chief Executive Officer

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MarketWatch.com, Inc.

Pinnacor Inc.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued in connection with the merger of MarketWatch and Pinnacor or determined if this joint proxy statement-prospectus is accurate or complete. Any representation to the contrary is a criminal offense.**

This joint proxy statement-prospectus is dated \_\_\_\_\_, 2003, and is first being mailed to the stockholders of MarketWatch and Pinnacor on or about \_\_\_\_\_, 2003.

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**ADDITIONAL INFORMATION**

This joint proxy statement-prospectus incorporates important business and financial information about MarketWatch, Pinnacor and Holdco from other documents that are not included in or delivered with this joint proxy statement-prospectus. This information is available to you without charge upon your written or oral request. You can obtain the documents incorporated by reference in this joint proxy statement-prospectus by requesting them in writing or by telephone or over the Internet from the appropriate company at one of the following addresses:

MarketWatch.com, Inc.  
Anna Yen, Investor Relations  
825 Battery Street  
San Francisco, CA 94111  
(415) 733-0500  
email: *investor\_relations@marketwatch.com*

Pinnacor Inc.  
Rowan Hajaj, Investor Relations  
601 West 26th Street, 13th Floor  
New York, NY 10001  
(212) 691-7900  
email: *investorrelations@pinnacor.com*

If you would like to request any documents, please do so by \_\_\_\_\_, 2003 in order to receive them before the special meetings.

See [Where You Can Find More Information](#) that begins on page 197.

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**MARKETWATCH.COM, INC.**

**825 Battery Street**

**San Francisco, CA 94111**

**Notice of Special Meeting of the MarketWatch.com, Inc. Stockholders**

**, 2003 at a.m., local time**

To the Stockholders of MarketWatch.com, Inc.:

Notice is hereby given that a special meeting of stockholders of MarketWatch.com, Inc. will be held on , 2003 at a.m., local time, at 825 Battery Street, San Francisco, CA 94111 for the following purposes:

1. To consider and vote upon a proposal to adopt a merger agreement for the merger of MarketWatch and Pinnacor whereby MarketWatch and Pinnacor will become wholly owned subsidiaries of a new holding company, Holdco, and each share of MarketWatch common stock outstanding on the closing date will be exchanged for one share of Holdco common stock. The adoption of the merger agreement will also constitute approval of the MarketWatch merger and the other transactions contemplated by the merger agreement, including the issuance of shares of Holdco common stock in the Pinnacor merger.
2. To consider and vote upon a proposal to adopt a 2003 stock incentive plan for Holdco.
3. To consider and vote upon a proposal to adopt a 2003 employee stock purchase plan for Holdco.
4. To transact any other business that may properly come before the special meeting or any adjournment or postponement of the special meeting.

These items of business are described in the attached joint proxy statement-prospectus. Holders of record of MarketWatch common stock at the close of business on , 2003, the record date, are entitled to notice of, and to vote at, the special meeting and any adjournments or postponements of the special meeting.

**Your vote is very important, regardless of the number of shares you own. Please vote as soon as possible to make sure your shares are represented at the special meeting. To vote your shares, you may complete and return the enclosed proxy card. If you are a holder of record, you may also cast your vote in person at the special meeting. If your shares are held in an account at a brokerage firm or bank, you must instruct them on how to vote your shares. If you do not vote, you abstain from voting or you do not instruct your broker or bank on how to vote, it will have the same effect as voting against the adoption of the merger proposal but will have no effect on the vote for the adoption of the equity plan proposals.**

Thank you for your support.

Sincerely,

Lawrence S. Kramer

Chairman and Chief Executive Officer

San Francisco, California

, 2003



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**PINNACOR INC.**

**601 West 26th Street, 13th Floor**

**New York, NY 10001**

**Notice of Special Meeting of the Pinnacor Inc. Stockholders**

**, 2003 at a.m., local time**

To the Stockholders of Pinnacor Inc.:

We will hold a special meeting of the stockholders of Pinnacor Inc. on \_\_\_\_\_, 2003 at \_\_\_\_\_ a.m., local time, at 601 West 26th Street, 13th Floor, New York, NY 10001, for the following purposes:

1. To consider and vote upon a proposal to adopt a merger agreement for the merger of MarketWatch and Pinnacor whereby MarketWatch and Pinnacor will become wholly owned subsidiaries of a new holding company, Holdco, and each share of Pinnacor common stock outstanding on the closing date will be exchanged, at the election of the holder, for either \$2.42 in cash or 0.2659 of a share of Holdco common stock. Subject to the proration rules described in this joint proxy statement-prospectus, you may elect to receive cash, Holdco common stock or a combination of both in exchange for your shares of Pinnacor common stock. The adoption of the merger agreement will also constitute approval of the Pinnacor merger and the other transactions contemplated by the merger agreement.
2. To consider and vote upon a proposal to adopt a 2003 stock incentive plan for Holdco.
3. To consider and vote upon a proposal to adopt a 2003 employee stock purchase plan for Holdco.
4. To transact any other business that may properly come before the special meeting or any adjournment or postponement of the special meeting.

These items of business are described in the attached joint proxy statement-prospectus. Holders of record of Pinnacor common stock at the close of business on \_\_\_\_\_, 2003, the record date, are entitled to vote at the special meeting and any adjournments or postponements of the special meeting.

**Your vote is very important, regardless of the number of shares you own. Please vote as soon as possible to make sure your shares are represented at the special meeting. To vote your shares, you may complete and return the enclosed proxy card. If you are a holder of record, you may also cast your vote in person at the special meeting. If your shares are held in an account at a brokerage firm or bank, you must instruct them on how to vote your shares. If you do not vote, you abstain from voting or you do not instruct your broker or bank on how to vote, it will have the same effect as voting against the adoption of the merger proposal and will have no effect on the vote**

**for the adoption of the equity plan proposals.**

Thank you for your support.

Sincerely,

Kirk Loevner

Chairman and CEO

New York, New York

, 2003

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**QUESTIONS AND ANSWERS ABOUT THE MERGER**

**Q: When and where is the Pinnacor special stockholder meeting?**

A: The special meeting of Pinnacor stockholders will be held at      a.m., local time on      , 2003 at 601 West 26th Street, 13th Floor, New York, NY 10001.

**Q: When and where is the MarketWatch special stockholder meeting?**

A: The special meeting of MarketWatch stockholders will be held at      a.m., local time on      , 2003 at 825 Battery Street, San Francisco, CA 94111.

**Q: How can I obtain admission to the Pinnacor or MarketWatch special stockholder meeting?**

A: You are entitled to attend the Pinnacor special stockholder meeting only if you were a Pinnacor stockholder as of the close of business on      , 2003, the record date for the Pinnacor special meeting, or hold a valid proxy for the special meeting. You are entitled to attend the MarketWatch special stockholder meeting only if you were a MarketWatch stockholder as of the close of business on      , 2003, the record date for the MarketWatch special meeting, or hold a valid proxy for the special meeting. You should be prepared to present photo identification for admittance. In addition, if you are a record holder, your name is subject to verification against the list of record holders on the record date prior to being admitted to the special meeting. If you are not a record holder but hold shares in street name, that is with a broker, dealer, bank or other financial institution, you should be prepared to provide proof of beneficial ownership on the record date, such as your most recent account statement prior to the record date, or similar evidence of ownership. If you do not provide photo identification or comply with the other procedures outlined above upon request, you will not be admitted to the special meeting.

**Q: Why are MarketWatch and Pinnacor proposing to merge?**

A: MarketWatch and Pinnacor are proposing to merge to create a combined company that is expected to be a market-leading provider of online business news and financial applications to the general public, as well as organizations in numerous industries, including banking, brokerage and media. The merger will combine MarketWatch's premium-branded news, tools and charting capabilities with Pinnacor's broad set of financial applications and extensive customization and integration capabilities. Specifically, MarketWatch and Pinnacor are proposing to merge for the following reasons, as well as others described in this joint proxy statement-prospectus:

the combined company expects to be able to advance the long-term strategic goals of MarketWatch and Pinnacor, including licensing news and information services to financial services firms and institutional users, as well as offering new products and services to Pinnacor's current wireless and business information customers and corporate portal partners; and

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the combined company expects to be able to bring new products to market more rapidly since it will have a larger high-quality and dedicated technical staff.

### **Q: What will I receive in the merger?**

A: If you are a MarketWatch common stockholder, you will receive one share of Holdco common stock in exchange for each share of MarketWatch common stock you hold.

If you are a Pinnacor stockholder, you will receive, subject to proration, either \$2.42 in cash or 0.2659 of a share of Holdco common stock in exchange for each share of Pinnacor common stock you hold. Holdco will not issue fractional shares. Rather, you will receive cash payments, without interest, in place of any fractional share of Holdco common stock you would otherwise have received.

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**Q: If I am a Pinnacor stockholder, what will determine if I will receive Holdco common stock, cash or a combination of both?**

A: You may make election to receive either cash, Holdco common stock or a combination of cash and stock in exchange for your shares of Pinnacor common stock. However, depending on what the other Pinnacor stockholders elect to receive as consideration and the proration rules, you may not receive your preferred type of consideration. For a complete description of the proration rules, see Summary of the Joint Proxy Statement-Prospectus beginning on page 1 and The Merger Agreement The Pinnacor Merger Proration Rules beginning on page 93.

**Q: What do I need to do now?**

A: There are three steps you should take now:

1. Carefully read and consider the information contained in this joint proxy statement-prospectus.
2. Vote your shares on the merger and the equity plan proposals.
3. If you are a Pinnacor stockholder, you may elect the form of merger consideration you prefer to receive, subject to the proration rules described in this joint proxy statement-prospectus.

**Q: How do I vote if I am a stockholder of record?**

A: If you are a stockholder of record, you can vote on the merger and the equity plan proposals by either:

giving your proxy by either mailing your properly completed proxy card or by telephone; or

voting in person at your respective special stockholders meeting.

If you are not going to vote in person at the respective MarketWatch or Pinnacor special meeting, you should deliver your proxy as soon as possible so that your shares of MarketWatch or Pinnacor common stock will be voted. If you are a MarketWatch stockholder of record, you may vote by proxy by (1) completing, signing, dating and returning the YELLOW proxy card in the pre-addressed envelope provided, or (2) using the telephone. If you are a Pinnacor stockholder of record, you may vote by proxy by (1) completing, signing, dating and returning the WHITE proxy card in the pre-addressed envelope provided, or (2) using the telephone. For specific instructions on how to use the telephone to vote by proxy, please refer to the instructions on your proxy card.

**Q: How do I vote if I hold my shares in street name?**

A: If you hold shares in street name, that is through a broker, dealer, bank or other financial institution that serves as your nominee, you can vote for the merger and the equity plans by either:

instructing the nominee who holds your shares on how to vote by either mailing your properly completed voting instruction card provided to you by the nominee or by telephone; or

voting in person at your respective special stockholders meeting, so long as you obtain a signed proxy from the nominee who holds your shares, giving you the right to vote those shares.

If you are not going to vote in person at the respective MarketWatch or Pinnacor special meeting, you must provide the nominee with instructions on how to vote your shares. The nominee cannot vote or make an election with respect to your shares without receiving instructions from you. Please check the voting instruction card used by your nominee on how to instruct your nominee by telephone on how to vote your shares.

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**Q: What if I don't vote?**

A: If you do not vote, you abstain from voting or you do not instruct your broker, dealer, bank or other financial institution on how to vote if you hold your shares in street name, it will have the same effect as a vote against the adoption of the merger proposal but will have no effect on the vote for the adoption of the equity plan proposals. THEREFORE, WE URGE YOU TO VOTE.

If you submit your proxy but do not indicate how you want to vote on the proxy card, your proxy will be counted as a vote in favor of the adoption of the merger and equity plan proposals.

**Q: If I am a Pinnacor stockholder, how do I elect to receive cash, shares of Holdco common stock or a combination of cash and Holdco common stock? Can I change or revoke my election?**

A: If you have a preference for receiving cash, Holdco common stock or a combination of cash and Holdco common stock, you must complete the enclosed BLUE form of election indicating your preference, and return it to Mellon Investor Services LLC, the exchange agent. THE CERTIFICATES REPRESENTING YOUR PINNACOR COMMON STOCK MUST ACCOMPANY THE BLUE FORM OF ELECTION FOR YOUR ELECTION TO BE VALID.

Your completed BLUE form of election and your Pinnacor stock certificates should be delivered to Mellon Investor Services in the enclosed self-addressed envelope. If you choose to send the materials by mail, it is recommended that they be sent by registered mail, appropriately insured, with return receipt requested. The method of delivery of your completed BLUE form of election and stock certificates is at your election and risk.

Your BLUE form of election along with the share certificates representing your Pinnacor common stock must be returned to Mellon Investor Services no later than the election deadline, which is 5:00 p.m., Eastern Time, on the date of the Pinnacor special meeting of stockholders. Pinnacor stockholders who hold their shares in street name, that is with a broker, dealer, bank or other financial institution, and who wish to make an election will have to instruct their nominee that holds their shares to make an election on their behalf. For a more detailed description of the election procedures, see The Merger Agreement Making the Election beginning on page 97. The merger is expected to take effect on the date the Pinnacor stockholders approve the adoption of the merger agreement and the Pinnacor merger. You may change your election by delivering a later dated BLUE form of election to Mellon Investor Services before the election deadline. You may revoke your election by written notice of revocation to Mellon Investor Services before the election deadline.

**Q: If I am a Pinnacor stockholder, am I required to complete a form of election in order to receive my merger consideration?**

A: No. If you do not make an election, you will still receive your portion of the merger consideration. However, you will receive the merger consideration in whatever form (cash, Holdco common stock or both) that remains after giving effect to the preferences of other Pinnacor stockholders that do make elections and the application of the proration rules described in this joint proxy statement-prospectus. Therefore, if you have a preference for receiving either cash, shares of Holdco common stock or a combination of both in exchange for your shares of Pinnacor common stock, and do not make an election, we cannot take your preference into consideration.

**Q: What stockholder approvals are needed? What do the boards of directors recommend?**

A: With respect to the merger proposal, the affirmative vote of a majority of the outstanding shares of MarketWatch common stock entitled to vote on the record date for the MarketWatch special meeting, as well as the affirmative vote of a majority of the outstanding shares of Pinnacor common stock entitled to vote on the record date for the Pinnacor special meeting are required to adopt the merger agreement and the transactions contemplated by the merger agreement. Each holder of MarketWatch common stock and Pinnacor common stock is entitled to one vote per share at the respective special meeting. Both the MarketWatch board of directors and

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the Pinnacor board of directors unanimously recommend that you vote FOR approval of the adoption of the merger agreement and the transactions contemplated by the merger agreement.

With respect to the equity plan proposals, the affirmative vote of a majority of the combined number of shares of the MarketWatch common stock, represented in person or by proxy, at the MarketWatch special meeting, and the number of shares of Pinnacor common stock, represented in person or by proxy, at the Pinnacor special meeting that are exchanged into shares of Holdco common stock in connection with the Pinnacor merger, on an as converted to Holdco common stock basis, is required for the adoption of Holdco's 2003 stock incentive plan and 2003 employee stock purchase plan. The Holdco board of directors unanimously recommends that you vote FOR approval of the adoption of the 2003 stock incentive plan and 2003 employee stock purchase plan.

### **Q: What are the federal income tax consequences of the merger?**

A: The MarketWatch merger and the Pinnacor merger are intended to qualify as transactions described in Section 351 of the Internal Revenue Code. Assuming they so qualify, no gain or loss will be recognized by MarketWatch, Pinnacor or the MarketWatch stockholders solely as a result of the MarketWatch merger. The tax consequences to a Pinnacor stockholder depend upon the consideration received by the stockholder:

Holders receiving solely Holdco common stock in the Pinnacor merger generally will not recognize gain or loss. However, holders generally will recognize gain or loss in respect of any cash received in lieu of a fractional share of Holdco common stock.

Holders receiving solely cash for their Pinnacor common stock generally will recognize gain or loss equal to the difference between the amount of cash received and their tax basis in their shares of Pinnacor common stock.

Holders receiving a combination of Holdco common stock and cash will not recognize a loss (except with respect to cash received in lieu of a fractional share of Holdco common stock). Such holders generally will recognize gain, if any, but not in excess of the amount of the cash they receive in the Pinnacor merger.

For a further summary of the U.S. federal income tax consequences of the merger, see *Material United States Federal Income Tax Consequences of the Merger* beginning on page 85.

### **Q: Should I send in my stock certificates now?**

A: YOU SHOULD ONLY SEND IN YOUR STOCK CERTIFICATES IF YOU ARE A PINNACOR STOCKHOLDER AND YOU HAVE DECIDED TO MAKE AN ELECTION TO RECEIVE CASH, HOLDCO COMMON STOCK OR A COMBINATION OF BOTH. If you choose to receive cash, Holdco common stock or a combination of cash and Holdco common stock, your stock certificates must accompany the BLUE form of election. Pinnacor stockholders who hold their shares in street name, that is with a broker, dealer, bank or other financial institution that serves as their nominee, and who wish to make an election must instruct their nominee who holds their shares to make an election on their behalf. For a more detailed description of the election procedures, see *The Merger Agreement Making the Election* beginning on page 97.

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FOR PINNACOR STOCKHOLDERS NOT MAKING AN ELECTION AND FOR ALL MARKETWATCH STOCKHOLDERS, PLEASE DO NOT SEND IN YOUR STOCK CERTIFICATES WITH YOUR PROXY. After the merger is completed, you will receive a transmittal form and written instructions on how to exchange your Pinnacor or MarketWatch stock certificates for Holdco common stock and/or cash in the case of Pinnacor stockholders.

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**Q: Will I receive a physical stock certificate for the shares of Holdco common stock that are delivered to me in the merger?**

A: No. If you are a record holder of Pinnacor or MarketWatch common stock, your Holdco common stock will be issued under Holdco's direct registration system. This means your Holdco common stock will be held in an account maintained by Mellon Investor Services, Holdco's transfer agent. If you want a physical stock certificate, you can request one at any time. If you hold your shares in street name, that is through a broker, dealer, bank or other financial institution that serves as your nominee, you will initially hold your Holdco common stock through that nominee.

**Q: Will I be able to trade the Holdco common stock that I receive in connection with the merger?**

A: The shares of Holdco common stock issued in connection with the merger will be freely tradable, unless you are an affiliate of Pinnacor, MarketWatch or Holdco. Generally, persons who are deemed to be affiliates of Pinnacor or MarketWatch must comply with Rule 145 under the Securities Act of 1933 if they wish to sell or otherwise transfer any shares of Holdco common stock received in connection with the merger. Persons who are deemed to be affiliates of Holdco must comply with Rule 144 under the Securities Act of 1933 if they wish to sell or otherwise transfer any shares of Holdco common stock. You will be notified if you are such an affiliate.

**Q: Am I entitled to dissenters' appraisal rights?**

A: If you are a MarketWatch stockholder, you are not entitled to dissenters' appraisal rights.

If you are a Pinnacor stockholder, you will be entitled to dissenters' appraisal rights in connection with the Pinnacor merger so long as you comply with Delaware law, including, among other things, not voting in favor of the proposal to adopt the merger agreement and not surrendering your certificates representing shares of Pinnacor common stock. For a more detailed description of dissenters' appraisal rights, see [Appraisal Rights](#) beginning on page 89.

**Q: What will happen to my options and warrants to acquire Pinnacor common stock?**

A: Options to purchase shares of Pinnacor common stock will become fully vested and immediately exercisable. Warrants to purchase shares of Pinnacor common stock outstanding as of the closing of the Pinnacor merger will continue to vest in accordance with the terms of the respective warrant agreement. Both the Pinnacor options and warrants outstanding as of the closing of the Pinnacor merger will be assumed by Holdco and will become exercisable for shares of Holdco common stock after the completion of the Pinnacor merger. The respective number of shares of Holdco common stock issuable upon the exercise of these options or warrants, as the case may be, will be equal to the number of shares of Pinnacor common stock that could have been purchased before the merger upon the exercise of these options or warrants, as the case may be, multiplied by 0.2659, the exchange ratio, and rounded down to the nearest whole share. The respective exercise price will be equal to the exercise price per share of Pinnacor common stock subject to these options or warrants, as the case may be, divided by 0.2659 and rounded up to the nearest whole cent. Notwithstanding the assumption of the Pinnacor options and warrants by Holdco, each such option will remain governed by the terms of the respective Pinnacor equity plan and the individual option agreement and each such warrant will remain governed by the terms of the individual warrant agreement.

**Q: How will the merger affect my participation in the Pinnacor employee stock purchase plan?**

A: The current offering period under the Pinnacor employee stock purchase plan will terminate immediately prior to the closing of the Pinnacor merger. At that time, each outstanding purchase right under the plan will be automatically exercised and all accumulated payroll deductions will be applied toward the purchase of shares of Pinnacor common stock. Each share of Pinnacor common stock purchased upon the exercise of such purchase right will be treated as any other outstanding share of Pinnacor common stock and entitled to elect to receive cash and/or Holdco common stock as the merger consideration in connection with the Pinnacor merger.

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**Q: What will happen to my options to acquire MarketWatch common stock?**

A: Options to purchase shares of MarketWatch common stock will be assumed by Holdco and will become exercisable for shares of Holdco common stock after the completion of the MarketWatch merger. The respective number of shares of Holdco common stock issuable upon the exercise of these options will be equal to the same number of shares of MarketWatch common stock that could have been purchased before the merger upon the exercise of these options. The respective exercise price per share of Holdco common stock subject to these options will be equal to the exercise price per share of MarketWatch common stock subject to these options before the completion of the MarketWatch merger. The assumption of MarketWatch options by Holdco will not affect the vesting schedule or the other terms of such options, which will continue to be governed by the terms of MarketWatch's 1998 stock incentive plan and the individual option agreements.

**Q: How will the merger affect my participation in the MarketWatch employee stock purchase plan?**

A: Each outstanding stock purchase right under the MarketWatch 2000 employee stock purchase plan will be assumed by Holdco and will be converted into a right to purchase the same number of shares of Holdco common stock at a purchase price per share equal to the purchase price per share of MarketWatch common stock at which such stock purchase right was exercisable before the conversion.

**Q: Where will shares of Holdco common stock be listed?**

A: We have applied to list Holdco common stock on the Nasdaq National Market under the proposed symbol MKTW, the same ticker symbol currently used by MarketWatch.

**Q: Will I receive dividends on my Holdco common stock?**

A: Holdco does not currently intend to pay dividends on its common stock.

**Q: When do you expect the merger to be completed?**

A: We are working to complete the merger as quickly as possible. We expect to complete the merger during the fourth quarter of 2003.

**Q: Who can help answer my questions?**

A: If you have any questions about the merger or equity plan proposals, how to submit your proxy, voting instructions, in the case of Pinnacor stockholders, how to submit your BLUE form of election, or if you need additional copies of this joint proxy statement-prospectus, the enclosed

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proxy card, or BLUE form of election for Pinnacor stockholders, you should contact:

if you are a MarketWatch stockholder:

Anna Yen, Investor Relations

MarketWatch.com, Inc.

825 Battery Street

San Francisco, CA 94111

(415) 733-0500

email: *investor\_relations@marketwatch.com*

if you are a Pinnacor stockholder:

Rowan Hajaj, Investor Relations

Pinnacor Inc.

601 West 26th Street, 13th Floor

New York, NY 10001

(212) 691-7900

email: *investorrelations@pinnacor.com*

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**SUMMARY OF THE JOINT PROXY STATEMENT-PROSPECTUS**

This summary highlights selected information in this joint proxy statement-prospectus and may not contain all of the information that is important to you. You should carefully read this entire joint proxy statement-prospectus and the other documents to which we refer for a more complete understanding of the merger and equity plan proposals. In particular, you should read the documents attached to this joint proxy statement-prospectus, including the merger agreement that is attached as Annex A.

**The Companies (see pages 138 and 159)**

MarketWatch.com, Inc.

825 Battery Street

San Francisco, CA 94111

(415) 733-0500

<http://www.marketwatch.com>

MarketWatch is a leading financial media company that provides Web-based, comprehensive, real-time business news, financial programming and analytic tools through its two award-winning Web sites, CBS.MarketWatch.com and BigCharts.com, and licenses a wide array of content and tools in custom-designed formats for brokerages and other online businesses. MarketWatch also sells subscription-based content, including newsletters that evaluate investment newsletters under the Hulbert Financial Digest brand, and other premium products. It produces the syndicated CBS MarketWatch Weekend television program, airs financial reports over the CBS Television Network, and provides business and financial news updates every 30 minutes on the MarketWatch Radio Network. As a leading financial media company, more than 800 stories, briefs and headlines are created each market day by over 80 MarketWatch journalists in nine news bureaus around the world. During the second quarter of 2003, MarketWatch's Web properties generated 11.5 million average monthly unique users, according to digiMine, a third-party traffic researcher. The company was formed in 1997 and has important strategic relationships with its principal stockholders, CBS Broadcasting Inc., or CBS, and Pearson International Finance Ltd., or Pearson.

MarketWatch has over 210 employees. Headquartered in San Francisco, California, MarketWatch has facilities and news bureaus around the world, including New York, Los Angeles, Minneapolis, Washington, Chicago, Boston, Dallas, London and Tokyo.

Pinnacor Inc.

601 West 26th Street, 13th Floor

New York, NY 10001

(212) 691-7900

<http://www.pinnacor.com>

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Pinnacor is an outsourced provider of information and analytical applications to financial services companies and global corporations. Pinnacor delivers information-based applications and tools as well as customized data and news packages that help businesses cost-effectively serve their external or internal clients. Pinnacor's solutions include market data and investment analysis tools for financial services firms, critical business information for the enterprise, and personalized portal applications and messaging services for wireless carriers and ISPs.

Pinnacor's outsourced solutions provide:

technology and services for aggregating third-party and proprietary data;

extensive licensed databases of current and historical news, company fundamentals, market data and a broad spectrum of other information;

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a broad set of pre-built, customizable application modules ranging from custom filtered news to portfolio tracking applications; and flexible technology to enable customization and integration of information and applications into customer environments.

Pinnacor was incorporated in 1993 as The Interactive Connection, Inc. Until 1997, Pinnacor's primary business focus was centered on Web design, development and consulting. In late 1998, Pinnacor's business focus evolved into the aggregation and syndication of customized information over the Internet. In January 1999, Pinnacor changed its name from The Interactive Connection, Inc. to ScreamingMedia, Inc. and in August 2000, Pinnacor issued shares of its common stock to the public in its initial public offering. In August 2001, Pinnacor acquired Stockpoint, Inc. to increase its penetration into the financial services market and enhance its suite of hosted financial services applications. In October 2002, Pinnacor changed its name from ScreamingMedia, Inc. to Pinnacor Inc. to better support its evolution as a solutions provider for financial services and enterprise businesses and to better reflect its increasingly high-quality customer base. In November 2002, Pinnacor expanded its market share in the financial services industry through the purchase of the operating assets of Inlumen, Inc.

Pinnacor has over 500 customers and over 150 employees. Pinnacor is headquartered in New York, New York, has a sales office in San Francisco, California and development offices in Coralville, Iowa and Jerusalem, Israel.

## **Holdco and Merger Subs**

NMP, Inc., referred to in this joint proxy statement-prospectus as Holdco or the combined company, Maple Merger Sub, Inc. and Pine Merger Sub, Inc., are newly formed corporations that have not, to date, conducted any activities other than those incident to their formation, the matters contemplated by the merger agreement and the preparation of this joint proxy statement-prospectus. Pursuant to the merger agreement, Maple Merger Sub, a wholly-owned subsidiary of Holdco, will merge with and into MarketWatch, with MarketWatch as the surviving corporation, which merger is referred to in this joint proxy statement-prospectus as the MarketWatch merger. Also pursuant to the merger agreement, Pine Merger Sub, another wholly-owned subsidiary of Holdco, will merge with and into Pinnacor, with Pinnacor as the surviving corporation, which merger is referred to in this joint proxy statement-prospectus as the Pinnacor merger. The combination of MarketWatch and Pinnacor through the MarketWatch merger and the Pinnacor merger is referred to as the merger in this joint proxy statement-prospectus. Upon the completion of the merger, MarketWatch and Pinnacor will become wholly-owned subsidiaries of Holdco. The business of the combined company will be the businesses currently conducted by MarketWatch and Pinnacor. After the merger is completed, Holdco will be renamed MarketWatch.com, Inc. MarketWatch, one of Holdco's operating subsidiaries after the merger, will be renamed MarketWatch Media, Inc. and Pinnacor, the other Holdco operating subsidiary after the merger, will continue to be named Pinnacor Inc.

## **The Special Meetings (see page 53)**

*Special Meeting of MarketWatch's Stockholders.* The MarketWatch special meeting will be held at 825 Battery Street, San Francisco, CA 94111 on \_\_\_\_\_, 2003, starting at \_\_\_\_\_ a.m., local time.

*Special Meeting of Pinnacor's Stockholders.* The Pinnacor special meeting will be held at 601 West 26th Street, 13th Floor, New York, NY 10001, on \_\_\_\_\_, 2003, starting at \_\_\_\_\_ a.m., local time.



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### **Vote Required (see page 55)**

#### *The Merger Proposal*

*MarketWatch Stockholders.* The affirmative vote of a majority of the outstanding shares of MarketWatch common stock entitled to vote on the record date is required for the adoption of the merger agreement and the transactions contemplated by the merger agreement. Pursuant to a voting and waiver agreement (as further described below in this summary section and in greater detail beginning on page 112) executed in connection with the merger agreement, CBS and Pearson, representing approximately 65% of the outstanding shares of MarketWatch common stock entitled to vote at the MarketWatch special meeting, have agreed to vote for the adoption of the merger agreement, the MarketWatch merger and the issuance of shares of Holdco common stock in the Pinnacor merger.

*Pinnacor Stockholders.* The affirmative vote of a majority of the outstanding shares of Pinnacor common stock entitled to vote on the record date is required for the adoption of the merger agreement and the transactions contemplated by the merger agreement. Pursuant to voting agreements (as further described below in this summary section and in greater detail beginning on page 111) executed in connection with the merger agreement, certain significant stockholders, executive officers and directors of Pinnacor and their affiliates, representing approximately 27% of the outstanding shares of Pinnacor common stock entitled to vote at the Pinnacor special meeting, have agreed to vote for the adoption of the merger agreement and the approval of the Pinnacor merger.

#### *The Equity Plan Proposals*

*MarketWatch and Pinnacor Stockholders.* The affirmative vote of a majority of the combined number of shares of the MarketWatch common stock, represented in person or by proxy, at the MarketWatch special meeting, and the number of shares of Pinnacor common stock, represented in person or by proxy, at the Pinnacor special meeting that are exchanged into shares of Holdco common stock in connection with the Pinnacor merger, on an as converted to Holdco common stock basis, is required for the adoption of Holdco's 2003 stock incentive plan and 2003 employee stock purchase plan.

### **Share Ownership of Directors and Executive Officers**

*MarketWatch.* At the close of business on the record date for the MarketWatch special meeting, directors and executive officers of MarketWatch and their affiliates beneficially owned and were entitled to vote % percent of the shares of MarketWatch common stock outstanding on that date.

*Pinnacor.* At the close of business on the record date for the Pinnacor special meeting, directors and executive officers of Pinnacor and their affiliates beneficially owned and were entitled to vote % percent of the shares of Pinnacor common stock outstanding on that date.

### **Recommendation of the Boards of Directors**

*The Merger Proposal*

*MarketWatch Board of Directors.* Based on careful consideration, the MarketWatch board of directors unanimously determined that the merger with Pinnacor is advisable, consistent with and in furtherance of the long-term business strategy of MarketWatch, and in the best interests of, MarketWatch and its stockholders, and unanimously approved the merger agreement and the transactions contemplated by the merger agreement. The MarketWatch board of directors unanimously recommends that the MarketWatch stockholders vote FOR the proposal to approve and adopt the merger agreement and the transactions contemplated by the merger agreement.



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*Pinnacor Board of Directors.* Based on careful consideration, the Pinnacor board of directors, with the later concurrence of one member who was absent from the board meeting, unanimously determined that the Pinnacor merger is advisable, consistent with and in furtherance of the long-term business strategy of Pinnacor, and fair to, and in the best interests of, Pinnacor and its stockholders, and unanimously approved the merger agreement and the transactions contemplated by the merger agreement. The Pinnacor board of directors unanimously recommends that the Pinnacor stockholders vote FOR the proposal to approve and adopt the merger agreement and the transactions contemplated by the merger agreement.

### *The Equity Plan Proposals*

*Holdco Board of Directors.* The Holdco board of directors unanimously recommends that the stockholders of MarketWatch and Pinnacor, as the future stockholders of Holdco after the completion of the merger, vote FOR the adoption of Holdco's 2003 stock incentive plan and 2003 employee stock purchase plan.

### **Opinion of MarketWatch's Financial Advisor (see page 70)**

In deciding to approve the adoption of the merger agreement, the MarketWatch board of directors received and considered the written opinion of its financial advisor, UBS Securities, LLC, referred to in this joint proxy statement-prospectus as UBS, that, as of the date of its opinion, and based on and subject to various assumptions, matters considered and limitations described in its opinion, the consideration to be paid to holders of Pinnacor common stock was fair, from a financial point of view, to MarketWatch. The full text of UBS's written opinion is attached as Annex B to this joint proxy statement-prospectus. MarketWatch urges its stockholders to read the opinion of UBS in its entirety.

### **Opinion of Pinnacor's Financial Advisor (see page 76)**

In connection with the transaction, the Pinnacor board of directors received a written opinion from Citigroup Global Markets Inc., referred to in this joint proxy statement-prospectus as Citigroup, as to the fairness, from a financial point of view, of the Pinnacor merger consideration. The full text of Citigroup's written opinion dated July 22, 2003 is attached to this joint proxy statement-prospectus as Annex C. We encourage you to read this opinion carefully in its entirety for a description of the assumptions made, procedures followed, matters considered and limitations on the review undertaken. **Citigroup's opinion was provided to the Pinnacor board of directors in connection with its evaluation of the Pinnacor merger consideration, does not address any other aspect of the transaction or any related transaction and does not constitute a recommendation to any stockholder as to the form of the Pinnacor merger consideration to be elected or how such stockholder should vote or act on any matters relating to the proposed transaction.**

### **The Structure of the Merger**

To accomplish the combination of their businesses, MarketWatch and Pinnacor agreed to the formation of a new holding company, Holdco, with two wholly-owned subsidiaries, Maple Merger Sub and Pine Merger Sub. At the time the merger is completed, Maple Merger Sub will merge with and into MarketWatch and MarketWatch will be the surviving corporation, and Pine Merger Sub will merge with and into Pinnacor and Pinnacor will be the surviving corporation.

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After the merger is completed, each of MarketWatch and Pinnacor will be a wholly-owned subsidiary of Holdco. Holdco, which is currently named NMP, Inc., will be renamed MarketWatch.com, Inc. MarketWatch, one of Holdco's operating subsidiaries after the merger, will be renamed MarketWatch Media, Inc. and Pinnacor, the other Holdco operating subsidiary after the merger, will continue to be named Pinnacor Inc.

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The organization and ownership percentages of the companies before and after the merger is illustrated below:

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**The Summary of the Material Terms of the Merger (see page 92)**

*Closing and Effective Time of the Merger.* The merger agreement provides that the closing will take place as soon as practicable after the satisfaction or waiver of the conditions to the merger contained in the merger agreement, unless some other time or date is agreed upon by MarketWatch and Pinnacor. The effective time of the merger will be the time when the certificate of merger for each of the MarketWatch merger and the Pinnacor merger is filed in accordance with the relevant provisions of Delaware law.

*Pinnacor Merger Consideration.* In the Pinnacor merger, a holder of Pinnacor common stock may elect to receive, for each share of Pinnacor common stock, either \$2.42 in cash or 0.2659 of a share of Holdco common stock, also referred to as the exchange ratio. If a Pinnacor stockholder holds more than one share of Pinnacor common stock, that stockholder can elect to receive cash, stock, or a combination of cash and stock for their shares of Pinnacor common stock, but may ultimately receive a different mix of consideration than that elected based on the proration rules described below. Under the terms of the merger agreement, the aggregate cash consideration that Pinnacor stockholders will receive in the Pinnacor merger is \$44.0 million, and accordingly, at the closing, an aggregate of approximately 18,181,818 shares of Pinnacor common stock will be exchanged for cash, with the remaining outstanding shares of Pinnacor common stock being exchanged for Holdco common stock at the exchange ratio. Assuming that 40,790,486 shares of Pinnacor common stock are outstanding as of the closing, approximately 22,608,668 shares of Pinnacor common stock will be exchanged for Holdco common stock, at the exchange ratio of 0.2659.

*Proration Rules.* Since Pinnacor stockholders may, in the aggregate, elect to receive more cash than the \$44.0 million that will be distributed in the Pinnacor merger, or alternatively, Pinnacor stockholders may, in the aggregate, elect to receive more stock than the number of shares of Holdco common stock available for distribution in the Pinnacor merger, the aggregate consideration will be apportioned between the Pinnacor stockholders based on the proration rules described below. Therefore, you may not receive the mix of consideration that you elect with respect to all of your shares of Pinnacor common stock. For a more detailed description of these proration rules, including examples of how the proration rules would work under various scenarios, see *The Merger Agreement The Pinnacor Merger Proration Rules* beginning on page 93.

*Making the Election.* Each Pinnacor stockholder can make an election to receive cash, Holdco common stock or a combination of both by delivering to Mellon Investor Services, the exchange agent, a completed BLUE form of election (which BLUE form of election is included with this joint proxy statement-prospectus) together with the certificates representing their shares of Pinnacor common stock and any other required documentation specified in the BLUE form of election. The BLUE form of election, stock certificate(s) and other documentation must be received by the exchange agent no later than 5:00 p.m., Eastern Time, on the date of the consummation of the merger. MarketWatch and Pinnacor anticipate that the merger will be consummated on the date that it is approved by the Pinnacor stockholders. Accordingly, Pinnacor stockholders who wish to make an election should ensure that their BLUE form of election and stock certificate(s) are received by the exchange agent no later than 5:00 p.m., Eastern Time, on the date of the Pinnacor special meeting.

Pinnacor stockholders who hold their shares in street name, that is, with a broker, dealer, bank or other financial institution that serves as their nominee, and who wish to make an election will have to instruct their nominee who holds their shares to make an election on their behalf. For a more detailed description of the election procedures, see *Questions and Answers about the Merger* and *The Merger Agreement Making the Election* beginning on page 97.

*MarketWatch Merger Consideration.* In the MarketWatch merger, each share of MarketWatch common stock will be exchanged for one share of Holdco common stock.

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*Treatment of Stock Options, Warrants, Stock Purchase Rights and Restricted Stock.*

*MarketWatch Stock Options and Stock Purchase Rights.* When the MarketWatch merger is completed, each outstanding MarketWatch stock option will be converted into an option to purchase the same number of shares of Holdco common stock at an exercise price per share equal to the exercise price per share of MarketWatch common stock subject to the option before the conversion. The assumption of MarketWatch options by Holdco will not affect the vesting schedule or the other terms of such options, which will continue to be covered by the terms of MarketWatch's 1998 stock incentive plan and the individual option agreement. In addition, each outstanding stock purchase right under the MarketWatch 2000 employee stock purchase plan will be converted into a right to purchase the same number of shares of Holdco common stock at a purchase price per share equal to the purchase price per share of MarketWatch common stock at which such stock purchase right was exercisable before the conversion.

*Pinnacor Stock Options and Warrants.* Upon the completion of the merger, each outstanding Pinnacor stock option will become fully vested and each outstanding Pinnacor stock option and warrant will be converted into a stock option or warrant, as applicable, to purchase the number of shares of Holdco common stock that is equal to the number of shares of Pinnacor common stock that could have been purchased before the merger upon the exercise of such option or warrant, multiplied by 0.2659 and rounded down to the nearest whole share. The exercise price per share of Holdco common stock for the converted option or warrant will be equal to the exercise price per share of Pinnacor common stock subject to the option or warrant before the conversion divided by 0.2659 and rounded up to the nearest whole cent. After the conversion, such stock options and warrants shall nonetheless remain governed by the terms of the plans and agreements under which the options and warrants were granted.

*Pinnacor Restricted Stock.* Each share of Pinnacor restricted common stock will be exchanged for either 0.2659 of a share of Holdco restricted common stock or \$2.42 in cash, subject to proration. Any shares of Holdco restricted common stock issued pursuant to the exchange will be subject to the same restrictions applicable to the shares of Pinnacor restricted common stock prior to the conversion. Any cash issued pursuant to the conversion will be held in an escrow account for the benefit of such holder until such time as the shares of Pinnacor restricted common stock would have vested. Notwithstanding the foregoing, each share of Pinnacor restricted common stock held by Kirk Loevner and David Obstler will become fully vested upon the completion of the merger. For a more complete discussion of the interests of Pinnacor's directors and executive officers in the merger, see *Interests of Certain Pinnacor Directors and Executive Officers in the Merger* on page 84.

*Pinnacor Employee Stock Purchase Plan.* The current offering period under the Pinnacor employee stock purchase plan will terminate immediately prior to the closing of the Pinnacor merger. At that time, each outstanding purchase right under the plan will be automatically exercised and all accumulated payroll deductions will be applied toward the purchase of shares of Pinnacor common stock. Each such share of Pinnacor common stock purchased upon the exercise of such purchase right will be treated as any other outstanding share of Pinnacor common stock, and the purchaser will be entitled to elect to receive, subject to proration, cash, Holdco common stock or a combination of both as the merger consideration in connection with the Pinnacor merger.

*No Solicitation Provisions.* Until the merger is completed or the merger agreement is terminated, the merger agreement contains detailed provisions prohibiting Pinnacor from seeking an alternative transaction and requiring Pinnacor to notify MarketWatch of any inquiries, requests or proposals relating to or for any such alternative transactions. The merger agreement does not, however, prohibit Pinnacor from considering and potentially recommending a bona fide written superior proposal from a third party. For further information see *The Merger Agreement - No Other Negotiations Involving Pinnacor* beginning on page 102.

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*Conditions to the Completion of the Merger.* The merger agreement contains detailed provisions regarding the obligations of MarketWatch and Pinnacor to complete the merger. These obligations are subject to the satisfaction or waiver of a number of conditions, including the following mutual conditions:

continuing effectiveness of the Form S-4 registration statement of which this joint proxy statement-prospectus is a part;

the absence of legal restraints to the consummation of the merger, including the receipt of all regulatory clearances, as necessary;

delivery of the tax opinions described in *Material United States Federal Income Tax Consequences of the Merger* beginning on page 85;

the necessary approval by the MarketWatch and Pinnacor stockholders must have been obtained; and

the Holdco common stock to be issued in the merger must have been authorized for quotation on the Nasdaq National Market.

The obligation of MarketWatch to complete the MarketWatch merger and the issuance of shares of Holdco common stock in the Pinnacor merger are subject to the fulfillment at or prior to the effective time of the merger of the following additional conditions, any one or more of which may be waived by MarketWatch:

the representations and warranties of Pinnacor must be true and correct at the effective time of the merger;

Pinnacor must have performed and complied with all of its covenants and agreements in all material respects on or before the closing of the merger;

Pinnacor shall have notified the holders of the warrants issued in connection with Pinnacor's acquisition of Stockpoint, Inc. that the warrants will expire on a certain date, such date to be before the closing of the merger, so that as of the closing such warrants will not be outstanding and therefore will not be assumed by Holdco; and

there shall have been no material adverse effect on the business of Pinnacor.

The obligation of Pinnacor to complete the Pinnacor merger is subject to the fulfillment at or prior to the effective time of the merger of the following additional conditions, any one or more of which may be waived by Pinnacor:

the representations and warranties of MarketWatch must be true and correct at the effective time of the merger;

MarketWatch must have performed and complied with all of its covenants and agreements in all material respects on or before the closing of the merger; and

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there shall have been no material adverse effect on the business of MarketWatch.

For further details, see *The Merger Agreement - Conditions to the Completion of the Merger* beginning on page 106.

*Termination of the Merger Agreement.* The merger agreement contains detailed provisions regarding the ability of MarketWatch and Pinnacor to terminate the merger agreement at any time prior to the completion of the merger. Such provisions include the right of either MarketWatch or Pinnacor to terminate the merger agreement:

by mutual written consent of MarketWatch and Pinnacor;

if the merger has not been completed on or before December 31, 2003;

if there is a court or other governmental authority order, decree or ruling that is final and nonappealable preventing the consummation of the merger;

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if the merger agreement has failed to receive the requisite vote for adoption at the special meeting of the Pinnacor stockholders; or

if the merger agreement and approval of the issuance of shares of Holdco common stock to the Pinnacor stockholders have failed to receive the requisite vote at the MarketWatch special stockholders meeting.

Furthermore, MarketWatch may terminate the merger agreement if:

Pinnacor or the Pinnacor board of directors takes or fails to take certain required actions; or

Pinnacor materially breaches certain of its representations, warranties or covenants in the merger agreement.

Furthermore, Pinnacor may terminate the merger agreement if:

the Pinnacor board of directors has authorized Pinnacor to enter into a binding written agreement that constitutes a superior proposal;  
or

MarketWatch materially breaches certain of its representations, warranties or covenants in the merger agreement.

For further details, see *The Merger Agreement Termination of the Merger Agreement* beginning on page 108.

*Termination Fee and Expenses.* If the merger agreement is terminated under specified circumstances, Pinnacor may be required to pay a termination fee of \$3.0 million and/or expense fees of up to \$1.5 million to MarketWatch. If the merger agreement is terminated under other specified circumstances, MarketWatch may be required to pay expense fees of up to \$1.5 million to Pinnacor. For further details, see *The Merger Agreement Expenses* beginning on page 109 and *The Merger Agreement Termination Fee* beginning on page 110.

## **Appraisal Rights (see page 89)**

Under Delaware law, MarketWatch stockholders are not entitled to appraisal rights in connection with the MarketWatch merger, but Pinnacor stockholders are entitled to appraisal rights in connection with the Pinnacor merger, subject to conditions discussed more fully elsewhere in this joint proxy statement-prospectus. Appraisal rights entitle dissenting Pinnacor stockholders, if such rights are perfected, to receive payment in cash for the fair value of their shares of Pinnacor common stock. The fair value of the Pinnacor common stock may be more or less than the merger consideration to be paid to non-dissenting Pinnacor stockholders in the Pinnacor merger. To preserve your appraisal rights, if you wish to exercise them, you must not vote in favor of the adoption of the merger agreement and the Pinnacor merger and you must follow specific procedures. Failure to follow the steps required by law for perfecting appraisal rights may lead to the loss of those rights, in which case the dissenting stockholder will be treated in the same manner as a non-dissenting stockholder. See Annex D for a reproduction of Section 262 of the Delaware General Corporation Law, which relates to the appraisal rights of dissenting stockholders. Because of the complexity of law relating to appraisal rights, Pinnacor stockholders who are considering objecting to the Pinnacor merger are encouraged to read these provisions carefully and should consult their own legal advisors.



**Tax Consequences of the Merger (see page 85)**

Neither MarketWatch nor Pinnacor will be required to complete the merger unless they each receive a legal opinion to the effect that the MarketWatch merger and the Pinnacor merger will qualify as nontaxable transactions for United States federal income tax purposes, except with respect to the receipt of cash in the

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Pinnacor merger. Assuming they so qualify, no gain or loss will be recognized by MarketWatch, Pinnacor or the MarketWatch stockholders solely as a result of the merger. The tax consequences to a Pinnacor stockholder in such case depend upon the consideration received by the stockholder:

Holders of Pinnacor common stock who receive solely shares of Holdco common stock pursuant to the Pinnacor merger generally will not recognize gain or loss. However, a Pinnacor stockholder will generally recognize gain or loss, if any, in connection with any cash the holder receives in lieu of a fractional share of Holdco common stock.

Holders of Pinnacor common stock who receive solely cash for their Pinnacor common stock will generally recognize gain or loss equal to the difference between the amount of cash received for their Pinnacor common stock and their tax basis in their shares of Pinnacor common stock.

Holders receiving a combination of Holdco common stock and cash for their Pinnacor common stock generally will not recognize any loss they may realize (other than with respect to cash received in lieu of a fractional share of Holdco common stock). Such holders will generally recognize gain equal to the lesser of (1) the amount of cash received and (2) the excess of the amount realized in the transaction (*i.e.*, the fair market value of the Holdco common stock at the effective time of the Pinnacor merger plus the amount of cash received) over their tax basis in their Pinnacor common stock.

TAX MATTERS RELATING TO THE MERGER ARE VERY COMPLICATED AND THE TAX CONSEQUENCES OF THE MERGER TO YOU WILL DEPEND ON THE FACTS OF YOUR OWN SITUATION. YOU SHOULD CONSULT YOUR OWN TAX ADVISORS FOR A FULL UNDERSTANDING OF THE TAX CONSEQUENCES OF THE MERGER TO YOU.

### **Risks Associated with the Merger, the Holdco Common Stock, MarketWatch and Pinnacor (see page 26)**

The merger (including the possibility that the merger may not be completed) poses a number of risks to each of MarketWatch and Pinnacor and its respective stockholders. In addition, the combined company, MarketWatch and Pinnacor are subject to various risks associated with their businesses and their industry. You are encouraged to read and consider all of these risks carefully.

### **Board of Directors and Management Following the Merger (see page 120)**

We have agreed that, at the closing, the combined company will have twelve directors, three of whom will be nominated by CBS, three of whom will be nominated by Pearson, and two of whom will be nominated by Pinnacor. Lawrence S. Kramer is the current Chairman of the board of directors of Holdco. In addition, we have agreed that, at the closing, the executive officers of the combined company will consist of MarketWatch's current executive officers.

### **Interests of Directors and Executive Officers in the Merger (see pages 83 and 84)**

Some of the directors and executive officers of MarketWatch and Pinnacor have interests in the merger that are different from, or are in addition to, the interests of their company's stockholders. With respect to MarketWatch directors and executive officers, these interests include the

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continuation of their directorships and management positions with the combined company. With respect to Pinnacor directors and executive officers, these interests include bonus and other severance arrangements, the possible continuation of their directorships for certain of Pinnacor's directors with the combined company, accelerated vesting of their options and lapse of restrictions with respect to their restricted stock, potential payment of bonuses related to the merger, and the right to continued indemnification and insurance coverage by the combined company for acts or omissions in their

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capacities as directors and officers of Pinnacor occurring prior to the Pinnacor merger. Specifically, Pinnacor currently maintains employment agreements with some of its executive officers that provide for the payment of severance upon a termination of employment by Pinnacor (or the combined company after the merger) without cause or by the executive officer for good reason. However, the consummation of the merger will not by itself constitute a good reason. In the event that such severance payments are subject to the excise tax imposed on parachute payments under Section 4999 of the Internal Revenue Code, the executive officers are entitled to receive a gross-up payment for any amounts payable by such executive officers, including any excise tax payable in respect of such gross-up payment.

### **Overview of Voting Agreements with Pinnacor Stockholders (see page 111)**

MarketWatch entered into voting agreements with certain significant stockholders, executive officers and directors of Pinnacor and their affiliates pursuant to which they agreed to vote all their shares of Pinnacor common stock in favor of approval of the merger agreement, the Pinnacor merger, the transactions contemplated by the Pinnacor merger and any matter that could reasonably be expected to facilitate the Pinnacor merger. As of the record date for the Pinnacor special meeting, the signatories to the voting agreements in the aggregate owned shares representing approximately 27% of the Pinnacor common stock entitled to vote at the Pinnacor special meeting.

### **Overview of Voting and Waiver Agreement with CBS and Pearson (see page 112)**

Pinnacor entered into a voting and waiver agreement with CBS and Pearson pursuant to which CBS and Pearson agreed to vote all of their shares of MarketWatch common stock in favor of approval of the merger agreement, the MarketWatch merger and the issuance of shares of Holdco common stock in the Pinnacor merger. Additionally, each has waived its participation right to purchase additional shares of Holdco common stock to maintain its respective percentage ownership in Holdco after the merger. CBS and Pearson have reserved the right to transfer their shares to a non-affiliated party who would not be required to vote in favor of the merger. As of the record date of the MarketWatch special meeting, CBS and Pearson in the aggregate owned shares representing approximately 65% of the MarketWatch common stock entitled to vote at the MarketWatch special meeting.

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**MarketWatch Summary Historical Condensed Consolidated Financial Data**

You should read the following table in conjunction with MarketWatch's historical consolidated financial statements and related notes and MarketWatch's Management's Discussion and Analysis of Financial Condition and Results of Operations included in MarketWatch's annual reports, quarterly reports and other information on file with the Securities and Exchange Commission. See [Where You Can Obtain More Information](#) beginning on page 197.

The consolidated statements of operations data for the fiscal years ended December 31, 2000, 2001 and 2002 and the consolidated balance sheet data as of December 31, 2001 and 2002 have been derived from audited consolidated financial statements of MarketWatch included elsewhere in this joint proxy statement-prospectus. The consolidated statements of operations data for the fiscal years ended December 31, 1998 and 1999 and the consolidated balance sheet data as of December 31, 1998, 1999 and 2000 are derived from MarketWatch's audited financial statements not included in this joint proxy statement-prospectus.

The consolidated balance sheet data as of June 30, 2003 and the consolidated statements of operations data for the six-month periods ended June 30, 2002 and 2003 are based upon unaudited quarterly condensed consolidated financial statements of MarketWatch included elsewhere in this joint proxy statement-prospectus.

The information as of June 30, 2003 and for the six-month periods ended June 30, 2002 and 2003 is unaudited and has been prepared on the same basis as the annual consolidated financial statements of MarketWatch. In the opinion of MarketWatch management, this quarterly information reflects all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information for the periods presented. The results of operations for the six-month period ended June 30, 2003 are not necessarily indicative of the results that may be expected for the full year ended December 31, 2003, or any future period.

**Table of Contents****MarketWatch.com, Inc.****Selected Financial Data**

(in thousands, except per share data)

	Years Ended December 31,					Six Months Ended June 30,	
	1998	1999	2000	2001	2002	2002	2003
						(unaudited)	
<b>Consolidated Statements of Operations Data</b>							
Net revenues:							
Advertising	\$ 5,115	\$ 19,053	\$ 37,557	\$ 20,797	\$ 18,969	\$ 8,989	\$ 10,574
Licensing	1,285	5,262	15,809	24,775	24,631	12,524	10,962
Subscriptions	627	620	541	284	924	315	682
Total net revenues	7,027	24,935	53,907	45,856	44,524	21,828	22,218
Cost of net revenues	2,837	9,901	21,012	18,623	16,339	8,088	8,427
Gross profit	4,190	15,034	32,895	27,233	28,185	13,740	13,791
Operating expenses:							
Product development	1,468	4,762	8,725	8,308	6,954	3,296	3,596
General and administrative	3,429	8,948	14,211	12,600	11,315	5,899	5,730
Sales and marketing	11,547	33,430	47,130	29,975	20,279	14,693	4,905
Purchased in-process research and development		200					
Amortization of goodwill and intangibles		29,984	51,382	51,542			
Restructuring costs				1,409			
Total operating expenses	16,444	77,324	121,448	103,834	38,548	23,888	14,231
Loss from operations	(12,254)	(62,290)	(88,553)	(76,601)	(10,363)	(10,148)	(440)
Interest income (expense)	(159)	1,412	2,285	1,554	710	365	266
Loss in joint venture			(4,995)	(1,476)			
Net loss	\$ (12,413)	\$ (60,878)	\$ (91,263)	\$ (76,523)	\$ (9,653)	\$ (9,783)	\$ (174)
Basic and diluted net loss per share	\$ (1.38)	\$ (4.68)	\$ (5.83)	\$ (4.60)	\$ (0.57)	\$ (0.58)	\$ (0.01)
Shares used in the calculation of basic and diluted net loss per share	9,000	13,004	15,659	16,648	16,959	16,873	17,210
				December 31,		June 30, 2003	
	1998	1999	2000	2001	2002		

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						(unaudited)
<b>Consolidated Balance Sheet Data</b>						
Cash and cash equivalents	\$ 140	\$ 9,500	\$ 45,356	\$ 37,637	\$ 43,328	\$ 46,339
Working capital (deficit)	(5,889)	18,544	48,868	38,194	41,040	43,334
Total assets	4,487	156,855	144,240	77,513	78,645	80,714
Advances from DBC (1)	3,946					
Total stockholders' equity (deficit)	(3,130)	149,148	133,417	69,051	70,297	71,060

- (1) Advances from DBC by DBC Online/News at October 28, 1997 were neither paid by MarketWatch.com LLC, the predecessor company to MarketWatch.com, Inc., nor assumed by MarketWatch.com, Inc.

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**Pinnacor Summary Historical Consolidated Financial Data**

You should read the following table in conjunction with Pinnacor's historical consolidated financial statements and related notes and Pinnacor's Management's Discussion and Analysis of Financial Condition and Results of Operations included in Pinnacor's annual reports, quarterly reports and other information on file with the Securities and Exchange Commission. See "Where You Can Obtain More Information" beginning on page 197.

The consolidated statements of operations data for the fiscal years ended December 31, 2000, 2001 and 2002 and the consolidated balance sheet data as of December 31, 2001 and 2002 have been derived from audited consolidated financial statements of Pinnacor included elsewhere in this joint proxy statement-prospectus. The consolidated statements of operations data for the fiscal years ended December 31, 1998 and 1999 and the consolidated balance sheet data as of December 31, 1998, 1999 and 2000 are derived from Pinnacor's audited financial statements not included in this joint proxy statement-prospectus.

The consolidated balance sheet data as of June 30, 2003 and the consolidated statements of operations data for the six-month periods ended June 30, 2002 and 2003 are based upon unaudited quarterly condensed consolidated financial statements of Pinnacor included elsewhere in this joint proxy statement-prospectus.

The information as of June 30, 2003 and for the six-month periods ended June 30, 2002 and 2003 has been prepared on the same basis as the annual consolidated financial statements of Pinnacor. In the opinion of Pinnacor management, this six month information reflects all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information for the periods presented. The results of operations for the six-month period ended June 30, 2003 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2003, or any future period.



**Table of Contents****Pinnacor Inc.****Selected Financial Data**

(in thousands, except per share data)

	Years Ended December 31,					Six Months Ended June 30,	
	1998	1999	2000	2001	2002	2002	2003
<b>Consolidated Statements of Operations Data</b>							
Net revenue	\$ 567	\$ 2,985	\$ 21,865	\$ 30,952	\$ 34,566	\$ 18,313	\$ 16,782
Operating expenses:							
Cost of services	142	1,017	5,902	9,211	11,480	5,839	5,888
Research and development	152	1,049	6,355	7,853	7,414	3,977	3,575
Sales and marketing	139	4,028	20,763	14,512	9,052	5,529	3,181
General and administrative	354	3,872	10,847	13,113	7,200	3,886	2,998
Depreciation and amortization	26	451	3,634	5,456	4,135	2,328	1,687
Stock-based compensation	350	6,062	17,576	881	(189)	(390)	33
Restructuring and asset abandonment charge				12,239	2,463	4,645	
Total operating expenses	1,163	16,479	65,077	63,265	41,555	25,814	17,362
Operating loss	(596)	(13,494)	(43,212)	(32,313)	(6,989)	(7,501)	(580)
Other income (expense):							
Interest income		381	3,446	4,158	1,963	1,171	663
Interest expense	(11)	(53)	(378)	(494)	(307)	(183)	(101)
Impairment of investments				(400)			
Other	(3)						
Total other income (expense), net	(14)	328	3,068	3,264	1,656	988	562
Net loss	(610)	(13,166)	(40,144)	(29,049)	(5,333)	(6,513)	(18)
Deemed preferred stock dividends		(102)	(50,523)				
Loss applicable to common stockholders	\$ (610)	\$ (13,268)	\$ (90,667)	\$ (29,049)	\$ (5,333)	\$ (6,513)	\$ (18)
Basic and diluted net loss per common share	\$ (0.35)	\$ (1.08)	\$ (4.00)	\$ (0.73)	\$ (0.13)	\$ (0.15)	\$ (0.00)
Basic and diluted weighted-average number of shares of common stock outstanding	1,731	12,298	22,680	39,670	42,022	42,415	40,503
				December 31,			June 30,
	1998	1999	2000	2001	2002		2003

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<b>Consolidated Balance Sheet Data</b>						
Cash and cash equivalents	\$ 120	\$ 22,122	\$ 58,306	\$ 15,189	\$ 15,098	\$ 22,151
Marketable securities			39,820	48,925	35,611	25,784
Working capital	24	21,930	93,631	47,249	41,820	42,504
Total assets	274	32,370	122,267	117,175	100,868	95,948
Capital lease obligation, less current portion		647	3,400	1,858	1,181	654
Redeemable convertible preferred stock		27,434				
Total stockholders' equity (deficit)	(190)	(549)	109,175	91,472	84,401	84,234

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**UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS**

The following unaudited pro forma combined condensed financial statements have been prepared to give effect to the proposed business combination of MarketWatch and Pinnacor using the purchase method of accounting and the assumptions and adjustments described in the accompanying notes to the unaudited pro forma combined condensed financial statements. These pro forma statements were prepared as if the business combination had been completed as of June 30, 2003 for balance sheet purposes and as of January 1, 2002 for statements of operations purposes. Pinnacor's acquisition of substantially all of the assets of Inlumen, Inc. ( Inlumen ) on November 20, 2002 is also treated as having occurred on January 1, 2002.

The unaudited pro forma combined condensed financial statements are presented for illustrative purposes only and are not necessarily indicative of the financial position or results of operations that would have actually been reported had the business combination occurred as of June 30, 2003 for balance sheet purposes and as of January 1, 2002 for statements of operation purposes, nor is it necessarily indicative of future financial position or results of operations. The pro forma combined condensed financial statements include adjustments, which are based upon preliminary estimates, to reflect the allocation of purchase price to the acquired assets and assumed liabilities of Pinnacor, before any integration adjustments. The final allocation of the purchase price will be determined after the completion of the business combination and will be based upon actual net tangible and intangible assets acquired as well as liabilities assumed. Because the unaudited pro forma combined condensed financial statements are based upon preliminary estimates, the pro forma adjustments may differ materially based upon the final allocation.

Upon the completion of the business combination, the combined company intends to restructure certain business operations of Pinnacor. The unaudited pro forma combined condensed financial information included in this joint proxy statement-prospectus does not include any adjustments for the combined company's intended restructuring of certain business operations of Pinnacor.

These unaudited pro forma combined condensed financial statements are based upon the respective historical consolidated financial statements of MarketWatch, Pinnacor and Inlumen and should be read in conjunction with the historical consolidated financial statements of MarketWatch and Pinnacor and related notes contained in other sections of this joint proxy statement-prospectus.

Certain reclassifications have been made to the Pinnacor historical balance sheet and the Inlumen Statement of Operations information previously reported by Pinnacor to conform with MarketWatch's presentation.

**Table of Contents****Holdco****Unaudited Pro Forma Combined Condensed Balance Sheet**

(in thousands)

	MarketWatch	Pinnacor	Pro Forma	Pro Forma
	June 30, 2003	June 30, 2003	Adjustments	Balance Sheet June 30, 2003
<b>Current assets:</b>				
Cash and cash equivalents	\$ 46,339	\$ 22,151	\$ (44,000)(a)	\$ 24,490
Marketable securities		25,784		25,784
Accounts receivable, net	5,473	4,135		9,608
Prepaid expenses	1,176	1,493	(388)(e)	2,281
<b>Total current assets</b>	<b>52,988</b>	<b>53,563</b>	<b>(44,388)</b>	<b>62,163</b>
Property plant and equipment, net	5,144	4,775		9,919
Intangible assets, net		2,065	(2,065)(c)	
Goodwill	22,429	34,888	(34,888)(c)	5,450
Other assets	153	657	51,980 (c)	74,409
<b>Total assets</b>	<b>\$ 80,714</b>	<b>\$ 95,948</b>	<b>\$ (23,911)</b>	<b>\$ 152,751</b>
<b>Current liabilities:</b>				
Accounts payable	2,335	3,688		6,023
Accrued expenses	5,897		2,200 (d)	8,097
Current portion of capital lease obligations		1,100		1,100
Accrued restructuring expenses		617		617
Deferred revenue	1,422	5,655	(995)(e)	6,082
<b>Total current liabilities</b>	<b>9,654</b>	<b>11,060</b>	<b>1,205</b>	<b>21,919</b>
Capital lease obligations, less current portion		654		654
<b>Total liabilities</b>	<b>9,654</b>	<b>11,714</b>	<b>1,205</b>	<b>22,573</b>
<b>Stockholders' equity:</b>				
Common stock	178	452	(452)(b)	
Additional paid-in capital	321,867	225,477	60 (h)	238
Treasury stock		(4,301)	(225,477)(b)	
Warrants		1,708	59,489 (h)	381,356
Deferred compensation		(351)	4,301 (b)	
Accumulated other comprehensive income		230	(1,708)(b)	
Accumulated deficit	(250,985)	(138,981)	351 (b)	(181)
			(181)(f)	(181)
		230	(230)(b)	
		(250,985)	138,981 (b)	
			(250)(i)	(251,235)

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Total stockholders equity	71,060	84,234	(25,116)	130,178
Total liabilities and stockholders equity	\$ 80,714	\$ 95,948	\$ (23,911)	\$ 152,751

See accompanying notes to the Unaudited Pro Forma Combined Condensed Financial Statements

**Table of Contents****Holdco****Unaudited Pro Forma Combined Condensed Statement of Operations**

(in thousands, except per share data)

	MarketWatch Year Ended December 31, 2002	Pinnacor Year Ended December 31, 2002	Inlumen From January 1, 2002 to November 20, 2002	Reclassifications	Pro Forma Adjustments	Pro Forma Year Ended December 31, 2002
Net revenues:						
Advertising	\$ 18,969	\$	\$			\$ 18,969
Licensing	24,631	34,566	4,558			63,755
Subscriptions	924					924
Total net revenues	44,524	34,566	4,558			83,648
Cost of net revenues	16,339	11,480	2,129	\$ (310)(p) 771 (n)	\$ 696 (g)	31,105
Gross profit	28,185	23,086	2,429	(461)	(696)	52,543
Operating expenses:						
Product development	6,954	7,414		310 (p) 1,683 (n) 1,950 (o)	(33)(f) (121)(m)	18,157
General and administrative	11,315	7,200	3,386	507 (n) 1,714 (o)	(667)(f) (57)(m)	23,398
Sales and marketing	10,436	9,052	19	976 (n) 385 (o)	971 (f) (106)(m)	21,733
Compensation			4,238	(4,238)(o)		
CBS in-kind advertising	9,843					9,843
Amortization of intangibles		198			90 (g)	288
Depreciation		3,937		(3,937)(n)		
Stock based compensation		(189)		189 (o)		
Restructuring		2,463				2,463
Total operating expenses	38,548	30,075	7,643	(461)	77	75,882
Loss from operations	(10,363)	(6,989)	(5,214)		(773)	(23,339)
Interest and other income (expense), net	710	1,656	(1,033)		(816)(a) 359 (l)	876
Net loss	\$ (9,653)	\$ (5,333)	\$ (6,247)		\$ (1,230)	\$ (22,463)
Net loss per share:						
Basic and diluted	\$ (0.57)	\$ (0.13)				\$ (0.98)
					(42,022)(k)	

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Weighted average shares outstanding used to compute:				
Basic and diluted	16,959	42,022	6,012 (j)	22,971
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

See accompanying notes to the Unaudited Pro Forma Combined Condensed Financial Statements

**Table of Contents****Holdco****Unaudited Pro Forma Combined Condensed Statement of Operations**

(in thousands, except per share data)

	MarketWatch Six Months Ended June 30, 2003	Pinnacor Six Months Ended June 30, 2003	Reclassifications	Pro Forma Adjustments	Pro Forma Six Months Ended June 30, 2003
Net revenues:					
Advertising	\$ 10,574	\$			\$ 10,574
Licensing	10,962	16,782			27,744
Subscriptions	682				682
<b>Total net revenues</b>	<b>22,218</b>	<b>16,782</b>			<b>39,000</b>
Cost of net revenues	8,427	5,888	\$ (156)(p)		
			205 (n)	\$ 348 (g)	14,712
<b>Gross profit</b>	<b>13,791</b>	<b>10,894</b>	<b>(49)</b>	<b>(348)</b>	<b>24,288</b>
Operating expenses:					
Product development	3,596	3,575	156 (p)	19 (f)	
			643 (n)		7,989
General and administrative	5,730	2,998	288 (n)	(23)(f)	
			23 (o)		9,016
Sales and marketing	4,849	3,181	313 (n)	11 (f)	
			10 (o)		8,364
CBS in-kind advertising	56				56
Amortization of intangibles		238		(94)(g)	144
Depreciation		1,449	(1,449)(n)		
Stock-based compensation		33	(33)(o)		
<b>Total operating expenses</b>	<b>14,231</b>	<b>11,474</b>	<b>(49)</b>	<b>(87)</b>	<b>25,569</b>
<b>Loss from operations</b>	<b>(440)</b>	<b>(580)</b>		<b>(261)</b>	<b>(1,281)</b>
Interest and other income, net	269	562		(259)(a)	572
<b>Net loss</b>	<b>\$ (171)</b>	<b>\$ (18)</b>		<b>\$ (520)</b>	<b>\$ (709)</b>
Net loss per share:					
Basic and diluted	\$ (0.01)	\$ (0.00)			\$ (0.03)
Weighted average shares outstanding used to compute:					
Basic and diluted	17,210	40,503		(40,503)(k)	23,222
				6,012 (j)	

See accompanying notes to the Unaudited Pro Forma Combined Condensed Financial Statements





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**Table of Contents****NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS****1. Basis of Pro Forma Presentation**

On July 22, 2003, MarketWatch and Pinnacor entered into a definitive agreement whereby MarketWatch will acquire Pinnacor. Under the terms of the agreement, a new company, NMP, Inc. ( Holdco ), was formed to combine the businesses of MarketWatch and Pinnacor. Each Pinnacor stockholder will receive either \$2.42 in cash or 0.2659 of a share of Holdco common stock for each share of Pinnacor common stock they own. Subject to the proration rules described in this joint proxy statement-prospectus, Pinnacor stockholders may elect to receive cash, Holdco common stock or a combination of both in exchange for their shares of Pinnacor common stock. Each MarketWatch stockholder will receive one share of Holdco common stock for each share of MarketWatch common stock. Each option and warrant to purchase shares of Pinnacor common stock outstanding as of the closing of the Pinnacor merger will be assumed by Holdco. The respective number of shares of Holdco common stock issuable upon the exercise of such options or warrants, as the case may be, will be equal to the number of shares of Pinnacor common stock that could have been purchased before the merger upon the exercise of such options or warrants, as the case may be, multiplied by 0.2659, the exchange ratio, and rounded down to the nearest whole share. The respective exercise price for such options or warrants, as the case may be, will be equal to the exercise price per share of Pinnacor common stock subject to such options or warrants, as the case may be, divided by 0.2659 and rounded up to the nearest whole cent. Each outstanding option to purchase MarketWatch common stock will be assumed by Holdco. The number of shares of Holdco common stock issuable upon the exercise of such options will be equal to the number of shares of MarketWatch common stock that could have been purchased before the merger upon the exercise of such options. The exercise price of such options will be equal to the exercise price per share of MarketWatch common stock subject to such options before the merger. Holdco will account for the business combination as a purchase.

On November 20, 2002, Pinnacor completed the acquisition of substantially all of the assets of Inlumen, a transaction accounted for as a purchase. Pinnacor acquired all of the operating assets of Inlumen in exchange for \$2.4 million in cash, net of cash received of approximately \$66,000, and \$188,000 of acquisition costs. The purchase price resulted in the allocation of approximately \$2.3 million to goodwill and other intangible assets and approximately \$350,000 to net tangible assets.

The unaudited pro forma combined condensed balance sheet at June 30, 2003 combines the MarketWatch and Pinnacor consolidated balance sheets at June 30, 2003 as if the proposed business combination had been consummated on that date.

The unaudited pro forma combined condensed statements of operations for the year ended December 31, 2002 and for the six month period ended June 30, 2003 give effect to the proposed business combination as if it had occurred on January 1, 2002. Additionally, the pro forma combined condensed statement of operations reflects the November 20, 2002 acquisition by Pinnacor of substantially all of the assets of Inlumen as if it had occurred on January 1, 2002. Accordingly, the results of Inlumen's operations prior to November 20, 2002 have been presented alongside Pinnacor's consolidated statement of operations, which includes the results of Inlumen's operations since November 20, 2002.

The merger structure described in this joint proxy statement-prospectus will not result in a change in control of MarketWatch. Accordingly, under accounting principles generally accepted in the United States, the assets and liabilities transferred from MarketWatch will be accounted for at historical cost. Therefore, no pro forma statements of MarketWatch showing the effect of the reorganization are included in this joint proxy statement-prospectus.

**Table of Contents****2. Preliminary Purchase Price**

The unaudited pro forma combined condensed financial statements reflect an estimated purchase price of approximately \$105.7 million. The preliminary fair market value of Holdco's common stock to be issued was determined using the five-trading-day average price of MarketWatch's common stock surrounding the date the business combination was announced of \$8.74 per share. The preliminary fair market value of Holdco's stock options and warrants to be issued for the Pinnacor stock options and warrants assumed was determined using the Black-Scholes option-pricing model. The following assumptions were used to perform the calculations: expected life of 48 months for options and a remaining contractual life of eight to ten months for warrants, risk-free interest rate of 1.51%, expected volatility of 60% and no expected dividend yield. The final purchase price is dependent on the actual number of shares of common stock exchanged, the actual number of options and warrants assumed, and actual direct transaction costs. The final purchase price will be determined upon the completion of the business combination. The estimated total purchase price of the proposed business combination is as follows (in thousands):

Value of Holdco common stock to be issued	\$ 52,541
Value of Holdco options and warrants to be issued	7,008
Cash consideration	44,000
Estimated direct transaction costs	2,200
	<hr/>
<b>Total estimated purchase price</b>	<b>\$ 105,749</b>
	<hr/>

Under the purchase method of accounting, the total estimated purchase price is allocated to Pinnacor's net tangible and intangible assets based upon their estimated fair value as of the date of the completion of the business combination. Based upon the estimated purchase price, the purchase price allocation, which is subject to change based on Holdco's final analysis, is as follows (in thousands):

Tangible assets acquired	\$ 58,607
Intangible assets:	
Developed technology	3,450
Customer base	2,000
In-process research and development	250
Goodwill	51,980
	<hr/>
<b>Total assets acquired</b>	<b>116,287</b>
Liabilities assumed	(10,719)
Deferred stock-based compensation	181
	<hr/>
<b>Net assets acquired</b>	<b>\$ 105,749</b>
	<hr/>

A preliminary estimate of \$5.5 million has been allocated to amortizable intangible assets with useful lives ranging from 5 to 7 years as follows: developed technology 5 years and customer base 7 years. A preliminary estimate of \$250,000 has been allocated to in-process research and development, which will be expensed upon the completion of the business combination.

A preliminary residual purchase price of \$52.0 million has been recorded as goodwill. Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired. In accordance with Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, goodwill will not be amortized and will be tested for impairment at least annually.



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### 3. Pro Forma Adjustments

There were no intercompany balances or transactions between MarketWatch and Pinnacor. Certain reclassifications have been made to the Pinnacor historical balance sheet and the Pinnacor and Inlumen statements of operations information previously reported by Pinnacor to conform to MarketWatch's presentation.

The accompanying unaudited pro forma combined financial statements have been prepared as if the business combination was completed on June 30, 2003 for balance sheet purposes and as of January 1, 2002 for statement of operations purposes and reflect the following pro forma adjustments:

- (a) To reflect the cash portion for the proposed business combination of \$44.0 million and resulting decrease in interest income.
- (b) To eliminate the historical stockholders' equity of Pinnacor.
- (c) To eliminate Pinnacor's existing intangible assets and to establish amortizable intangible assets and non-amortizable goodwill resulting from the proposed business combination.
- (d) To record estimated direct transaction costs of approximately \$2.2 million to be incurred by MarketWatch related to the proposed business combination. Actual amounts could differ significantly upon close of the proposed business combination.
- (e) To eliminate deferred revenue and deferred costs related to setup services previously provided to customers and to record the estimated fair value of deferred revenue related to ongoing obligations.
- (f) To record deferred stock-based compensation related to the issuance of restricted stock, eliminate amortization of Pinnacor's historical deferred stock-based compensation and reflect the amortization of deferred stock-based compensation on a straight-line basis resulting from the proposed business combination.
- (g) To eliminate the amortization of Pinnacor's historical intangible assets and reflect amortization of the amortizable intangible assets on a straight-line basis resulting from the proposed business combination. The weighted average life of amortizable intangible assets approximates 5.5 years.
- (h) To record the estimated fair value of the shares of Holdco common stock and options and warrants to purchase Holdco common stock to be issued for the Pinnacor shares of common stock exchanged and options and warrants to be assumed in the proposed business combination.
- (i) To record a one-time charge for the write-off of in-process research and development resulting from the proposed business combination.
- (j) Basic net loss per share is calculated by dividing the net loss for the period by the weighted average common stock outstanding for the period, inclusive of the 6.0 million shares of Holdco common stock estimated to be issued in the proposed business combination. As the pro forma combined condensed statement of operations for all periods presented shows a net loss, weighted average basic and

diluted shares are the same.

- (k) To eliminate the Pinnacor common stock outstanding at the end of the period for the net loss calculation for the proposed business combination.
- (l) To record an adjustment to reverse the recorded loss of \$359,000 relating to Inlumen's equity investments that were not acquired by Pinnacor.
- (m) To record an adjustment to decrease depreciation expense of \$284,000 related to Inlumen's fixed assets that were not acquired by Pinnacor.

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The following reclassifications have been made to the Pinnacor and Inlumen historical income statement information previously reported by Pinnacor and Inlumen to conform to MarketWatch's presentation:

- (n) Depreciation of fixed assets is presented as a component of cost of net revenues, product development, general and administrative, and sales and marketing expense based on headcount associated with the cost.
- (o) Compensation and stock based compensation is presented as a component of product development, general and administrative, and sales and marketing expense based on the job responsibility of the individual employee associated with the cost.
- (p) Datasource fees associated with the production of certain products are presented as product development expense.

**Table of Contents****Comparative Historical and Pro Forma Per Share Data**

The following table presents certain unaudited historical per share and combined pro forma per share data of MarketWatch and Pinnacor after giving effect to the proposed business combination using the purchase method of accounting. The pro forma data does not purport to be indicative of the results of future operations or the results that would have occurred had the business combination been consummated at the beginning of the periods presented. The information set forth below should be read in conjunction with the historical consolidated financial statements and notes thereto of MarketWatch and Pinnacor included in other sections of this joint proxy statement-prospectus, and the unaudited pro forma combined condensed financial data included elsewhere in this joint proxy statement-prospectus. The unaudited pro forma per share data combine the results of operations of MarketWatch and Pinnacor for the year ended December 31, 2002, the results of operations of MarketWatch and Pinnacor for the six months ended June 30, 2003, and MarketWatch's financial position at June 30, 2003 with Pinnacor's financial position at June 30, 2003. No cash dividends have ever been declared or paid on MarketWatch common stock or Pinnacor common stock.

	Year Ended December 31, 2002	Six Months Ended June 30, 2003
<b>MarketWatch:</b>		
<b>Historical per common share data:</b>		
Net loss per basic and diluted share	\$ (0.57)	\$ (0.01)
Net book value per share(1)		\$ 4.11
<b>Pinnacor:</b>		
<b>Historical per common share data:</b>		
Net loss per basic and diluted share	\$ (0.13)	\$ (0.00)
Net book value per share(1)		\$ 2.07
<b>Holdco:</b>		
<b>Pro forma combined per common share data:</b>		
Net loss per combined company's basic and diluted share(2)	\$ (0.98)	\$ (0.03)
Net loss per equivalent Pinnacor basic and diluted share(3)	\$ (0.26)	\$ (0.01)
Net book value per combined company's share(1)		\$ 5.61
Net book value per equivalent Pinnacor share(3)		\$ 1.49

- (1) The historical net book value per share of MarketWatch common stock is computed by dividing stockholders' equity by the number of shares of common stock outstanding at June 30, 2003. The historical net book value per share of Pinnacor common stock is computed by dividing stockholders' equity by the number of shares of common stock outstanding at June 30, 2003. The pro forma net book value per share of the combined company's common stock is computed by dividing the pro forma stockholders' equity by the pro forma number of shares of combined company's common stock outstanding as of June 30, 2003, assuming the business combination had occurred as of that date.
- (2) Shares used to calculate unaudited pro forma net loss per basic and diluted share were computed by adding 6.0 million shares of Holdco's common stock assumed to be issued at the closing of the proposed business combination to MarketWatch's weighted average shares outstanding.
- (3) The equivalent pro forma combined per share value of Pinnacor common stock is calculated by multiplying the pro forma combined amounts by the exchange ratio of 0.2659 of a share of Holdco common stock for each share of Pinnacor common stock. The exchange ratio does not include the \$2.42 per share cash consideration.



**Table of Contents****Comparative Per Share Market Price Data**

There is currently no public market for shares of Holdco common stock. Holdco will use reasonable best efforts to cause the Holdco common stock to be approved for listing on the Nasdaq National Market. The proposed symbol for the Holdco common stock is MKTW, the same ticker symbol currently used by MarketWatch.

The following table shows the high and low sale prices of the MarketWatch common stock as reported by the Nasdaq National Market for the periods indicated. MarketWatch has never paid a cash dividend and does not anticipate paying any cash dividends in the foreseeable future.

Pinnacor common stock is traded on the Nasdaq National Market under the symbol PCOR. Pinnacor common stock traded under the symbol SCRM until November 1, 2002, at which time it changed its name to Pinnacor Inc., and its common stock commenced trading under the symbol PCOR. The following table shows the high and low sale prices of the Pinnacor common stock as reported by the Nasdaq National Market for the periods indicated. Pinnacor has never paid a cash dividend and does not anticipate paying any cash dividends in the foreseeable future.

	MarketWatch Sale Price		Pinnacor Sale Price	
	High	Low	High	Low
Year Ended December 31, 2001				
First Quarter	\$ 6.25	\$ 2.91	\$ 5.22	\$ 1.63
Second Quarter	\$ 4.29	\$ 2.07	\$ 3.51	\$ 1.00
Third Quarter	\$ 3.01	\$ 1.06	\$ 3.02	\$ 1.26
Fourth Quarter	\$ 4.71	\$ 1.50	\$ 2.60	\$ 1.16
Year Ended December 31, 2002				
First Quarter	\$ 4.50	\$ 3.11	\$ 2.59	\$ 1.71
Second Quarter	\$ 5.49	\$ 3.90	\$ 2.40	\$ 1.42
Third Quarter	\$ 4.93	\$ 3.81	\$ 1.80	\$ 1.07
Fourth Quarter	\$ 5.05	\$ 3.88	\$ 1.50	\$ 1.05
Year Ending December 31, 2003				
First Quarter	\$ 7.76	\$ 4.73	\$ 1.40	\$ 1.21
Second Quarter	\$ 9.78	\$ 6.65	\$ 2.00	\$ 1.21

On July 22, 2003, the last full trading day before the public announcement of the proposed business combination, the high and low sale prices for the MarketWatch common stock, as reported on the Nasdaq National Market, were \$9.10 and \$8.86, respectively. The high and low sale prices for the Pinnacor common stock on the same day, as reported on the Nasdaq National Market, were \$2.22 and \$2.15, respectively.

The following table sets forth the closing sale price of the MarketWatch common stock, as reported on the Nasdaq National Market, and the Pinnacor common stock, as reported on the Nasdaq National Market, on July 22, 2003, the last full trading day prior to the public announcement of the proposed business combination, and , 2003, the latest practicable trading day prior to the printing of this joint proxy statement-prospectus.

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	<u>Closing Sales Price</u>	
	<u>MarketWatch</u>	<u>Pinnacor</u>
Price per share:		
July 22, 2003	\$ 9.10	\$ 2.22
, 2003	\$	\$

You are advised to obtain current market quotations for the common stock of MarketWatch and Pinnacor. The market price of the common stock of both companies is subject to fluctuation. The value of shares of Holdco common stock that holders of Pinnacor common stock will receive in the proposed Pinnacor merger and the value of the Pinnacor common stock they surrender may increase or decrease.

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**RISK FACTORS**

You should carefully consider the following risk factors in deciding whether to vote for adoption of the merger agreement.

Upon the completion of the merger, all shares of MarketWatch common stock will be exchanged for shares of Holdco common stock, and all shares of Pinnacor common stock will be exchanged for either cash or Holdco common stock. The ratio at which the shares will be exchanged are fixed, and there will be no adjustment for changes in the market price of either MarketWatch common stock or Pinnacor common stock. MarketWatch common stock and Pinnacor common stock have historically experienced significant volatility, and the value of shares of Holdco common stock received in the merger may also experience significant volatility. Fluctuations in the market price of the MarketWatch common stock may cause the value of the shares of Holdco common stock that a Pinnacor stockholder receives to be less than the value of such stockholder's Pinnacor common stock. Stock price changes may result from a variety of factors that are beyond the control of MarketWatch and Pinnacor, including changes in their businesses, operations and prospects, regulatory considerations and general market and economic conditions.

The prices of MarketWatch common stock and Pinnacor common stock at the closing of the merger may vary from their respective prices on the date of this joint proxy statement-prospectus and on the date of the respective special meeting. Because the date the merger is completed will be later than the date of the respective special meeting, the prices of MarketWatch common stock and Pinnacor common stock on the date of the respective special meeting may not be indicative of their respective prices on the date the merger is completed.

**Risks Relating to the Merger**

*The combined company may fail to realize the anticipated benefits of the merger.*

The failure of the combined company to meet the challenges involved in integrating the operations of MarketWatch and Pinnacor successfully or otherwise to realize any of the anticipated benefits of the merger, including cost savings, could seriously harm the results of operations of the combined company. Realizing the benefits of the merger will depend in part on the integration of technology, operations and personnel. The integration of the companies is a complex, time-consuming and expensive process that, without proper planning and implementation, could significantly disrupt the businesses of MarketWatch and Pinnacor. To realize the anticipated benefits of the merger, management of the combined company must develop strategies and implement a business plan that will:

effectively combine Pinnacor's financial applications and customization capabilities with MarketWatch's news, tools and charting capabilities to offer new and existing customers a broader set of content and applications;

successfully leverage the opportunities for cross-promotion of the combined company's expanded products and services to the existing customers of MarketWatch and Pinnacor and coordinate sales and marketing efforts to effectively communicate the capabilities of the combined company;

effectively and efficiently integrate the separate policies, procedures and operations of MarketWatch and Pinnacor;

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retain the existing customer, strategic partner and other important relationships of each company;

demonstrate to existing customers, suppliers and vendors of MarketWatch and Pinnacor that the merger will not result in adverse changes in customer service standards or business focus and help them conduct business easily with the combined company;

develop new services that utilize the assets of both companies, and prevent delays in ongoing technological advancement to permit rapid introduction of new content, applications and tools;

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retain existing key employees of each company and maintain employee morale during a period of transition; and

while integrating the combined company's operations, maintain adequate focus on the core businesses of the combined company.

The successful execution of the above post-merger events will involve considerable risks and may not be successful. These risks include:

the potential disruption of the combined company's ongoing business;

distraction of the combined company's management;

the difficulty of incorporating acquired technologies and rights into the combined company's products and services;

overlaps in the current product and services offerings of MarketWatch and Pinnacor which could negate some of the anticipated benefits and enhanced revenue opportunities resulting from the merger;

unanticipated expenses related to the integration process;

failure to consolidate and rationalize corporate IT and administrative infrastructures; and

potential unknown liabilities associated with the combined business.

If management of the combined company is unable to develop strategies and implement a business plan that achieves the above and other objectives and minimizes the above and other potential risks, the anticipated benefits of the merger may not be realized and the business, results of operations and the market price of the common stock of the combined company may be adversely affected. In particular, we cannot assure you that any cost savings, greater economies of scale and other operational efficiencies, as well as revenue enhancement opportunities anticipated from the combination of the two businesses, will occur. The combined company's operating expenses may increase significantly over the near term due to the increased headcount, expanded operations and expense or changes related to the merger. To the extent that the combined company's expenses increase but its revenues do not, its business, operating results and financial condition may be materially and adversely affected.

In addition to the integration risks discussed above, the combined company's ability to realize the above-described anticipated benefits and synergies of the merger could be adversely impacted by practical or legal constraints on its ability to combine operations or implement workforce reductions.

***With respect to Pinnacor stockholders, in the event you elect to receive and, subject to the proration rules described in this joint proxy statement-prospectus, do receive Holdco common stock as merger consideration, you will receive 0.2659 of a share of Holdco common stock for each share of Pinnacor common stock you own irrespective of the market price of Pinnacor or MarketWatch common stock before the completion of the merger.***

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Upon the completion of the Pinnacor merger, each share of Pinnacor common stock will be exchanged for either 0.2659 of a share of Holdco common stock or \$2.42 in cash. The market values of MarketWatch common stock and Pinnacor common stock have varied since MarketWatch and Pinnacor entered into the merger agreement and will continue to vary in the future due to changes in the business, operations or prospects of MarketWatch and Pinnacor, market assessment of the merger, market and economic considerations and other factors. The dollar value of Holdco common stock that Pinnacor stockholders elect to receive as merger consideration will depend on the market value of Holdco common stock at the time of the completion of the Pinnacor merger, which may be different from, and lower than, the closing price of MarketWatch common stock on the last full trading day preceding public announcement of the merger or the last full trading day prior to the date of this joint proxy statement-prospectus or the date of the special meetings. Moreover, the completion of the Pinnacor merger may occur some time after stockholder approval has been obtained. There will be no adjustment

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to the exchange ratio, and the parties do not have a right to terminate the merger agreement, based upon changes in the market price of either MarketWatch common stock or Pinnacor common stock. Pinnacor stockholders are urged to obtain recent market quotations for the MarketWatch and Pinnacor common stock.

*Pinnacor stockholders may receive consideration that is different from that which they elected to receive.*

In the Pinnacor merger, Holdco will issue a fixed number of shares of Holdco common stock based on the fixed exchange ratio of 0.2659 and the number of shares of Pinnacor common stock outstanding at the closing of the merger and \$44.0 million in cash. Accordingly, we cannot assure you that a Pinnacor stockholder will receive the form of consideration that such stockholder elects to receive with respect to any or all shares of Pinnacor common stock held by such stockholder. If elections are made by Pinnacor stockholders that would result in an oversubscription of the pool of cash, those electing to receive cash will have the cash consideration reduced by a pro rata amount and will receive a portion of their consideration in the form of Holdco common stock. If elections are made by Pinnacor stockholders that would result in an oversubscription of the pool of Holdco common stock, those electing to receive stock will have the stock consideration reduced by a pro rata amount and will receive a portion of their consideration in the form of cash. Accordingly, there is a risk that you will receive a portion of the merger consideration in a form that you do not elect, which could result in, among other things, tax consequences that differ from those that would have resulted had you received the form of consideration you elected (including with respect to the recognition of taxable gain to the extent cash is received). For more information about the tax consequences, see *Material United States Federal Income Tax Consequences of the Merger* beginning on page 85.

*MarketWatch and Pinnacor expect to incur significant costs associated with the merger.*

MarketWatch estimates that it will incur direct transaction costs of approximately \$2.2 million associated with the merger. MarketWatch's direct transaction costs will be included as part of the cost associated with the merger for accounting purposes if the merger is consummated, or will be expensed if the merger is not completed. Pinnacor estimates that it will incur direct transaction costs of approximately \$1.75 million which will be expensed in the quarter they are incurred. In addition, MarketWatch and Pinnacor cannot assure you that these will be the only charges associated with the merger and believe the combined company may incur charges to operations in the quarter in which the merger is completed or the following quarters, to reflect costs associated with integrating the two businesses. In addition, the combined company may incur additional material charges in future periods to reflect additional costs associated with potential unknown liabilities.

*If the merger is not completed, the stock price and future business and operations of each of MarketWatch and Pinnacor could be harmed.*

If the merger is not completed, both MarketWatch and Pinnacor may be subject to the following material risks, among others:

depending on the nature of the termination, Pinnacor may be required to pay MarketWatch a termination fee of \$3.0 million and/or MarketWatch's transaction expenses of up to \$1.5 million, or MarketWatch may be required to pay Pinnacor's transaction expenses of up to \$1.5 million;

there may be a decline in revenues or a disruption of business due to customer and employee uncertainty surrounding the future direction of the product and service offerings and the strategy of MarketWatch or Pinnacor on a stand-alone basis; and

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the market price of MarketWatch and Pinnacor common stock may decline to the extent that the current market price of the respective stocks reflects a market assumption that the merger will be completed and will be successful.

Further, if the merger is not completed, MarketWatch would not derive the strategic benefits expected to result from the merger, such as creating a more complete and balanced product and services portfolio, and



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MarketWatch's ability to internally develop such a comprehensive portfolio may be cost prohibitive. In addition, if the merger is not completed, Pinnacor would not derive the strategic benefits expected to result from the merger such as access to MarketWatch's premium-branded news, tools and charting capabilities. Also, if the merger is terminated and the Pinnacor board of directors decides to seek another merger or business combination, it is not certain that Pinnacor would be able to find a partner willing to pay an equivalent or more attractive price than that which is to be paid by MarketWatch.

***Employee uncertainty related to the merger could harm the combined company.***

Employees of MarketWatch and Pinnacor may experience uncertainty about their future role with the combined company until or after strategies with regard to the combined company are announced or executed. The integration team that will be working on effectively combining MarketWatch and Pinnacor may streamline the combined company's operations to achieve cost savings or in response to general economic conditions. We cannot assure you that any such efforts will yield the intended effects. The integration process may cause disruptions among employees or erode employee morale. Employee uncertainty may adversely affect the combined company's ability to attract new personnel to fill key positions that may become available upon integration of the two businesses or to retain current employees necessary to implement the combined company's strategies, either of which may disrupt the operations of the combined company. We cannot assure you that the combined company will succeed in retaining current MarketWatch and Pinnacor employees, nor can we assure you that the management of the combined company will succeed in motivating continuing employees and keeping them focused on the strategies and goals of the combined company during potential workforce reductions and other distractions relating to the merger.

***Customers and content providers of MarketWatch and Pinnacor, including various significant customers and content providers, may delay or cancel business arrangements, or seek to modify existing relationships, as a result of concerns over the merger or to extract negotiation leverage.***

The announcement, pendency and closing of the merger could cause potential customers of MarketWatch and Pinnacor to delay or cancel contracts for products and services as a result of concerns over the merger. In particular, prospective customers could be reluctant to purchase the combined company's products and services due to uncertainty about the direction of the combined company's products and services or the combined company's willingness to support and service existing products. Moreover, existing customers may seek to modify their relationship with MarketWatch and Pinnacor to extract leverage in connection with current or anticipated contract negotiations. Similarly, existing content providers of each of MarketWatch and Pinnacor may seek to modify the terms of their vendor arrangements to extract leverage in connection with current or anticipated contract negotiations. A delay or cancellation of purchases of products and services by potential customers or modification of current arrangements by existing customers, as well as termination or modification of existing vendor relationships, could have an adverse effect on the business, results of operations or financial condition of the combined company.

***The combined company's operating results may suffer as a result of purchase accounting treatment, the impact of goodwill and other intangibles relating to the merger.***

Under U.S. generally accepted accounting principles, the combined company will account for the merger using the purchase method of accounting. Under purchase accounting, the combined company will record the cash consideration, the market value of its common stock issued in connection with the merger, the fair value of the options and warrants to purchase MarketWatch common stock and Pinnacor common stock that will become options and warrants to purchase Holdco common stock and the amount of direct transaction costs as the cost associated with the merger. The combined company will allocate the total estimated purchase price to net tangible assets, amortizable intangible assets, intangible assets with indefinite lives and in-process research and development, based on their fair values as of the date of the completion of the merger and the excess of the purchase price over those fair values as goodwill. The portion of the estimated purchase price allocated to in-



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process research and development, currently anticipated to be approximately \$250,000, will be expensed by the combined company in the quarter in which the merger is completed. The combined company will incur additional depreciation and amortization expense over the useful lives of certain of the net tangible and intangible assets acquired in connection with the merger. In addition, to the extent the value of goodwill or intangible assets with indefinite lives become impaired, the combined company may be required to incur material charges relating to the impairment of those assets. As a result, the combined company's results of operations or stock price may be materially harmed due to depreciation, amortization, in-process research and development and potential impairment charges that may be recorded in future periods.

*Directors and executive officers of MarketWatch and Pinnacor have potential interests in the merger that differ from, or are in addition to, those of the stockholders of MarketWatch and Pinnacor.*

A number of directors and executive officers of MarketWatch and Pinnacor who support and approve the adoption of the merger agreement have employment, severance or other benefit arrangements that provide them with interests in the merger that differ from, or are in addition to, your interests. Lawrence S. Kramer, Chairman and Chief Executive Officer of MarketWatch, is currently Chairman and Chief Executive Officer of Holdco. Kathleen Yates, President and Chief Operating Officer of MarketWatch, will serve as President and Chief Operating Officer of the combined company, Joan P. Platt, Chief Financial Officer of MarketWatch, will serve as Chief Financial Officer of the combined company, and the other executive officers of MarketWatch will serve as the executive officers of the combined company.

In addition, the current directors of MarketWatch are the directors of Holdco, and Pinnacor will nominate two members to the board of directors of the combined company prior to the completion of the merger. Current directors and officers of Pinnacor who will not become directors and officers of the combined company will have indemnification arrangements with the combined company such that they will be entitled to continued indemnification and insurance coverage after the merger for acts or omissions in their capacities as directors and officers of Pinnacor occurring prior to the Pinnacor merger. Also, any outstanding options to purchase Pinnacor common stock held by Pinnacor directors and officers will become fully vested and will be immediately exercisable for shares of Holdco common stock upon the completion of the merger.

Furthermore, certain executive officers of Pinnacor are entitled to receive severance payments in the event that their employment is terminated by Pinnacor (or the combined company after the merger) without cause or by the executive officer for good reason. While the consummation of the merger will not by itself constitute a good reason, the severance payments will be triggered if the executive officer is terminated as a result of the merger if such executive officer is terminated without cause. Assuming that the termination of each of their employment is effective as of December 1, 2003, Mr. Loevner's potential prorated severance payment equals \$490,000, David Obstler's potential prorated severance payment equals \$402,344 and William Staib's potential prorated severance payment equals \$107,500, each pursuant to employment agreements that existed prior to the execution of the merger agreement. Also, Messrs. Loevner and Obstler are each entitled to a bonus in the amount of \$300,000 upon the completion of the merger and the termination or constructive termination of their employment. Moreover, any outstanding options to purchase Pinnacor common stock held by Messrs. Loevner and Obstler will become fully vested and exercisable and each share of Pinnacor restricted common stock held by Messrs. Loevner and Obstler will become fully vested and all restrictions with respect to such restricted stock will lapse upon the completion of the merger.

The continuation of directorships and management positions with the combined company, the receipt of severance or other benefits, the accelerated vesting of options and restricted stock and the entitlement to indemnification and insurance coverage may influence the directors and executive officers of MarketWatch and Pinnacor to support the adoption of the merger agreement. As a result, these directors and officers may be more likely to support the merger than if they did not have these interests. The stockholders of MarketWatch and Pinnacor should consider whether these interests may have influenced these directors and officers to support or recommend the merger.

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***Pinnacor, Pinnacor's current directors, a Pinnacor officer and MarketWatch are involved in a securities class action litigation in connection with the Pinnacor merger that may have a negative impact on the timing, or successful completion, of the merger.***

On July 24, 2003, a shareholder class action lawsuit was filed against Pinnacor, Pinnacor's current directors, a Pinnacor officer and MarketWatch in the Delaware Court of Chancery. The lawsuit purports to be a class action filed on behalf of holders of Pinnacor's common stock as of the date of the announcement of the proposed merger of Pinnacor and MarketWatch. The lawsuit alleges that Pinnacor's directors breached their fiduciary duties in proceeding with the merger by agreeing to a proposed purchase price that fails to adequately compensate Pinnacor stockholders for the loss of control of the company. The lawsuit alleges that MarketWatch aided and abetted these breaches of fiduciary duty in some unspecified way. The lawsuit seeks an unspecified amount of damages and also an injunction against the consummation of the proposed merger. The defense of this litigation may increase the expenses of MarketWatch and Pinnacor in consummating the proposed merger, and may divert the attention and resources of the integration team. An adverse outcome in this litigation could delay, or eliminate the possibility of, a successful completion of the merger, or if the merger were permitted to proceed, seriously harm the business, results of operations and cash flows of the combined company. In addition, the combined company may be the target of other securities class action or similar litigation in the future.

**Risks Relating to the Combined Company**

*The following risk factors assume that the merger is successfully completed and describe the risks of the ongoing operations relating to the combined company.*

***The combined company will have a limited operating history and may not be able to implement its growth strategy.***

MarketWatch was formed in 1997 and Pinnacor was formed in 1993. Both MarketWatch and Pinnacor have limited operating histories and, to date, neither has achieved profitability on an annual basis. As a consequence, the combined company, being an integration of these two businesses, will be subject to the risks and uncertainties frequently encountered by early stage companies that operate primarily in the new and rapidly evolving markets for Internet products and services. In order to successfully achieve its growth strategy, the combined company must:

increase advertising and licensing revenues;

achieve the anticipated synergies and cost savings;

diversify its revenue stream;

penetrate new market segments, including financial services firms and institutional users;

effectively integrate businesses, technologies and personnel;

develop or acquire competitive content, products and services; and

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continue to identify, attract, retain and motivate qualified personnel.

Furthermore, the growth of the combined company will be affected by factors outside its control, including:

the introduction of new content, products and services by competitors;

the increased use of the Web, particularly as an effective advertising medium;

the consolidation of customers or potential customers in market segments within which the combined company will predominately operate, potentially reducing customers and revenues;

a freeze or reduction in spending by customers or potential customers; and

the cost of Web-based advertising and marketing.

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The combined company's future growth may not be as successful as currently anticipated by MarketWatch and Pinnacor, and lower than anticipated growth will likely materially and adversely affect the stock price of the common stock of the combined company.

### *Quarterly operating results of the combined company may fluctuate due to a number of factors.*

Because of the limited operating histories of MarketWatch and Pinnacor and the uncertain nature of the rapidly changing markets they serve, the prediction of future results of operations is very difficult. In addition, period-to-period comparisons of operating results are not likely to be meaningful because operating results of the combined company may fluctuate significantly as a result of a variety of factors, many of which are outside its control. These factors include:

the amount and timing of capital expenditures and other costs relating to the expansion of the combined company's operations;

the introduction of new products or services by the combined company or its competitors;

costs incurred with respect to acquisitions or restructuring activities;

fluctuating and unpredictable demand for advertising on the combined company's Web sites as well as on the Web in general;

reductions in rates paid for Web advertising resulting from increased competition for advertising expenditures;

changes in demand for licenses of the combined company's news, tools and applications;

the combined company's ability to enter into, or renew on favorable terms, its customer, vendor and marketing and distribution agreements;

the value, timing and renewal of contracts with licensing customers;

the amount and timing of the combined company's costs related to its sales marketing efforts and service; and

the amount and timing of costs related to the combined company's new product and service development efforts.

We expect the combined company's revenues will come from a mix of advertising, content licensing, broadcasting and subscription service fees. The combined company's operating expenses will be based on the then current expectations of the combined company's future revenues and may be relatively fixed in the short term. If the combined company generates less revenue than expected, management may not be able to quickly reduce the combined company's spending in response. The combined company also may, from time to time, make certain pricing, service or marketing decisions that adversely affect its revenues in a given quarterly or annual period. Any shortfall in the combined company's revenues would have a direct impact on its operating results for a particular quarter and these fluctuations could affect the market price of its common stock in a manner unrelated to its long-term operating performance.

The advertising revenue of the combined company is also subject to seasonal fluctuations. Historically, advertisers spend less in the first and third calendar quarters and user traffic on MarketWatch's online media properties have historically been lower during the summer and during year-end vacation and holiday periods.

***The combined company will depend on advertising revenues to grow its business and attain profitability, and if advertising revenues were to decline, its results of operations and business would be harmed.***

Revenues from advertising will be important to the combined company's business. Over the last two years, there has been a significant softening in demand for advertising services due to decreased spending on Web advertising by

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companies and general uncertainty about the economy. In addition, threats of conflict or military action involving the United States may further disrupt business, curb spending by companies or otherwise slow down economic recovery. Failure of the Web advertising market to recover would harm the combined company's business.

A portion of the combined company's online advertising revenue will come from financial services companies that may be adversely affected by market downturns, which would result in these companies spending less for online advertising. If the combined company does not diversify its advertiser base and continue to attract advertisers from other industries, its business could be adversely affected. Moreover, diversification of its advertising base may require the combined company to adapt to different requirements and expectations that new advertisers may have with respect to advertising programs which could result in the combined company experiencing significant marketing, sales, development and other expenses which may depress the combined company's earnings.

In addition, sales of advertisements by the combined company will likely occur under short-term contracts, which are difficult to forecast accurately. Advertisers generally will have the right to cancel an advertising campaign on short notice without penalty. However, a portion of the combined company's expense levels will be fixed over the short term. The combined company may not be able to adjust spending quickly enough to compensate for any unexpected revenue shortfall. Accordingly, the cancellation or deferral of advertising agreements could have a material adverse effect on the financial results of the combined company.

***The growth of the combined company's advertising business will depend on the acceptance of the Web as an effective advertising medium.***

Generally, the combined company will compete with traditional advertising media, such as print, radio and television, for a share of advertisers' total advertising budgets. The combined company's advertising business would fail to expand or its advertising revenue would decrease if the Web were not perceived as an effective advertising medium. Also, advertisers that have traditionally relied upon other advertising media may be reluctant to advertise on the Web, especially given the general uncertainty in the economy. Advertisers that already have invested substantial resources in other advertising methods may be reluctant to adopt a new advertising strategy and may find it more difficult to measure the effectiveness of Web advertising. In addition, the combined company's advertising revenues could be adversely affected if it were unable to adapt to new forms of Web advertising or if "filter" software programs that limit or prevent advertising from being delivered to a Web user's computer are widely adopted and limit the commercial viability of Web advertising. Therefore, advertising revenues would be adversely affected if the combined company's Web sites are not perceived to offer desirable opportunities for online advertising.

***The combined company will depend on licensing revenues to grow its business and attain profitability, and if licensing revenues were to decline, its business could be harmed.***

Revenues from the licensing of its content, applications and tools to customers will be important to the combined company's business. Licensing revenues depend on new customer contracts and customer contract renewals, and could decrease if the combined company does not generate new licensing business or existing customers renew for lesser amounts, terminate early or forego renewal. The ability to retain existing customers and attract new customers will depend on the combined company's ability to develop new products and services and the market's acceptance of such products and services, neither of which may occur. Furthermore, the combined company will derive a significant percentage of its licensing revenue from specific market segments such as brokerages, financial services companies, banks and asset management providers. Consolidation in these market segments could cause the combined company to have a reduced number of customers and potential customers. If the combined company does not diversify its client base and continue to attract customers from other industries, its business could be adversely affected.





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*The combined company is in a highly competitive industry and some of its competitors may be more successful in attracting and retaining customers.*

The market for Internet services and products is relatively new, intensely competitive and rapidly changing. The number of Web sites on the Internet competing for consumers' attention and spending has proliferated and we expect that competition will continue to intensify. The combined company will compete, directly and indirectly, for advertisers, viewers, members, licensing customers and content providers with the following categories of companies:

publishers and distributors of traditional off-line media, such as television, radio and print, including those targeted to business, finance and investing needs, many of which have established or may establish Web sites, such as The Wall Street Journal and CNN;

general purpose consumer online services such as AOL and MSN, each of which provides access to financial and business-related content and services;

Web sites targeted to business, finance and investing needs, such as TheStreet.com and the Motley Fool;

Web search and retrieval and other online services, such as Google, Yahoo!, Lycos and other high-traffic Web sites, which offer quotes, financial news and other programming and links to other business and finance-related Web sites;

data companies that provide value-added tools, including charts, portfolios and stock screeners, such as Reuters and Thomson Financial Corporation;

providers of standardized and customized investment research tools, such as SmartMoney;

publishers of financial news for an institutional audience, such as Reuters and Dow Jones;

application service providers and information aggregators, such as Edgar Online, who aggregate information and either host private-label applications that use such data or deliver such data in the form of feeds to customers;

financial software vendors, that have already, or may in the future, develop extensions to their software capabilities to be able to manage external information as efficiently as internal information; and

in-house development staffs of customers who develop technology solutions, often in conjunction with consulting and systems integration firms.

We anticipate that the number of direct and indirect competitors will increase in the future. Many of the combined company's existing competitors, as well as a number of potential new competitors, have longer operating histories in the Web market, greater name and brand recognition, a larger customer base, higher amounts of user traffic and significantly greater financial, technical and marketing resources. Such competitors may be able to undertake more extensive marketing campaigns, adopt more aggressive pricing policies, make more attractive offers to potential employees, marketing and distribution partners, advertisers and content providers and may be able to respond more quickly to new or emerging technologies and changes in Web user requirements. Further, we cannot assure you that the combined company's competitors will not develop products and services that are equal or superior to, or that achieve greater market acceptance than, the combined company's

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offerings. Increased competition could also result in price reductions for the combined company's advertising or licensed content and tools, reduced margins, operating losses or loss of market share, any of which would materially adversely affect the combined company's business, results of operations and financial condition.

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*The combined company will depend on CBS and Pearson for a number of services and other rights, and its business would be materially adversely affected if either one of them were to terminate their strategic relationship with the combined company.*

Pursuant to MarketWatch's license agreement with CBS, the combined company will continue to have the right to use the CBS name and logo, as well as CBS Television Network news content in connection with the operation of the CBS.MarketWatch.com Web site. This license agreement will expire on October 29, 2005 and CBS has no obligation to renew it. Also, under specific circumstances, CBS may terminate the license agreement earlier. If the combined company were not able to renew its license agreement with CBS or if CBS were to terminate the license agreement earlier than October 29, 2005, the combined company would need to change the name of the CBS.MarketWatch.com Web site and devote substantial resources toward building a new brand name for the Web site. Regardless of such expenditures, the combined company may not be able to continue to attract a sufficient amount of user traffic and advertisers to its Web sites without the CBS name and logo or promotion from CBS.

Furthermore, the combined company will be subject to a number of restrictions in consideration for the license grant and the provision of news content from CBS. For example, CBS can require the combined company to remove any content on its Web sites that CBS determines conflicts with, interferes with or is detrimental to its reputation or business or that CBS deems inappropriate. The combined company would also be required to conform to CBS's guidelines for the use of its trademarks. CBS has the right to approve all materials, such as marketing materials, that include any CBS trademarks. CBS will also have control over the visual and editorial presentation of television news content provided by CBS on the combined company's Web sites. Because of these restrictions, the combined company may be limited in performing its desired marketing and branding activities using the CBS trademark, and if it fails to comply with CBS's restrictions, CBS may terminate the license agreement.

Similarly, pursuant to MarketWatch's service agreement with Pearson, the combined company will receive real-time financial data for dissemination to licensing clients and subscribers from Pearson. If Pearson were to suspend delivery of delayed financial data or if it were to fail to provide such financial data satisfactorily, the combined company would be required to perform these services internally or obtain these services from another provider. The combined company may not be able to replace these services on cost effective or commercially reasonable terms or, if the combined company were to choose to perform these services internally, it may not be able to perform them adequately. In addition, pursuant to a stockholders' agreement entered into by MarketWatch and Pearson, the combined company and MarketWatch have agreed, except through Pearson, not to sell any product or service that offers streaming real-time stock price quotes. This obligation expires on October 29, 2005 or, at such earlier time (i) as the services agreement is terminated; (ii) upon the occurrence of a change of control of Pearson, as defined in the stockholders' agreement; or (iii) at such time as Pearson shall hold less than 10% of the combined company's then-outstanding voting securities.

*The interests of CBS and Pearson could conflict with the interests of the other stockholders of the combined company and, given their substantial stock ownership, the combined company may not be able to resolve any future conflict with either of them on terms in its favor.*

Upon the completion of the merger, CBS and Pearson in the aggregate will own approximately 48% of Holdco's outstanding common stock. CBS and Pearson may experience conflicts of interest in their business dealings with the combined company with respect to decisions involving business opportunities and other similar matters. For example:

CBS could license its name and logo to other Web sites or Internet services that deliver general news, sports and entertainment. These sites or services could also offer financial news, so long as delivering comprehensive stock quotes and financial news to consumers in the English language is not their primary function and their principal theme and format;



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Pearson could also establish an advertising-supported Web site that does not have as its primary function and its principal theme and format the delivery of financial news and stock quotes;

CBS or Pearson could license their respective content to other Web sites or Internet services; or

CBS or Pearson could make certain investments in other Web sites or Internet services.

The occurrence of any of the above actions could adversely affect the combined company's business. For example, these sites or services supported by CBS or Pearson could compete with the combined company, or CBS and Pearson might promote these other sites or services more actively than they promote the combined company's Web sites and services.

***If the combined company fails to effectively combine the sales and marketing forces of MarketWatch and Pinnacor, its sales could suffer.***

The combined company may experience disruption in sales and marketing activities in connection with its efforts to integrate the sales forces and sales channels of MarketWatch and Pinnacor, and it may be unable to effectively correct such disruptions or achieve its sales and marketing objectives after integration. As a result, the combined company may fail to take full advantage of the combined sales forces. The combined company also may not succeed in hiring, retaining, integrating and motivating its sales force. In addition, sales cycles and sales models for the various services and products of MarketWatch and Pinnacor may vary from service to service and product to product. The combined company's sales personnel that are not accustomed to the different sales cycles and approaches of MarketWatch and Pinnacor required for the promotion of specific services or products may experience delays and difficulties in selling these newly integrated services and products. The respective sales approaches of MarketWatch and Pinnacor may be ineffective in promoting the other entity's services or products. The occurrence of any of the above events may materially harm the combined company's business, financial condition or operating results.

***The merger may disrupt certain of Pinnacor's information licensing relationships.***

MarketWatch creates proprietary content such as business news reports that could be viewed as competitive to the content generated by certain companies with which Pinnacor currently has information licensing relationships. Furthermore, as with MarketWatch, the combined company will operate using the CBS brand and will be approximately 48% owned by Pearson and CBS, who also create content that competes with certain of Pinnacor's current information licensing providers. Prior to the merger, Pinnacor had no affiliations other than non-exclusive licensing relationships with its content-generating companies, and could therefore claim to be content-neutral when negotiating information licensing agreements. Therefore, certain of Pinnacor's license providers who object to licensing information to another content provider or a company affiliated with CBS or Pearson, might alter or terminate their relationship with the combined company.

***The combined company must develop and maintain a brand identity for its products and services in order to attract and expand its user, advertiser and customer base.***

We believe that establishing and maintaining the current brands of MarketWatch are critical aspects of our efforts to attract and expand the combined company's user, advertiser and customer base. We also believe that the importance of brand recognition will increase due to the growing number of Internet sites and the relatively low barriers to entry. Promotion and enhancement of the current brands of MarketWatch will depend largely on the combined company's success in providing high-quality products and services. In order to attract and retain Internet users and to promote and maintain the MarketWatch brands, the combined company may find it necessary to increase expenditures devoted to creating

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and maintaining brand loyalty. In addition, in the event of any breach or alleged breach of security or privacy involving its services, or if any third party undertakes illegal or harmful actions utilizing its membership, communications or commerce services, the combined company could suffer substantial adverse publicity and impairment of its brands or reputation. If any of these events occur,

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the combined company's business, operating results or financial condition could be materially and adversely affected.

*Protecting the combined company's intellectual property rights will be costly and difficult.*

The combined company will rely primarily on a combination of copyrights, trademarks, trade secret laws, its user policy and content license and user agreement restrictions on disclosure and use to protect its intellectual property, such as its content, copyrights, trademarks and trade secrets. The combined company will also enter into confidentiality agreements with new employees and consultants, and seek to control access to and distribution of its other proprietary information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain, misappropriate, infringe or use the content on its Web sites or its other intellectual property without authorization. A failure to protect the combined company's intellectual property could seriously harm its business, operating results or financial condition. In addition, the combined company may need to engage in litigation in order to enforce its intellectual property rights in the future or to determine the validity and scope of the proprietary rights of others. Such litigation could result in substantial costs or diversion of management and other resources, either of which could have an adverse effect on the combined company's business, operating results or financial condition.

*If the combined company cannot continue to develop and market new and enhanced products and services that achieve market acceptance in a timely manner, its revenues may suffer.*

We believe that the combined company's Web sites will be more attractive to advertisers if we develop a larger audience comprised of demographically favorable users, which substantially depends on the introduction of additional or enhanced products and services. Similarly, the combined company would attract additional licensing customers from more diverse market segments if it has premium content complemented by an assortment of financial applications and tools. If the products and services the combined company introduces in the future are not favorably received, the combined company may not succeed in retaining current users to access its Web sites and licensing customers to use its products and services, or attract new users and licensing customers, either of which would make the combined company less attractive to advertisers and customers and reduce its advertising and licensing revenues. The process of developing new products and services related to the combined company's business is complex and uncertain, and failure to anticipate the changing needs of its users and customers and emerging technological and market trends could significantly harm the combined company's results of operations. In addition, the combined company may seek to license additional technology or content in order to enhance its current features or to introduce new services. However, any such licenses may not be available on commercially reasonable terms, if at all. The loss of or inability to obtain or maintain any of these technology or content licenses could result in delays in the introduction of new services until equivalent technology or content, if available, is identified, licensed and integrated. Moreover, if the combined company's new products and services do not achieve sufficient market acceptance and generate anticipated revenues, the combined company may not be able to recoup the costs of developing, marketing and maintaining such products and services.

Furthermore, the combined company's market is characterized by rapidly changing technology, evolving industry standards and frequent new product announcements, which are exacerbated by the growth of the Web and the intense competition in its industry. In order to successfully adapt to its rapidly changing market, the combined company must continually improve the performance, features and reliability of its products and services. The combined company could incur substantial costs improving its products, services or infrastructure in order to adapt to these changes and compete within its industry. The combined company's business could be adversely affected if it were to incur significant costs without adequate results or if it were unable to successfully adapt to these changes.



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***Undetected errors or failures found in new products and services may result in loss of or delay in market acceptance of the combined company's products and services, which could seriously harm its business.***

The combined company's products may contain undetected software errors or failures when first introduced or as new versions are released. Despite testing by the combined company and by its customers, errors may not be found in new products until after delivery to its customers. Similarly, the combined company may experience difficulties that could delay or prevent it from introducing new services. These new services may contain errors that are discovered only after the services are introduced. The combined company may need to significantly modify the design of the services to correct these errors. The combined company's business could be adversely affected if undetected errors cause its user and customer base to reject the new products and services.

***If the combined company does not effectively manage the transition from existing products and services to new products and services, its revenues may suffer.***

If the combined company does not make an effective transition from existing products and services to new products and services, its revenues may be seriously affected. Transition from current products and services to new products and services can be difficult due to delays in product and service development, variations in product and service costs, delays in customer purchases of existing products or services in anticipation of new product or service introductions and customer demand for the new products and services. The combined company's revenues and gross margins also may suffer due to the timing of product or service introductions by its competitors, particularly when a product has a short life cycle or a competitor introduces a new product just before the combined company's own product introduction. Furthermore, sales of the combined company's new products and services may replace sales of some of the current products and services of MarketWatch and Pinnacor, offsetting the benefit of even a successful product or service introduction. If the combined company were to experience delays in new product or service introductions, or inaccurately estimate the market effects of new product or services introductions by its competitors, future demand for its products and services and its revenues may be seriously affected.

***If the combined company does not effectively manage the integration of technology platforms, there could be disruptions in customer service which could seriously harm its business.***

The combined company must integrate the two different technology platforms upon which MarketWatch and Pinnacor currently conduct their business. This integration must occur while the combined company continues to provide products and services to its customers. Any difficulties that may arise in the execution of this integration could result in delays and problems relating to the combined company's products and services, thereby damaging its reputation for reliability, its efforts to retain existing customers or acquire new customers.

***The combined company will depend on key personnel who may not continue to work for the company.***

We believe that the combined company's future success will depend in part on its continued ability to attract, integrate, retain and motivate highly qualified sales, technical, editorial and managerial personnel, and on the continued service of its senior management. Although the combined company will have employment agreements with some of its key executives, none of them will be bound by an employment agreement that prevents them from terminating their employment with the combined company, at any time, for any reason. At times, each of MarketWatch and Pinnacor has experienced difficulties in attracting and retaining new personnel. Furthermore, in connection with the Pinnacor merger, options to purchase Pinnacor common stock currently held by Pinnacor employees will become fully vested and exercisable, which may adversely affect the combined company's ability to retain such employees following the merger. If the combined company cannot successfully attract, integrate, retain and motivate a sufficient number of qualified personnel, it may harm the combined company's ability to successfully

conduct its business in the future.

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***As a result of the merger, the combined company will be a larger and broader organization, and if the combined company's executive team is unable to effectively manage the combined company, its operating results may suffer.***

As a result of the merger, the combined company will be a much larger organization with more employees and greater geographical presence. The combined company will have an additional presence in New York, New York, which is Pinnacor's current headquarters, an additional sales office in San Francisco, California, and development offices in Coralville, Iowa and Jerusalem, Israel. The combined company's management team will face challenges inherent in efficiently managing an increased number of employees over larger geographic distances, including the need to implement appropriate systems, policies, benefits and compliance programs. The inability to manage successfully the geographically more diverse and substantially larger combined organization, or any significant delay in implementing appropriate systems, policies, benefits and compliance programs for the combined company, could have a material adverse effect on the combined company after the merger and, as a result, on the market price of its common stock.

***The combined company may be subject to intellectual property infringement claims, which would be costly to defend and may limit its ability to use certain technologies in the future.***

The combined company will license certain technology, data and content from third parties. In these license agreements, the licensors will generally agree to defend, indemnify and hold the combined company harmless from any claim by a third party that the licensed technology or content infringes any third party's intellectual property rights. However, we cannot assure you that the outcome of any litigation between such licensors and a third party or between the combined company and a third party will not lead to royalty obligations for which the combined company is not indemnified or for which such indemnification is insufficient or unavailable from the licensor or that the combined company will be able to obtain any additional license on commercially reasonable terms, if at all. In addition, in connection with the merger, the combined company will acquire some third-party intellectual property rights licensed to either MarketWatch or Pinnacor prior to the merger. As a result, such third parties may impose additional restrictions on the business of the combined company that had not been imposed on the business of either MarketWatch or Pinnacor prior to the merger.

In addition, in the combined company's content license agreements, it will generally agree to defend, indemnify and hold its licensees harmless from any claim by a third party that the licensed content infringes any third party's intellectual property rights. Infringement or other claims may be asserted or prosecuted against the combined company and/or its clients in the future whether resulting from its internally developed intellectual property or licenses or content from third parties. Any future assertions or prosecutions could materially adversely affect the combined company's business, results of operations or financial condition. Any such claims, whether they are with or without merit, could be time-consuming, result in costly litigation and diversion of technical and management personnel or require the combined company to introduce new content, technology or trademarks, develop non-infringing technology or content or enter into royalty or licensing agreements. Such royalty or licensing agreements, if required, may not be available on acceptable terms, if at all. In the event of a successful claim of infringement against the combined company and its failure or inability to introduce new technology or content, develop non-infringing technology or content or license the infringed or similar technology or content on a timely basis, the combined company's business, results of operations or financial condition could be materially adversely affected.

***The combined company may have difficulty scaling and adapting its existing Web site architecture to accommodate increased traffic and technology advances.***

The combined company's business will rely on its ability to serve Web pages in a consistent and timely manner. In the past, MarketWatch's Web sites have experienced significant increases in traffic when there were significant business or financial news stories. In addition, the combined company will seek to further increase its user base. If the traffic on the combined company's Web sites grows at a rate that its communication lines cannot support, the combined company's Web pages will be served at a slower rate or they may not be served at all.



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The combined company will also rely on third-party providers for all of its current bandwidth capacity. If these providers are unable to maintain their service level agreements or if the combined company is unable to obtain additional bandwidth as its traffic grows, its business would be adversely affected. The combined company may in the future experience downtime and other problems due to server problems or capacity limitations.

*The successful operation of the combined company's business depends upon the supply of critical elements from other companies and any interruption in that supply could cause service interruptions or reduce the quality of its product and services offerings.*

The combined company will depend on multiple information providers, such as Comtex, FT Interactive Data, Dow Jones, Reuters and Thomson Financial Corporation, to provide information and data feeds on a timely basis. The combined company's Web sites could experience disruptions or interruptions in service due to the failure or delay in the transmission or receipt of this information by its information providers which is beyond the combined company's control. In addition, the combined company's customers will depend on Internet service providers, online service providers and other Web site operators for access to the combined company's Web sites. Each of MarketWatch and Pinnacor has experienced outages in the past, and the combined company could experience outages, delays and other difficulties due to system failures unrelated to its systems in the future. Many of these occurrences could diminish the user's experience or even result in users perceiving the combined company's Web sites as not functioning properly and therefore result in the loss of customers to other Web sites or sources to obtain their business, financial and other news and information.

*Unauthorized break-ins and other disruptions to the combined company's Web sites could harm its business.*

The combined company's servers may be vulnerable to computer viruses, physical or electronic break-ins or similar disruptions, which could lead to interruptions, delays or loss of data. A number of popular Web sites have experienced attacks from hackers and other intrusions. Any disruption resulting from these actions may harm the combined company's business, may be very expensive to remedy, may not be fully covered by the combined company's insurance policies, could damage the combined company's reputation, and could discourage new and existing users from using the combined company's Web sites. The combined company may also incur significant costs to protect its Web sites against the threat of security breaches. The combined company will also provide indemnification to some of its licensing customers for unauthorized access to and use of customer data as a result of break-ins or other unauthorized access. The combined company's defense of any action brought against it based upon improper access to confidential customer data or indemnification of the combined company's licensing customers for similar claims brought against them could be costly and involve significant distraction of the combined company's management and other resources. Also, the combined company's operations will depend upon its ability to protect systems against damage from fire, earthquakes, power loss, telecommunications failure and other events beyond its control. Although the combined company expects to carry insurance policies for any such disruptions and its indemnification arrangements with licensing customers, these policies may not adequately compensate it for any losses that may occur due to any failures or interruptions in its systems.

*Web security concerns could hinder Internet commerce.*

The need to securely transmit confidential information over the Internet has been a significant barrier to electronic commerce and communications over the Web. Any well-publicized compromise of security could deter people from using the Web or from using it to conduct commercial transactions that involve the transmission of confidential information, such as stock trades or purchases of goods or services. Because many of the combined company's advertisers seek to encourage people to use the Web to conduct financial transactions or purchase goods or services, the combined company's business could be adversely affected if Internet commerce declines due to security concerns.



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***The combined company could face liability related to its storage of personal information about its users.***

The combined company will have a privacy policy that will require it not to willfully disclose any individually identifiable information about any user to a third party without the user's consent. Despite this policy, however, if third persons were able to penetrate the combined company's network security or otherwise misappropriate its users' personal information or credit card information, the combined company could be subject to liability, including claims for unauthorized purchases with credit card information, impersonation or other similar fraud claims and misuses of personal information, such as for unauthorized marketing purposes. New privacy legislation may further increase this type of liability. California, for example, recently passed a privacy law that would apply to a security breach that affects unencrypted, computerized personal information of a California resident. Furthermore, the combined company could incur additional expenses if additional regulations regarding the use of personal information were introduced or if federal or state agencies were to investigate the combined company's privacy practices.

***The combined company could face liability for the information displayed on its Web sites or distributed to its customers.***

The combined company may be subject to claims for libel, slander, defamation, negligence, copyright or trademark infringement or claims based on other theories of legal liability relating to the information it publishes on its Web sites or licenses to its customers. These types of claims have been brought, sometimes successfully, against online services as well as other print publications in the past. The combined company could also be subject to claims based upon the content that is accessible from its Web sites through links to other Web sites. Moreover, because the combined company will license some data and content from third parties, it may have further exposure to these types of claims. Although the combined company generally will obtain representations as to the origins and ownership of content licensed from third parties and generally will obtain indemnification from these third parties to cover any breach of any such representations, the combined company may not receive representations or indemnification that are sufficient to cover all liability relating to the third-party content. Moreover, the indemnification provided by these parties may be insufficient to provide adequate compensation for any breach of such representations. The combined company's defense of any action brought against it based upon the content that is accessible from its Web sites could be costly and involve significant distraction of its management's time and other resources. Although the combined company will carry general liability insurance, its insurance may not cover claims of these types or may be inadequate to indemnify it for all liability that may be imposed on it.

***If the combined company distributes information to unauthorized recipients, it may have to pay damages to its information providers.***

The combined company's proprietary software technologies will enable it to deliver information it receives from participating information providers only to customers who have been authorized to access that information. However, the combined company may inadvertently distribute information to a customer who is not authorized to receive it. In addition, the combined company could be exposed to liability arising from the activities of its customers or its customers' users relating to the unauthorized duplication of, or insertion of inappropriate material into, the information the combined company supplies to its customers which in turn is supplied to its customers' users. Any of those occurrences could subject the combined company to a claim for damages from the information provider or harm the combined company's reputation in the marketplace.

***Changes in current advertising pricing models could seriously harm the operating results of the combined company.***

No standard has been widely accepted to measure the effectiveness of Web advertising so different pricing models are used to sell advertising on the Web. It is difficult to predict which, if any, will emerge as the industry standard. This makes it difficult to project the combined company's future advertising rates and revenues. For example, advertising rates based on the number of click throughs, or user requests for additional information





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made by clicking on the advertisement, instead of rates based solely on the number of impressions, or times an advertisement is displayed, could adversely affect the combined company's revenues.

*The combined company may be susceptible to third-party software programs that serve pop-up advertisements on its Web sites.*

Third-party software programs are increasingly used to deliver selected advertisements based on Web sites visited by a user. These advertisements usually are in the form of pop-up ads that are often based on the content the user is viewing at a particular time. Often this software is downloaded onto the user's computer without the user's knowledge, understanding or consent, as the software often comes bundled with other applications that the user downloads, such as file-sharing software or media players. The software can then track the user's Web surfing habits and display content, such as pop-up ads, that most users do not realize are not connected to the Web site they are then viewing. The pop-up ads may compete with the advertising, services and products that the combined company may sell on its Web sites, potentially infringe its copyrights, and could lead to confusion for its customers as the pop-up software deceives the user as to the origin of the advertisement. Also, the combined company's customers may blame it for defects in the services and products promoted by the pop-up ads or for fraud perpetrated against them in connection with such pop-up ads, either of which could damage the combined company's reputation or result in significant damages. If the prevalence of such forms of software continue to increase and no restrictions are placed on their usage, the combined company's business may be harmed.

*Acquisitions and strategic investments may result in increased expenses, difficulties in integrating target companies and diversion of management's attention.*

The combined company anticipates that from time to time it may review one or more acquisitions or strategic investments or other opportunities to expand its range of technology, services and products and to gain access to new markets. Growth through acquisitions or strategic investments entails many risks, including the following:

management's attention may be diverted during the acquisition and integration process;

costs, delays and difficulties of integrating the acquired company's operations, technologies and personnel into its existing operations, organization and culture;

the issuance of new equity or debt securities to pay for acquisitions which would dilute the holdings of existing stockholders;

the failure to meet operating expectations for acquired businesses may adversely affect its financial condition; and

higher than expected expenses resulting from any undisclosed or potential legal liabilities of the acquired company, including intellectual property, employment, warranty, or product liability-related problems.

If realized, any of these risks could have a material adverse effect on the combined company's business, financial condition and operating results.

*The combined company will depend on the continued growth in use of the Web, particularly for financial news and information, as well as in the continued performance and reliability of the Web.*

Because the combined company will depend in part on advertising revenue to achieve profitability, its business depends on businesses and consumers continuing to increase their use of the Web for obtaining news and financial information as well as for conducting commercial transactions. The combined company's advertising revenue and therefore its business would be adversely affected if Web usage, particularly for obtaining news and financial information and for conducting commercial transactions, does not continue to grow.

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Web usage may be inhibited for a number of reasons, such as inadequate network infrastructure, security concerns, inconsistent quality of service and availability of cost-effective, high-speed service.

In the event Web usage grows, the Internet infrastructure may not be able to support the demands placed on it by this growth or its performance and reliability may decline. Web sites have experienced interruptions in their service as a result of outages and other delays occurring throughout the Internet network infrastructure. If these outages or delays frequently occur in the future, Web usage in general and usage of the combined company's Web sites in particular, could grow more slowly or decline.

*The combined company will depend upon the stability and success of the financial markets.*

The target customers for some of the combined company's products include a range of financial services organizations, including investment advisors, brokerage firms and banks. The success of many of the combined company's customers is intrinsically linked to the financial markets. The combined company believes that demand for its products could be disproportionately affected by fluctuations, disruptions, instability or downturns in the financial markets that may cause customers or potential customers to exit the industry or delay, cancel or reduce any planned expenditures for the combined company's products. In addition, a slowdown in the formation of new financial services organizations could cause a decline in demand for the combined company's products. The combined company believes that a continuing economic downturn in the financial markets would negatively impact the demand for its products, which could have a materially adverse effect on its business and results of operations.

*The combined company will depend on its strategic relationships with other Web sites.*

The combined company will depend on establishing and maintaining distribution relationships with high-traffic Web sites for a portion of its traffic. There is intense competition for placements on these sites, and the combined company may not be able to enter into such relationships on commercially reasonable terms, if at all. Even if the combined company were to enter into distribution relationships with these Web sites, they themselves may not attract a significant number of users and therefore, the combined company's Web sites may receive the desired user traffic from these relationships. Moreover, the combined company may have to pay significant fees to establish these relationships or may have to pay significant fees to maintain these types of relationships.

Occasionally, the combined company may enter into agreements with advertisers, content providers or other high-traffic Web sites that require it to exclusively feature these parties in certain sections of its Web sites. Existing and future exclusivity arrangements may prevent the combined company from entering into other content agreements, advertising or sponsorship arrangements or other strategic relationships. Many companies that the combined company may pursue for a strategic relationship also offer competing services. As a result, these competitors may be reluctant to enter into strategic relationships with the combined company. The combined company's business could be adversely affected if it is unable to establish and maintain additional strategic relationships on commercially reasonable terms or if any of its strategic relationships do not result in increased use of its Web sites.

*The combined company will depend on third-party software to track and measure the delivery of advertisements and it could be difficult to replace these services.*

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It will be important to the combined company's advertisers that it accurately measures the demographics of its user base and the delivery of advertisements on its Web sites. The combined company will depend on third parties to provide these measurement services. If third parties are unable to provide these services, the combined company would be required to perform them itself. This could cause the combined company to incur additional costs. Companies may not advertise on the combined company's Web sites or may pay less for advertising if they do not perceive the combined company's measurements of user base and delivery methods to be reliable.

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***Legal uncertainties and government regulation of the Internet could inhibit the growth of the Internet.***

Many legal questions relating to the Internet remain unclear and these areas of uncertainty may be resolved in ways that damage the combined company's business. It may take years to determine whether and how existing laws governing matters such as intellectual property, privacy, libel and taxation apply to the Internet. In addition, new laws and regulations that apply directly to Internet communications, commerce and advertising are becoming more prevalent. For example, the U.S. Congress has passed Internet-related legislation concerning copyrights, taxation and the online privacy of children. As the use of the Internet grows, there may be calls for further regulation, such as more stringent consumer protection laws. Finally, the combined company's distribution arrangements and customer contracts could subject it to the laws of foreign jurisdictions in unpredictable ways.

These possibilities could affect the combined company adversely in a number of ways. New regulations could make the Internet less attractive to users, resulting in slower growth in its use and acceptance than is expected. The combined company may be affected indirectly by legislation that fundamentally alters the practicality or cost-effectiveness of utilizing the Internet, including the cost of transmitting over various forms of network architecture, such as telephone networks or cable systems, or the imposition of various forms of taxation on Internet-related activities. Complying with new regulations could result in additional cost to the combined company, which could reduce its profit margins or leave the combined company at risk of potentially costly legal action.

***After the merger, directors, executive officers and several large stockholders of the combined company will beneficially own approximately % of Holdco's common stock, and their interests could conflict with yours.***

Following the merger, Holdco's directors and executive officers, and three large stockholders will beneficially own approximately % of Holdco's outstanding common stock. As a result of their ownership, the directors, executive officers and three large stockholders of Holdco collectively will be able to control all matters requiring stockholder approval, if acting together, including the election of directors, amendments to its charter documents and approval of significant corporate transactions. Such concentration of ownership may also have the effect of delaying or preventing a change in control of Holdco even if such a change of control may be beneficial to its stockholders. The interests of the directors, executive officers and significant stockholders of Holdco may differ from yours and they may not necessarily act in accordance with your interests.

***The effective tax rate of the combined company is uncertain.***

The overall effective tax rate of the combined company is uncertain. Although the combined company will attempt to optimize its overall effective tax rate, it is currently impossible to predict the effective tax rate of the combined company accurately. The combination of the operations of MarketWatch and Pinnacor may result in an overall effective tax rate for the combined company that is higher than the currently reported tax rate of either MarketWatch or Pinnacor, and it is possible that the combined effective tax rate of MarketWatch and Pinnacor as a combined company may exceed the weighted average of the pre-merger tax rates of MarketWatch and Pinnacor.

***Some anti-takeover provisions contained in Holdco's bylaws, as well as provisions of Delaware law, could limit a takeover attempt.***

Pursuant to Holdco's bylaws, a special meeting of stockholders may be called only by the Chairman of the board of directors, a majority of the board of directors, the Chief Executive Officer or by any holder of at least 25% of the Holdco common stock. Also, nomination of directors at

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the annual meeting and the bringing of business before an annual or special meeting of stockholders require prior written notice and adherence to specific procedures.

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As a Delaware corporation, Holdco is also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation law, which prevents some stockholders from engaging in certain business combinations without specified required approvals of either the board of directors of Holdco or its stockholders.

Any provision of Holdco's bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for Holdco stockholders (including former Pinnacor stockholders who become Holdco stockholders upon the completion of the merger) to receive a premium for their shares of Holdco common stock, and could have a continuing negative impact on the price that some investors are willing to pay for Holdco common stock.

***New laws and regulations affecting corporate governance may impede the combined company's ability to retain and attract board members and executive officers, and increase the costs associated with being a public company.***

On July 30, 2002, President George W. Bush signed into law the Sarbanes-Oxley Act of 2002. The new act is designed to enhance corporate responsibility through new corporate governance and disclosure obligations, increase auditor independence and impose tougher penalties for securities fraud. In addition, the Securities and Exchange Commission and National Association of Securities Dealers have adopted rules in furtherance of the act and are considering adopting others. This act and the related new rules and regulations will likely have the effect of increasing the complexity and cost of the combined company's corporate governance and the time its executive officers spend on such issues, and may increase the risk of personal liability for its board members, Chief Executive Officer, Chief Financial Officer and other executives involved in the combined company's corporate governance process. As a result, it may become more difficult for the combined company to attract and retain board members and executive officers involved in the corporate governance process. In addition, each of MarketWatch and Pinnacor has experienced, and we anticipate the combined company will experience, increased costs associated with being a public company, including additional legal, professional and independent auditor fees.

***The continuing conflict in Iraq, future terrorist attacks and threats of or actual war may negatively impact all aspects of the combined company's operations, revenues, costs and stock price.***

The continuing conflict in Iraq and future terrorist acts or acts of war (wherever located around the world), as well as events occurring in response to or in connection with them, may cause damage or disruption to the operations of the combined company and its customers, partners and suppliers. Any of these events could cause consumer confidence and spending, including spending on the Web, to decrease, which may impact the combined company's online advertising revenues, ability to attract new licensing customers and other aspects of its operations in ways that cannot presently be predicted. The combined company will be predominantly uninsured for losses and interruptions caused by terrorist acts and acts of war. Also, volatility in the United States and worldwide financial markets and economies has contributed to volatility in the stock prices of U.S. publicly traded companies. The continuing conflict in Iraq and further acts of terrorism or civil disturbances in the United States or elsewhere could have a significant impact on the combined company's operating results, revenues and costs.

***The stock price of Holdco common stock may decline as compared to the current stock prices of MarketWatch or Pinnacor.***

There has been no prior public market for the Holdco common stock, and an active public market for the Holdco common stock may not develop or be sustained. The market price of Holdco common stock could be subject to significant fluctuations. Among the factors that could affect the stock price are:

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negative market reaction to the merger of MarketWatch and Pinnacor;

quarterly variations in the combined company's operating results;



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changes in revenue or earnings estimates or publication of research reports by analysts;

speculation in the press or investment community;

strategic actions by the combined company or its competitors, such as acquisitions or restructurings;

actions by institutional stockholders;

general market conditions; and

domestic and international economic factors unrelated to the combined company's performance.

The realization of any of the risks described above and the other applicable risks described in this "Risk Factors" section could have a significant and adverse effect on the market price of Holdco common stock. We cannot assure you that you will be able to resell your shares of Holdco common stock received in the merger at any particular price, if at all.

***Substantial sales of Holdco common stock may occur in connection with the merger, which could cause its stock price to decline.***

As of the date of the completion of the merger, Holdco will have approximately \_\_\_\_\_ shares of its common stock outstanding, and approximately \_\_\_\_\_ shares of Holdco common stock will be freely tradeable. Pursuant to the terms of the merger agreement, the outstanding options granted to Pinnacor employees will become fully accelerated and will become immediately exercisable and the restricted stock granted to some of Pinnacor's executive officers will be free from restrictions, and such stock options and restricted stock will be converted into the right to receive Holdco common stock based on the exchange ratio. There will be outstanding options to purchase approximately \_\_\_\_\_ shares of Holdco common stock that will be fully vested and up to \_\_\_\_\_ shares of restricted stock that will be free from restrictions. Also, other than shares of Holdco common stock held by the affiliates of MarketWatch, Pinnacor and Holdco, which are subject to transfer restrictions under applicable securities laws, a substantial amount of Holdco common stock will be eligible for immediate resale in the public market. Furthermore, as a result of the proration rules described in this joint proxy statement-prospectus, contrary to their preferences, Pinnacor stockholders may receive Holdco common stock instead of cash as the merger consideration. This may result in such Pinnacor stockholders desiring to immediately sell their Holdco common stock after the completion of the merger. We are unable to predict whether significant amounts of Holdco common stock received as merger consideration will be sold in the open market following the merger. We are also unable to predict whether a sufficient number of interested buyers will be in the market at that time. Any sales of substantial amounts of Holdco common stock in the public market, or the perception that such sales might occur, could harm the market price of Holdco common stock.

***Market prices of Internet companies have been highly volatile and the market price for Holdco common stock may be volatile as well.***

The stock market has experienced significant price and trading volume fluctuations, and the market prices of shares of Internet companies generally have been extremely volatile and have recently experienced sharp declines. Broad market fluctuations may adversely affect the trading price of Holdco common stock regardless of its actual performance. In the past, following periods of volatility in the market price of a public company's securities, securities class action litigation has often been instituted against that company. Such litigation could result in substantial costs and a diversion of management's attention and resources.

*The combined company's ability to pay dividends is limited.*

The combined company currently intends to retain all future earnings to fund the development and growth of its business and, therefore, does not anticipate paying any dividends. Neither MarketWatch nor Pinnacor has achieved profitability on an annual basis, and we cannot predict if and when the combined company will achieve sufficient net profits to declare dividends. The combined company's plan not to declare any dividends could

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adversely affect the market price of its common stock particularly in light of the recent market trend to favor dividend paying stocks due to the equalization of tax rates on dividend income as compared to capital gains.

### **Risks Relating to the MarketWatch Business**

*In addition to the following risks that are specific to the MarketWatch business, MarketWatch is also subject to most of the same risks described in greater detail in the section captioned "Risks Relating to the Combined Company" and the results of operations and financial condition of MarketWatch may be adversely affected by such risks.*

***The MarketWatch business relies significantly on revenue from advertising, which is difficult to forecast accurately.***

A significant amount of MarketWatch's revenue comes from advertisements displayed on its Web sites. MarketWatch derives a majority of its revenue from the sale of advertisements under short-term contracts, which are difficult to forecast accurately. In addition, MarketWatch's advertising packages are sold in campaigns ranging from less than two weeks to a year or more. Advertisers generally have the right to cancel a campaign with two weeks notice without penalty. In cases where the advertisers are promoting services, payments received by MarketWatch are often contingent on the amount of services sold through such advertisements placed on MarketWatch's Web sites. Some of MarketWatch's advertisers are Internet companies that, in certain cases, may lack the financial resources to fulfill their commitments. Accordingly, it is difficult to accurately forecast these advertising revenues. MarketWatch's expense levels are based in part on expectations of future revenues and are fixed over the short term with respect to certain categories. MarketWatch may be unable to adjust spending quickly enough to compensate for any unexpected revenue shortfall. Accordingly, the cancellation or deferral of advertising agreements could have a material adverse effect on the financial results of the MarketWatch business.

Furthermore, some of the existing brokerage and financial services companies and customers in other markets that MarketWatch targets have merged, and additional mergers may occur in the future, which would further reduce the number of MarketWatch's existing and potential customers. For example, in the prior year, Ameritrade, one of MarketWatch's customers, acquired Datek, which was also one of MarketWatch's customers. As a result, MarketWatch's online advertising revenue was adversely affected.

***The MarketWatch business depends on licensing revenues, and if licensing revenues were to decline, its business could be harmed.***

Licensing revenue is very important to the MarketWatch business. Licensing revenue depends on new customer contracts and customer contract renewals, and could decrease if new business is not found or if customers renew for lesser amounts, terminate early or forego renewal. MarketWatch derives a significant percentage of its licensing revenue from a small number of large clients and from brokerages and financial services companies. In many cases, the amount of licensing revenue depends on the number of qualified account holders these customers have each month. If the number of qualified account holders were to decrease, MarketWatch's licensing revenue could decrease. A number of these brokerages and financial services companies have experienced a decrease in account holders as a result of the recent market downturn. The growth of MarketWatch's licensing revenue could also be limited as there are a limited number of brokerages and financial services companies. In addition, certain license contracts guarantee the performance of MarketWatch's Web sites. If MarketWatch's sites were to not perform as guaranteed, its licensing revenue would be adversely affected.

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Some of the licensing tools MarketWatch has created and currently markets to existing and potential customers require users to disclose personally identifiable information and allow MarketWatch access to such confidential information. Due to concerns about user privacy issues, existing and potential licensing customers may be deterred from licensing these tools, which could harm MarketWatch's future licensing revenue.

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MarketWatch receives a portion of the data incorporated in its licensing products from third parties, some of which are competitors. For example, MarketWatch receives data from Dow Jones and Thomson Financial Corporation. If they or others perceive MarketWatch as a competitor, they may discontinue providing services to MarketWatch. Also, some of MarketWatch's third-party data providers have restrictions on access to and use of their data, which may make MarketWatch's licensing of products incorporating such data less attractive to MarketWatch's existing and potential customers which in turn may adversely affect MarketWatch's licensing revenue.

Further, a substantial portion of MarketWatch's licensing revenue comes from media and financial services companies, which have been adversely affected by the recent market downturn. If MarketWatch does not diversify its client base and continue to attract customers from other industries, its business could be adversely affected. Moreover, some of the existing brokerage and financial services companies and customers in other markets that MarketWatch targets may have merged and additional mergers may occur in the future, which would further reduce the number of its existing and potential customers and adversely affect its licensing revenue. For example, in the prior year, Ameritrade, one of MarketWatch's customers, acquired Datek, which was also one of MarketWatch's customers. As a result, MarketWatch's licensing revenue was adversely affected.

***MarketWatch's ability to develop and bring new products and services to market and to further develop and improve existing products and services will be limited if the merger with Pinnacor is not consummated.***

Pinnacor has developed products and services that MarketWatch does not currently possess that MarketWatch would like to offer to its existing customers. In addition, Pinnacor has a significant engineering, development and technical staff that is dedicated to the development and enhancement of Pinnacor's existing products and services. If the merger is not consummated, MarketWatch's current engineering, development, and technical staff would be more limited than that of the combined company and may not be able to develop on a timely basis, if at all, products and services similar to Pinnacor's existing products and services or new products and services, or otherwise, further develop or improve its existing products and services.

***MarketWatch is involved in a securities class action litigation and is at risk of additional similar litigation.***

MarketWatch is a party to a securities class action litigation relating to its initial public offering. The plaintiffs in the class action litigation allege that the underwriters in the initial public offering agreed to allocate stock in the offering to certain investors in exchange for excessive and undisclosed commissions and agreements by those investors to make additional purchases of stock in the aftermarket at pre-determined prices. The plaintiffs further allege that the prospectus for MarketWatch's initial public offering was false and misleading in violation of the securities laws because MarketWatch did not disclose these arrangements. The defense of the litigation has increased and may continue to increase MarketWatch's expenses and divert its management's attention and resources, and an adverse outcome in this litigation could seriously harm its business, results of operations and cash flows. In addition, MarketWatch may in the future be the target of other securities class action or similar litigation. For more information about the securities class action litigation, see page 91.

***Because two of MarketWatch's large stockholders currently beneficially own approximately 65% of the MarketWatch common stock, they have substantial control over the management of MarketWatch and significant sales of stock held by them could have a negative effect on MarketWatch's stock price.***

CBS and Pearson currently beneficially own approximately 65% of MarketWatch's outstanding common stock. Each of CBS and Pearson is also entitled to nominate four representatives on MarketWatch's board of directors. Currently, CBS has three representatives, and Pearson has one representative, on MarketWatch's board of directors. As a result of their ownership and board positions, CBS and Pearson individually and

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collectively are able to significantly influence all matters requiring stockholder approval, including the election of directors, amendments to charter documents and approval of significant corporate transactions. Such concentration of ownership may also have the effect of delaying or preventing a change in control of MarketWatch even if such a

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change in control may be beneficial to MarketWatch's stockholders generally. In addition, sales of significant amounts of shares held by either of CBS or Pearson, or the prospect of these sales, could adversely affect the market price of MarketWatch's common stock.

### **Risks Relating to the Pinnacor Business**

*In addition to the following risks that are specific to the Pinnacor business, Pinnacor is also subject to most of the same risks described in greater detail in the section captioned "Risks Relating to the Combined Company" and the results of operations and financial condition of Pinnacor may be adversely affected by such risks.*

*The announcement and pendency of the proposed merger between MarketWatch and Pinnacor could adversely affect Pinnacor's business.*

Pinnacor's business, results of operations and cash flows could be affected by the announcement and pendency of the proposed merger. Since Pinnacor's revenue could be adversely affected if its customers delay, defer, or cancel purchases pending consummation of the proposed merger. Current and prospective customers could be reluctant to purchase services due to potential uncertainty about the direction of the combined company's product offerings and its support and service of existing products. To the extent that the announcement and pendency of the proposed merger creates uncertainty among customers such that one large customer, or a significant group of small customers, delays purchase decisions pending consummation of the proposed merger, Pinnacor's results of operations and ability to operate profitably could be negatively affected. Decreased revenue and a failure to be profitable could have a variety of adverse effects, including negative consequences to business relationships, and ongoing obligations to, customers, suppliers, business partners, and others with whom Pinnacor has business relationships.

Pinnacor may suffer additional negative consequences if the proposed merger is not completed, which could adversely affect its business, results of operations and stock price, including the following:

Pinnacor would not realize the benefits expected from becoming a part of a combined company with MarketWatch, including the potentially enhanced financial and competitive position;

Activities relating to the proposed merger and related uncertainties may divert the attention of Pinnacor's management from day-to-day business and cause disruptions among its employees and to its relationships with customers and business partners, thus detracting from the ability to grow revenue and minimize costs and possibly leading to a loss of revenue and market position that may not be able to be regained if the proposed merger does not occur;

The market price of Pinnacor common stock could decline following an announcement that the proposed merger has been abandoned, to the extent that the current market price reflects a market assumption that the transaction will be completed;

Pinnacor could be required to pay MarketWatch a termination fee and provide reimbursement to MarketWatch for certain incurred costs;

Pinnacor would remain liable for its costs related to the proposed merger, such as legal and accounting fees and financial advisory fees; or

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Pinnacor may not be able to take advantage of alternative business opportunities or effectively respond to competitive pressures.

*Pinnacor has a history of significant operating losses.*

Pinnacor has incurred operating losses in every quarter since Pinnacor began its current line of business in 1998 except in the third quarter of 2002 when Pinnacor reported an operating profit due to the non-recurring reversal of



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previously recorded restructuring charges. While Pinnacor's operating losses have narrowed in recent quarters, its ability to achieve profitability will depend on its ability to generate and sustain higher net sales while maintaining reasonable expense levels. Pinnacor cannot be certain that if it were to achieve profitability, it would be able to sustain or increase that profitability.

*Pinnacor does not have a proven track record of selling its new technology offerings.*

Pinnacor has developed and introduced new products and services that have a very limited track record. It is uncertain whether there will be a significant demand for Pinnacor's new products and services by either its current or prospective clients. If the investment Pinnacor has made in producing and selling these new products and services does not result in significant sales, Pinnacor's business may be materially adversely affected.

*Some of Pinnacor's customers are startup companies that pose credit risks and their failure to pay their bills has led to a loss of revenue for Pinnacor, a trend that may continue.*

While the majority of Pinnacor's customers are large and mid-sized enterprise customers, a number of its customers are smaller startup companies. Many of these companies have limited operating histories, operate at a loss and have limited cash reserves and limited access to additional capital. With some of these customers, Pinnacor has experienced difficulties collecting accounts receivable. As a result, Pinnacor's allowance for doubtful accounts as of June 30, 2003, December 31, 2002 and December 31, 2001 was approximately \$570,000, \$620,000 and \$1,130,000, respectively. While Pinnacor's bad debt expense has narrowed significantly in recent quarters, it may continue to encounter these difficulties in the future. If any significant part of Pinnacor's customer base were unable or unwilling to pay their fees for services and products provided by Pinnacor for any reason, Pinnacor's business would suffer.

*Losing major information providers may leave Pinnacor with insufficient information to retain and attract customers.*

Pinnacor does not generate original content or data and is therefore highly dependent upon third-party information providers. If Pinnacor were to lose several of its major information providers and were not able to obtain similar content or data from other sources, its services and products would be less attractive to existing and potential customers. In addition, Pinnacor cannot be certain that it will be able to license content or data from its current or new providers on favorable terms in the future, if at all.

*Pinnacor recently changed its name to Pinnacor Inc., a name that has no prior name recognition in its industry. If Pinnacor is unable to maintain its reputation and expand its name recognition, Pinnacor may have difficulty attracting new business and retaining current customers and employees, and Pinnacor's business may suffer.*

Pinnacor believes that establishing and maintaining a good reputation and name recognition is critical for attracting and retaining customers and employees. Pinnacor also believes that the importance of reputation and name recognition is increasing in the industries in which it operates, and will continue to increase. If Pinnacor's reputation is damaged or diminished because of Pinnacor's name change in October 2002, or if potential customers are not familiar with Pinnacor or the services Pinnacor provides, Pinnacor may be unable to attract new, or retain existing, customers and employees. Promotion and enhancement of Pinnacor's name will depend largely on Pinnacor's success in continuing to provide effective services. If customers do not perceive Pinnacor's services to be effective or of high quality, Pinnacor's brand name and reputation will suffer.



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*Pinnacor is effectively controlled by Pinnacor's executive officers and directors and the interests of these stockholders could conflict with your interests.*

Pinnacor's executive officers and directors, in the aggregate, currently beneficially own approximately 27% of Pinnacor's outstanding common stock. As a result, these stockholders, if acting together, would be able to exert considerable influence on any matters requiring approval by Pinnacor's stockholders, including the election of directors, amendments to its charter and bylaws and the approval of significant corporate transactions. The ownership position of these stockholders could delay, deter or prevent a change in control of Pinnacor and could adversely affect the price that investors might be willing to pay in the future for shares of its common stock.

*It may be difficult for a third party to acquire Pinnacor, which could depress its stock price.*

Delaware corporate law and Pinnacor's certificate of incorporation and bylaws contain provisions that could have the effect of delaying, deferring or preventing a change in control of the company that stockholders may consider favorable or beneficial. These provisions could discourage proxy contests and make it more difficult for Pinnacor stockholders to elect directors and take other corporate actions. These provisions could also limit the price that investors might be willing to pay in the future for shares of Pinnacor common stock. These provisions include:

a staggered board of directors, so that it would take three successive annual meetings to replace all directors;

prohibition of stockholder action by written consent;

advance notice requirements for the submission by stockholders of nominations for election to the board of directors and for proposing matters that can be acted upon by stockholders at a meeting; and

the requirement that Pinnacor obtain the affirmative vote of 80% of its outstanding shares of capital stock in order to approve certain business combinations with interested stockholders and to amend certain sections of its certificate of incorporation and bylaws.

*Pinnacor has not entered into confidentiality and invention assignment agreements with all of its employees.*

Pinnacor has entered into confidentiality and invention assignment agreements with many, but not all, of its employees and contractors, and nondisclosure agreements with many, but not all, of the parties Pinnacor does business with in order to limit access to and disclosure of Pinnacor's proprietary information. Pinnacor cannot assure you that such contractual arrangements or the other steps Pinnacor has taken will be sufficient to protect Pinnacor's intellectual property from infringement or misappropriation. Moreover, others may independently develop similar or superior technologies.

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**STATEMENTS REGARDING FORWARD-LOOKING INFORMATION**

The Securities and Exchange Commission encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This joint proxy statement-prospectus contains information about future expectations and plans of Holdco, MarketWatch and Pinnacor that constitute such forward-looking statements for purposes of the safe harbor provisions under the Private Securities Litigation Reform Act of 1995. These statements may include statements regarding the period following the completion of the merger, the expected timetable for completing the merger, the benefits and synergies of the proposed merger, future opportunities for the combined company and any other statements about future expectations, benefits, goals, plans or prospects.

Words such as anticipates, estimates, expects, projects, intends, plans, believes and words and terms of similar substance used in connection with any discussion of future operating or financial performance, or the merger of MarketWatch and Pinnacor, identify forward-looking statements. All forward-looking statements are based on present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. In addition to the risks related to the combined company, MarketWatch and Pinnacor, the factors relating to the merger and to the market price of the combined company's common stock discussed under Risk Factors, among others, could cause actual results to differ materially from those described in the forward-looking statements. These factors include: relative value of the Holdco common stock and the common stock of MarketWatch and Pinnacor, the ability to realize cost savings from the proposed merger, conflicts of interest of directors and executive officers of MarketWatch and Pinnacor in recommending the proposed merger, the ability of MarketWatch and Pinnacor to consummate the proposed merger and to successfully integrate their operations and employees, customer reaction to the announcement of the proposed merger, as well as the timely development and market acceptance of new and updated products and services of the combined company and the effect of competition on the combined company's business. Stockholders are cautioned not to place undue reliance on the forward-looking statements, which speak only of the date of this joint proxy statement-prospectus. None of MarketWatch, Pinnacor or Holdco is under any obligation, and each expressly disclaims any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

All subsequent forward-looking statements attributable to MarketWatch, Pinnacor or Holdco or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

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**THE SPECIAL MEETINGS**

**Joint Proxy Statement-Prospectus**

This joint proxy statement-prospectus is being furnished to you in connection with the solicitation of proxies by the boards of directors of MarketWatch and Pinnacor of the MarketWatch and Pinnacor stockholders in connection with the merger proposal and by the board of directors of Holdco of the MarketWatch and Pinnacor stockholders, as the future stockholders of Holdco after the completion of the merger, in connection with the equity plan proposals.

This joint proxy statement-prospectus is first being furnished to the stockholders of MarketWatch and Pinnacor on or about \_\_\_\_\_, 2003.

**Date, Time and Place of the Special Meetings**

The special meetings are scheduled to be held as follows:

MarketWatch.com, Inc.  
Special Stockholder Meeting  
, 2003 at \_\_\_\_\_ a.m., local time  
825 Battery Street  
San Francisco, CA 94111

Pinnacor Inc.  
Special Stockholder Meeting  
, 2003 at \_\_\_\_\_ p.m., local time  
601 West 26th Street, 13th Floor  
New York, NY 10001

**Purpose of the Special Meetings**

The special meetings are being held so that the stockholders of each of MarketWatch and Pinnacor may consider and vote upon a proposal to adopt the merger agreement for the merger of MarketWatch and Pinnacor. A new holding company, Holdco, has been formed and, upon completion of the merger, will own the businesses of MarketWatch and Pinnacor. Pursuant to the merger agreement, Maple Merger Sub, a wholly-owned subsidiary of Holdco, will merge with and into MarketWatch, with MarketWatch as the surviving corporation. Also pursuant to the merger agreement, Pine Merger Sub, another wholly-owned subsidiary of Holdco, will merge with and into Pinnacor, with Pinnacor as the surviving corporation. The combination of MarketWatch and Pinnacor through the MarketWatch merger and the Pinnacor merger is referred to as the merger in this joint proxy statement-prospectus. Upon the completion of the merger, MarketWatch and Pinnacor will become wholly-owned subsidiaries of Holdco. The adoption of the merger agreement will also constitute approval of the merger and the other transactions contemplated by the merger agreement. In addition, the purpose of the special meetings is to seek the approval of the MarketWatch and Pinnacor stockholders, as the future stockholders of Holdco after the completion of the merger, for the adoption of Holdco's 2003 stock incentive plan and 2003 employee stock purchase plan. Furthermore, any other business that may properly come before the special meetings or any adjournment or postponement of the special meetings will also be transacted at the respective special meetings.

If the stockholders of MarketWatch and Pinnacor adopt the merger agreement, upon the completion of the merger:

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MarketWatch stockholders will receive one share of Holdco common stock in exchange for each share of MarketWatch common stock they own; and

Pinnacor stockholders will receive either \$2.42 in cash or 0.2659 of a share of Holdco common stock in exchange for each share of Pinnacor common stock they own. Subject to the proration rules described in this joint proxy statement-prospectus, Pinnacor stockholders may elect to receive cash, Holdco common stock or a combination of both in exchange for their shares of Pinnacor common stock.

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In addition, if the stockholders of MarketWatch and Pinnacor adopt the equity plan proposals, Holdco's 2003 equity incentive plan and 2003 employee stock purchase plan will be effective upon the completion of the merger.

### **Stockholder Record Date for the Special Meetings**

*MarketWatch.* MarketWatch's board of directors has fixed the close of business on \_\_\_\_\_, 2003 as the record date for determination of the MarketWatch stockholders entitled to notice of and to vote at the MarketWatch special meeting. On the record date, there were \_\_\_\_\_ shares of MarketWatch common stock outstanding, held by approximately \_\_\_\_\_ holders of record.

*Pinnacor.* Pinnacor's board of directors has fixed the close of business on \_\_\_\_\_, 2003 as the record date for determination of the Pinnacor stockholders entitled to notice of and to vote at the Pinnacor special meeting. On the record date, there were \_\_\_\_\_ shares of Pinnacor common stock outstanding, held by approximately \_\_\_\_\_ holders of record.

### **Voting Rights**

*MarketWatch.* With respect to the merger and equity plan proposals, holders of MarketWatch common stock are entitled to one vote for each share of MarketWatch common stock held as of the record date for the special meeting. An automated system administered by MarketWatch's transfer agent will tabulate votes cast by proxy. A representative of MarketWatch's transfer agent will act as the inspector of elections for the MarketWatch special meeting and will tabulate the votes cast in person at the MarketWatch special meeting.

*Pinnacor.* With respect to the merger proposal, holders of Pinnacor common stock are entitled to one vote for each share of Pinnacor common stock held as of the record date for the special meeting. With respect to the equity plan proposal, holders of Pinnacor common stock whose shares are exchanged into Holdco common stock in the Pinnacor merger are entitled to 0.2659 of a vote for each such exchanged share and holders of Pinnacor common stock whose shares are exchanged into cash in the Pinnacor merger, whether by election of the Pinnacor stockholder or by the application of the proration rules described in this joint proxy statement-prospectus, are not entitled to a vote for each such exchanged share. ALL PINNACOR STOCKHOLDERS ARE ENCOURAGED TO VOTE ON THE MERGER AND THE EQUITY PLAN PROPOSALS, REGARDLESS OF WHETHER OR NOT A PINNACOR STOCKHOLDER ELECTS TO RECEIVE ALL CASH.

With respect to the merger proposal, an automated system administered by Pinnacor's transfer agent will tabulate votes cast by proxy, and a representative of Pinnacor's transfer agent will act as the inspector of elections for the Pinnacor special meeting and will tabulate the votes cast in person at the Pinnacor special meeting for the merger proposal. After the exchange agent determines which shares of Pinnacor common stock are exchanged into Holdco common stock in the Pinnacor merger, an automated system administered by Pinnacor's transfer agent will then tabulate the votes cast by those shares, whether by proxy or in person, with respect to the equity plan proposals.

### **Vote Needed for a Quorum, Effect of Abstentions and Broker Non-Votes**

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A quorum is required for stockholders of MarketWatch and Pinnacor to conduct business at the respective special meetings. The holders of a majority of the shares of MarketWatch common stock entitled to vote on the record date of the MarketWatch special meeting, present in person or represented by proxy, will constitute a quorum for the transaction of business at the MarketWatch special meeting. Similarly, the holders of a majority of the shares of Pinnacor common stock entitled to vote on the record date of the Pinnacor special meeting, present in person or represented by proxy, will constitute a quorum for the transaction of business at the Pinnacor special meeting.



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Under the Delaware General Corporation Law, as it relates to determining the presence of a quorum at the respective special meetings, abstaining votes and broker non-votes are counted as present and are, therefore, included for purposes of determining whether a quorum of shares is present. An abstention is counted as a share present and entitled to be voted at the respective special meetings and will have the same effect as a no vote with respect to the merger proposal but will have no effect on the vote with respect to the equity plan proposals. A broker non-vote occurs when a broker or nominee holding shares for a beneficial owner does not vote on a particular matter because the broker or nominee does not have the discretionary voting power with respect to that matter and has not received instructions from the beneficial owner. With respect to the proposals to be presented and voted upon at both the MarketWatch and Pinnacor special meetings, a broker or nominee who holds shares for a beneficial owner is prohibited from giving a proxy to vote the beneficial owner's shares without instructions from the beneficial owner. As a result, a broker non-vote will have the same effect as a no vote with respect to the merger proposal but will have no effect on the vote with respect to the equity plan proposals.

### **Vote Required for Adoption of the Merger and Equity Plan Proposals**

#### *Merger Proposal*

*MarketWatch.* The affirmative vote of a majority of the outstanding shares of the MarketWatch common stock entitled to vote on the record date is required to adopt the merger agreement and the transactions contemplated by the merger agreement. See page 112 for a discussion about the voting and waiver agreement that Pinnacor entered into with CBS and Pearson pursuant to which CBS and Pearson agreed to vote their shares of MarketWatch common stock in favor of approval of the merger agreement, the MarketWatch merger and the issuance of shares of Holdco common stock in the Pinnacor merger. As of the record date, CBS and Pearson owned approximately % of the outstanding shares of MarketWatch common stock entitled to vote at the MarketWatch special meeting.

*Pinnacor.* The affirmative vote of a majority of the outstanding shares of the Pinnacor common stock entitled to vote on the record date is required to adopt the merger agreement and the transactions contemplated by the merger agreement. See page 111 for a discussion about the voting agreements that MarketWatch entered into with certain significant stockholders, executive officers and directors of Pinnacor and their affiliates, pursuant to which the signatories to the voting agreement agreed to vote in favor of the merger agreement, the Pinnacor merger and the transactions contemplated by the Pinnacor merger. As of the record date, the signatories to the voting agreements owned approximately % of the outstanding shares of Pinnacor common stock entitled to vote at the Pinnacor special meeting.

#### *Equity Plan Proposals*

The affirmative vote of a majority of the combined number of shares of the MarketWatch common stock, represented in person or by proxy, at the MarketWatch special meeting and the Pinnacor common stock, represented in person or by proxy, at the Pinnacor special meeting that are exchanged into shares of Holdco common stock in connection with the Pinnacor merger, on an as converted to Holdco common stock basis, is required for the adoption of Holdco's 2003 stock incentive plan and 2003 employee stock purchase plan.

### **Method of Voting**

Both MarketWatch and Pinnacor stockholders are being asked to vote the shares held directly in their name as stockholders of record and any shares they hold in street name as beneficial owners. Shares held in street name are shares held by a broker, dealer, bank or other financial

institution.

The method of voting differs for the shares held as a record holder and the shares held in street name. Record holders will receive proxy cards. Holders of shares in street name will receive voting instruction cards in order to instruct their nominees on how to vote.

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YELLOW proxy cards and voting instruction cards are being solicited on behalf of the MarketWatch board of directors from MarketWatch stockholders of record in favor of the merger proposal and from the Holdco board of directors from MarketWatch stockholders in favor of the equity plan proposals.

WHITE proxy cards and voting instruction cards are being solicited on behalf of the Pinnacor board of directors from Pinnacor stockholders in favor of the merger proposal and from the Holdco board of directors from Pinnacor stockholders in favor of the equity plan proposals.

MarketWatch and Pinnacor stockholders may also vote by proxy by using the telephone. For specific instructions on how to use the telephone to vote by proxy for the MarketWatch or Pinnacor special meeting, please refer to the instructions on your proxy card.

If you are a stockholder of record, you may also vote in person at your respective MarketWatch or Pinnacor special meeting. If you hold shares in street name, you may not vote in person at your respective MarketWatch or Pinnacor special meeting unless you obtain a signed proxy from the record holder giving you the right to vote the shares. You will also need to present photo identification and comply with the other procedures described in Special Meeting Admission Procedures on page 57 below.

Stockholders may receive more than one set of voting materials, including multiple copies of this joint proxy statement-prospectus and multiple proxy cards or voting instruction cards. For example, stockholders who hold shares in more than one brokerage account will receive a separate voting instruction card for each brokerage account in which shares are held. MarketWatch and Pinnacor stockholders of record whose shares are registered in more than one name will receive more than one YELLOW or WHITE proxy card, as the case may be. In addition, stockholders who own shares of both MarketWatch and Pinnacor common stock will receive a YELLOW and WHITE proxy card from both MarketWatch and Pinnacor.

**READ THE VOTING INSTRUCTION CARD AND PROXY CARD CAREFULLY. A STOCKHOLDER SHOULD EXECUTE ALL THE PROXY CARD(S) AND VOTING INSTRUCTION CARD(S) RECEIVED IN ORDER TO MAKE SURE ALL OF YOUR SHARES ARE VOTED.**

## **Grant of Proxies**

All shares of MarketWatch common stock represented by properly executed proxies or voting instruction cards received before or at the MarketWatch special meeting and all shares of Pinnacor common stock represented by properly executed proxies or voting instruction cards received before or at the Pinnacor special meeting will, unless the proxies or voting instructions are revoked, be voted in accordance with the instructions indicated on those proxies or voting instruction cards. If no instructions are indicated on a properly executed proxy card or voting instruction card, the shares will be voted FOR the adoption of: (A) the merger agreement and the transactions contemplated by the merger agreement, (B) Holdco's 2003 stock incentive plan, and (C) Holdco's 2003 employee stock purchase plan. You are urged to mark the boxes on the proxy card or the voting instruction cards, as the case may be, to indicate how to vote your shares.

Neither MarketWatch nor Pinnacor expects that any matter other than the adoption of (A) the merger agreement and the transactions contemplated by the merger agreement, (B) Holdco's 2003 stock incentive plan, and (C) Holdco's 2003 employee stock purchase plan will be brought before its special meeting. If, however, other matters are properly presented, the persons named as proxies will vote in accordance with their judgment with respect to those matters, unless authority to do so is specifically withheld on the proxy card or the voting instructions card,

as the case may be.

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### **Revocation of Proxies**

A stockholder may revoke his or her proxy at any time before it is voted by:

if you are a record holder of MarketWatch common stock or Pinnacor common stock:

if you are a MarketWatch stockholder, notifying in writing the Secretary of MarketWatch at 825 Battery Street, San Francisco, CA 94111;

if you are a Pinnacor stockholder, notifying in writing the Secretary of Pinnacor at 601 West 26th Street, 13th Floor, New York, NY 10001;

granting, signing and returning by mail a subsequently dated proxy or by using the telephone voting procedures; or

appearing in person and voting at the special meeting.

if you hold the shares of MarketWatch common stock or Pinnacor common stock in street name, that is, with a broker, dealer, bank or other financial institution, follow the instructions from such nominee on how to revoke or modify your voting instructions.

Attendance at the respective special meeting will not in and of itself constitute revocation of a proxy.

### **Solicitation of Proxies**

MarketWatch and Pinnacor will equally share the expenses incurred in connection with the printing and mailing of this joint proxy statement-prospectus. MarketWatch and Pinnacor will also request banks, brokers and other intermediaries holding shares of MarketWatch or Pinnacor common stock beneficially owned by others to send this joint proxy statement-prospectus to, and obtain proxies from, the beneficial owners and will reimburse the holders for their reasonable expenses in so doing, for which the costs are not anticipated to exceed \$25,000. Solicitation of proxies by mail may be supplemented by telephone, telegram and other electronic means, advertisements and personal solicitation by the directors, officers or employees of MarketWatch and Pinnacor. No additional compensation will be paid to directors, officers or employees of MarketWatch and Pinnacor for such solicitation.

### **Postponement or Adjournment of Meeting**

In the event that sufficient votes in favor of the merger and equity plan proposals are not received by the date of either the MarketWatch or Pinnacor special meeting, the persons named as proxies may propose one or more postponements or adjournments of either special meeting to permit further solicitation of proxies. Any such postponement or adjournment would require the affirmative vote of the majority of the outstanding shares, present in person or represented by proxy, at the respective special meetings. If you choose to vote by proxy, the proxy card

you submit will continue to be valid at any postponement or adjournment of either special meeting.

**Special Meeting Admission Procedures**

You should be prepared to present photo identification for admittance at either the MarketWatch or Pinnacor special meeting. In addition, if you are a record holder of either MarketWatch or Pinnacor common stock, your name is subject to verification against the list of record holders of the MarketWatch or Pinnacor common stock, as the case may be, on the record date prior to being admitted to the special meeting. If you are not a record holder but hold shares in street name, that is, with a broker, dealer, bank or other financial institution that serves as your nominee, you should be prepared to provide proof of beneficial ownership on the record date, such as your most recent account statement prior to the record date, or similar evidence of ownership. If you do not provide photo identification or comply with the other procedures outlined above upon request, you will not be admitted to the special meeting.

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**THE MERGER**

*This section of the joint proxy statement-prospectus describes certain material aspects of the merger. While we believe that the following description covers the material terms of the merger, this summary may not contain all of the information that is important to you. You should carefully read this entire joint proxy statement-prospectus including the section titled "The Merger Agreement" and the other documents to which we refer for a more complete understanding of the merger.*

**Background of the Merger**

In early March 2002, Kirk Loevner, Chief Executive Officer of Pinnacor, requested a meeting with Larry Kramer, Chief Executive Officer of MarketWatch, and Bill Bishop, Executive Vice President and General Manager of MarketWatch, in MarketWatch's offices in San Francisco, California, to discuss possible ways to collaborate on and share branded content.

On March 6, 2002, Mr. Loevner met Messrs. Kramer and Bishop at MarketWatch's offices in San Francisco and discussed the progress of Pinnacor's business and the marketplace environment of both companies. The meeting addressed several possible collaboration opportunities between MarketWatch and Pinnacor and the potential for a broader relationship between MarketWatch and Pinnacor, including MarketWatch's purchase of some or all of Pinnacor's business, Pinnacor acquiring MarketWatch's licensing division, and creating a strategic partnership between the two companies. Following the meeting, various discussions regarding a potential acquisition of Pinnacor by MarketWatch continued from time to time during the next several months between Messrs. Loevner and Kramer and other representatives of the companies.

In August 2002, MarketWatch and Pinnacor entered into a non-disclosure agreement to facilitate the exchange of confidential and proprietary information. Following execution of the non-disclosure agreement, Mr. Loevner and David Obstler, Chief Financial Officer of Pinnacor, led a presentation regarding Pinnacor's business to MarketWatch's management team in New York. On September 9, 2002, Messrs. Loevner and Obstler made a similar presentation in New York City to Peter Glusker, a member of MarketWatch's board of directors and a member of MarketWatch's M&A committee. These meetings were intended to explore the level of mutual interest in a potential acquisition of Pinnacor by MarketWatch.

On October 22, 2002, Messrs. Loevner and Kramer and Kathleen Yates, President and Chief Operating Officer of MarketWatch, had a lunch meeting at MarketWatch's San Francisco offices, to discuss a possible acquisition of Pinnacor by MarketWatch and the strategic fit of MarketWatch and Pinnacor.

From November 2002 until March 2003, discussions between MarketWatch and Pinnacor continued, including discussions about relative valuations and price.

In the three years since its initial public offering, Pinnacor has pursued a broad range of corporate and strategic developments, including both internal development and a focus on external opportunities. Such focus resulted in Pinnacor's successful acquisition of Stockpoint in August 2001 and Inlumen in November 2002 and their subsequent successful integration with other Pinnacor businesses.

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In December 2002, Pinnacor submitted a bid for a real-time financial information service that was being sold by a major financial information company. In conjunction with the bid, Pinnacor had discussions with a private equity firm regarding a potential investment in convertible equity of the combined entity. At this time, in order to allow Pinnacor's senior management to benefit from the knowledge and experience in the area of mergers and acquisitions of certain members of Pinnacor's board of directors, Pinnacor's M&A committee was established with James Robinson, David Hodgson and Kevin O'Connor as members. While originally formed in connection with this December 2002 acquisition bid, the M&A committee's charge was expanded to all merger and acquisition activity. The smaller size and extensive experience of its members, Pinnacor believes, allowed the Pinnacor M&A committee to reduce logistical burdens in scheduling meetings and to be more responsive to the transaction process. The financial information company ultimately accepted a bid from another bidder.



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In January 2003, Mr. Kramer contacted Mr. Loevner; in response to Pinnacor's expressed willingness to consider an acquisition proposal. Mr. Kramer presented the broad terms of a transaction, including a preliminary indication of price. Mr. Loevner, following the determination by Pinnacor's board of directors that MarketWatch's preliminary indication of price (which was deemed by Pinnacor's board of directors to be in the range of \$1.62-\$1.75 per outstanding share of Pinnacor common stock) was insufficient, contacted Mr. Kramer to report that this preliminary indication of price would not be acceptable.

During January and February 2003, MarketWatch conducted a preliminary financial due diligence review of Pinnacor, which included a conference call between the management teams on February 12, 2003, to assess the possible synergies and growth opportunities that could be generated from a potential business combination.

In January, February and March 2003, Pinnacor received a number of expressions of interest from private equity companies in going private type transactions. No formal offers were solicited or received.

In addition, in February 2003, after receipt of an inquiry regarding a potential business combination, Pinnacor conducted a due diligence session with another company in the industry, referred to as the Other Bidder. Further meetings and due diligence sessions with the Other Bidder took place in February and March 2003.

In mid-February and March 2003, Pinnacor also submitted proposals to acquire three companies in the financial planning and wealth management software sector.

On February 21, February 25 and March 21, 2003, MarketWatch's management team held various teleconference meetings with MarketWatch's M&A committee, which consists of Peter Glusker, Robert Lessin and Philip Hoffman, and discussed general due diligence and valuation matters relating to a proposed combination with Pinnacor. At the March 21 meeting, MarketWatch's management team made a presentation to the MarketWatch M&A committee generally outlining the rationale for a proposed combination with Pinnacor.

On February 24, 2003, the Pinnacor board of directors held a meeting and, among other business matters reviewed, discussed the progress with MarketWatch as well as the possibility of Pinnacor acquiring companies in the financial planning and wealth management software sector in addition to those for which bids had already been made.

On March 14, 2003, Pinnacor met with a representative of an investment banking firm to discuss a range of possible merger and acquisition alternatives, both as buyer and seller.

On March 24, 2003, Pinnacor received an acquisition offer of \$1.50 per share from the Other Bidder. Pinnacor's board of directors rejected the terms of this offer as inadequate. Also, on March 24, 2003, Pinnacor received a preliminary, non-binding proposal of \$2.00 per share from MarketWatch, along with a draft of a proposed confidentiality and exclusivity agreement.

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On March 26, 2003, the Pinnacor board of directors received an update from Messrs. Loevner and Obstler on several possible transactions, including the transaction with MarketWatch, a possible transaction with the Other Bidder and the concept of a going private transaction.

On March 31, 2003, the Pinnacor M&A committee met with Messrs. Loevner and Obstler to discuss possible strategies going forward, and determined to engage a financial advisor to assist Pinnacor in the process. Pinnacor subsequently retained Citigroup to act in such capacity on April 17th.

On April 2, 2003, Bill Ford and Mr. Hodgson, Managing Members of General Atlantic Partners, LLC, an affiliate of Pinnacor's largest stockholders (General Atlantic Partners 69, L.P., GAP Coinvestment Partners II, L.P. and GapStar, LLC.) met with Mr. Kramer to discuss the March 24, 2003 non-binding proposal from

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MarketWatch and to discuss the range of stock and cash consideration to be paid by MarketWatch in a possible acquisition of Pinnacor. Following these discussions, on April 4, 2003, Pinnacor delivered to MarketWatch a counter-proposal that proposed an acquisition for approximately 5.5 to 6.0 million shares of MarketWatch common stock, plus cash in the amount of \$48.5 million, and the payment by MarketWatch of Pinnacor's transaction costs.

On April 7, 2003, MarketWatch retained UBS Securities LLC (formerly UBS Warburg LLC) to serve as its financial advisor in connection with an acquisition of Pinnacor.

On April 9, 2003, MarketWatch made a revised proposal whereby Pinnacor would be acquired for approximately 5.5 to 6.0 million shares of MarketWatch common stock, plus cash in the amount of Pinnacor's cash balance at closing net of Pinnacor's transaction costs and outstanding debt. Although Pinnacor did not accept this proposal, the parties decided to move forward with due diligence and merger discussions, with an understanding that economic terms would be reconsidered at a later date.

In early April 2003, Pinnacor received a counter-offer from one of the companies in the financial planning and wealth management software sector for which Pinnacor had submitted a bid. The counter-offer sought materially different terms, which were not acceptable to Pinnacor, and Pinnacor declined to rebid. The selling company subsequently accepted a bid from another bidder. In mid-April 2003, negotiations resulting from another one of Pinnacor's bids to acquire a company in the financial planning and wealth management software sector were terminated by Pinnacor.

On April 28, 2003, MarketWatch's M&A committee held a telephonic meeting to discuss the status of the possible acquisition of Pinnacor by MarketWatch.

On April 30, 2003, Messrs. Loevner and Kramer met in New York to further discuss the process, valuations and related matters surrounding a possible acquisition of Pinnacor by MarketWatch.

On May 1, 2003, MarketWatch and Pinnacor entered into a confidentiality and exclusivity agreement, after which representatives of MarketWatch made a presentation to Pinnacor regarding its business model, strategy, operations and financial results. The same day, MarketWatch's board of directors held a regularly scheduled board meeting in New York during which MarketWatch management made a presentation regarding Pinnacor's business model, strategy and operations, after which the MarketWatch board discussed the possibility of a proposed combination with Pinnacor.

After entering into the confidentiality and exclusivity agreement on May 1, 2003, Pinnacor and MarketWatch, together with their respective legal, financial and accounting advisors, conducted extensive due diligence, which continued through the signing of the definitive merger agreement at the end of July 2003.

On May 12, 2003, Messrs. Loevner and Kramer and Ms. Yates met in MarketWatch's San Francisco offices to discuss possible integration scenarios and to identify potential issues that would need to be resolved in order to complete the proposed business combination.

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On May 13, 2003, Messrs. Loevner and Obstler, and William Staib, Executive Vice President, Technology, and Rowan Hajaj, Vice President, Corporate Development of the Pinnacor management team made a presentation in Monterey, California, to Messrs. Kramer and Bishop, Ms. Platt; Ms. Yates; Doug Appleton, General Counsel; Scott Kinney, Executive Vice President, Licensing; and James Thingelstad, Chief Technology Officer of the MarketWatch management team, along with MarketWatch's financial advisor, regarding Pinnacor's business model, strategy, operations and financial results. Pinnacor's financial advisor was also present at that meeting.

On May 15 and 16, 2003, Ms. Yates, Ms. Platt and Joe Brichler, Controller of MarketWatch, along with MarketWatch's financial advisor, met with Messrs. Obstler and Hajaj and Robert Peck, Controller of Pinnacor, along with Pinnacor's financial advisor, in New York, NY, to review and discuss financial and business due diligence.

On May 29 and 30, 2003, as part of Pinnacor's due diligence of MarketWatch, MarketWatch representatives made a presentation to Pinnacor representatives, including Pinnacor's financial advisor, in San Francisco,

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regarding its business model, strategy, operations and financial results. MarketWatch's financial advisor was also present at that meeting.

On May 31, 2003, the parties amended the May 1, 2003 confidentiality and exclusivity agreement to provide for an extension of the exclusivity period from May 31, 2003 until June 29, 2003.

In June 2003, Pinnacor made a second bid for one of the companies in the financial planning and wealth management software sector for which it had originally bid in March 2003. This bid was ultimately rejected in early July 2003. Also, in June 2003, in addition to the three bids made for the financial planning and wealth management software companies, Pinnacor submitted a bid for the financial information division of a large media company in the first round of an auction process, but after further due diligence did not submit a second round bid.

Also in June 2003, Mr. Loevner's office received a call from the assistant to an executive at another financial information company requesting a meeting with Pinnacor to discuss a potential transaction. Due to Pinnacor's confidentiality and exclusivity obligations to MarketWatch, Mr. Loevner did not respond to this inquiry.

On June 6, 2003, a meeting was held in San Francisco where Mr. Kramer and Ms. Yates made a presentation to Messrs. Loevner and Hodgson regarding MarketWatch's business model, strategy, operations and financial results. Also, on June 6, 2003, Mr. Loevner met separately with Mr. Kramer to discuss the progress of discussions and issues related to accomplishing a transaction.

On June 17, 2003, MarketWatch's M&A committee held a telephonic meeting to discuss the status of the possible acquisition of Pinnacor by MarketWatch.

On June 18, 2003, the Pinnacor board of directors held a meeting with Pinnacor's management and financial advisor to discuss the status of the mutual due diligence process. At this meeting, the Pinnacor board of directors authorized continued discussions with MarketWatch regarding the proposed business combination.

On June 26 and 27, 2003, MarketWatch's M&A committee held telephonic meetings to discuss the status of negotiations of the proposed transaction and to meet with MarketWatch's management and its financial and legal advisors. MarketWatch's management reviewed with MarketWatch's M&A committee the strategic rationale for the merger and the results of management's business, operations, risk management, financial, accounting, regulatory and legal due diligence investigation of Pinnacor and responded to questions by MarketWatch's M&A committee. After receiving approval from its M&A committee, MarketWatch provided Pinnacor with a written non-binding preliminary proposal setting forth proposed terms for an acquisition of Pinnacor. The terms included proposed consideration of approximately 5.75 million shares of MarketWatch common stock, plus cash in the amount of \$42.9 million.

From June 27 to July 9, 2003, MarketWatch and Pinnacor discussed the valuation of Pinnacor, including the assumptions underlying their respective valuations. MarketWatch and Pinnacor also reviewed and discussed the results of their respective preliminary analyses of the business combination, including the potential strategic synergies of the business combination and business integration of the combined company.

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On July 1, 2003, the Pinnacor M&A committee held a telephonic meeting with Pinnacor's management and legal and financial advisors to discuss the proposal delivered by MarketWatch on June 27, 2003. At this meeting, Pinnacor's financial advisor reviewed with the Pinnacor M&A committee financial aspects of MarketWatch's proposal. After full discussion, the Pinnacor board of directors rejected MarketWatch's proposal as inadequate.

On July 8, 2003, MarketWatch representatives made a presentation to Pinnacor's board of directors regarding its business model, strategy, operations and financial results. Following the presentation, Pinnacor submitted a written counter-proposal which proposed an acquisition by MarketWatch of Pinnacor for approximately 6.9 million shares of MarketWatch common stock, plus cash in the amount of \$46.5 million.

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On July 9, 2003, MarketWatch's board of directors held a telephonic meeting to discuss the status of negotiations of the proposed transaction and to meet with MarketWatch's management and its financial and legal advisors. MarketWatch's management reviewed with MarketWatch's board of directors the strategic rationale for the merger and responded to questions by MarketWatch's board of directors. After receiving approval from its board of directors, MarketWatch rejected Pinnacor's July 8, 2003 counter-proposal and submitted a revised written proposal to acquire Pinnacor for approximately 6.25 million shares of MarketWatch common stock, plus cash in an amount equal to Pinnacor's cash balance at closing, net of transaction costs and outstanding debt.

On July 11, 2003, Pinnacor's M&A committee held a telephonic conference call with Messrs. Loevner and Obstler and Pinnacor's legal and financial advisors to discuss the status of negotiations of the proposed transaction and next steps.

On July 12, 2003, MarketWatch and its legal counsel delivered a draft merger agreement for the proposed transaction to Pinnacor and its representatives. From July 12, 2003 through July 22, 2003, MarketWatch, Pinnacor and their representatives negotiated the terms of the merger agreement and ancillary agreements and continued to perform their respective due diligence investigations.

On July 16, 2003, Pinnacor rejected MarketWatch's July 9, 2003 price proposal, and based on extensive discussions regarding Pinnacor's expected closing cash balance and other valuation matters, communicated a counter-proposal of approximately 6.6 million shares of MarketWatch common stock, plus cash in the amount of \$45.4 million. MarketWatch subsequently notified Pinnacor that its counter-offer was not accepted.

On July 17, 2003, after further price negotiations, in particular relating to the cash portion of the consideration, MarketWatch agreed to acquire Pinnacor for approximately 6.5 million shares of common stock, plus cash in the amount of \$44 million, subject to approval of the boards of directors of MarketWatch and Pinnacor. The parties agreed to negotiate the other transaction terms as part of the process of reaching agreement on definitive acquisition documents.

On July 18, 2003, MarketWatch's board of directors held a telephonic meeting to discuss the status of negotiations of the proposed transaction and to meet with MarketWatch's management and its financial and legal advisors to discuss the current terms of the proposed merger. Following these discussions, MarketWatch's board of directors approved proceeding with the negotiations of the proposed transaction on the terms then under discussion.

Also on July 18, the Pinnacor M&A committee held a telephonic meeting with Pinnacor's management and legal and financial advisors to discuss MarketWatch's current proposal and the status of negotiations. After full discussion, the Pinnacor M&A committee authorized Pinnacor's management and advisors to continue negotiations with MarketWatch regarding the proposed transaction.

From July 18 through July 22, 2003, MarketWatch and Pinnacor and their representatives continued to exchange revised drafts of the merger agreement and ancillary agreements, and participated in a series of conference calls in which they extensively negotiated the final terms of such agreements, subject to approval of the boards of directors of MarketWatch and Pinnacor. In the course of such negotiations, among other things, the merger consideration was agreed to, the representations and warranties made by Pinnacor were narrowed, the restrictions on the conduct of Pinnacor's business were refined, the conditions to the completion of the proposed merger and the provisions regarding termination of the merger agreement were limited, the amount of the termination fee was reduced and the events triggering payment of such fees were limited and the consequences of termination and the terms and delivery of the voting agreements were finalized.

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On the morning of July 22, 2003, Pinnacor's board of directors held a telephonic meeting to discuss the status of negotiations of the proposed transaction and to meet with Pinnacor's senior management and legal and financial advisors. Members of Pinnacor's senior management and Pinnacor's advisors discussed with the



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Pinnacor board of directors the results of their business, operations, financial, accounting, regulatory, legal and other due diligence review of MarketWatch and reviewed the terms and conditions of the merger agreement that had been negotiated. Pinnacor's legal advisors made a presentation concerning the fiduciary duties under applicable law of Pinnacor's directors in considering the proposed business combination with MarketWatch. Pinnacor's legal advisors also outlined the major legal provisions of the transaction, including stockholder approval and restrictions to be imposed on Pinnacor by the no shop provision. A written copy of the summary of the terms of the merger agreement and the voting agreements, which had been distributed to each director, together with complete drafts of such documents, prior to the meeting, was reviewed. Also at this meeting, Citigroup reviewed with the Pinnacor board of directors its financial analysis of the Pinnacor merger consideration and informed the Pinnacor board of directors that, assuming no material changes in the transaction, it would be in a position to render to the Pinnacor board of directors in connection with the execution of the merger agreement an opinion as to the fairness, from a financial point of view, of the Pinnacor merger consideration to be received by holders of Pinnacor common stock. Citigroup's opinion was subsequently delivered to the Pinnacor board of directors that evening when the merger agreement was executed.

Pinnacor's board of directors engaged in extensive discussion and consideration of the proposed transaction, the potential alternatives to the transaction and the benefits and risks of entering into the merger agreement, including the possible effect on Pinnacor's existing business, compared to continuing as a stand alone entity. After full deliberation, the Pinnacor board of directors resolved (i) that it was advisable, consistent with and in furtherance of the long-term business strategy of Pinnacor, and fair to, and in the best interests of, Pinnacor and its stockholders, for Pinnacor to enter into a strategic business combination with MarketWatch upon the terms and subject to the conditions of the merger agreement, (ii) to approve and adopt the merger agreement and the transactions contemplated by the merger agreement, and (iii) to recommend that the Pinnacor stockholders approve and adopt the merger agreement and the transactions contemplated by the merger agreement.

On July 22, 2003, MarketWatch's board of directors held a telephonic meeting to review the proposed terms of the merger and the merger agreement and voting agreements. MarketWatch's General Counsel described in detail to MarketWatch's board of directors the terms of the merger agreement and ancillary agreements and advised MarketWatch's board of directors of the legal standards applicable to their consideration of the proposed business combination with Pinnacor. A written copy of the summary of the terms of the merger agreement and the voting agreements, which had been distributed to each director prior to the meeting, together with complete drafts of such documents, was reviewed. Following that presentation, UBS made a presentation and explained their fairness opinion letter to MarketWatch's board of directors. After making its presentation and answering the questions of the board, UBS informed MarketWatch's board of directors that, assuming no material changes in the transaction, it would render to MarketWatch's board of directors in connection with the execution of the merger agreement an opinion as to the fairness to MarketWatch, from a financial point of view, of the consideration to be paid by Holdco to the holders of Pinnacor common stock in the transaction. After further deliberation with MarketWatch management and its advisors, MarketWatch's board of directors resolved (i) that it was advisable and in the best interests of MarketWatch and its stockholders to enter into a strategic combination with Pinnacor in order to advance the long-term strategic business interests of MarketWatch upon the terms and subject to the conditions set forth in the merger agreement, (ii) to approve and adopt the merger agreement and the transactions contemplated by the merger agreement, and (iii) to recommend that the MarketWatch stockholders approve and adopt the merger agreement and the transactions contemplated by the merger agreement. UBS's opinion was subsequently delivered to MarketWatch's board of directors following execution of the merger agreement.

In the evening of July 22, 2003, MarketWatch and Pinnacor signed the merger agreement and related agreements.

Also in the evening of July 22, 2003, MarketWatch and certain Pinnacor stockholders entered into voting agreements pursuant to which those Pinnacor stockholders each agreed to vote their shares of Pinnacor common stock, representing in the aggregate approximately 27% of the outstanding Pinnacor common stock, in favor of the proposed business combination. In addition, Pinnacor and CBS and Pearson, holders of approximately 65%

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of MarketWatch's outstanding common stock, entered into a voting and waiver agreement to vote in favor of the proposed business combination and to waive their participation rights to purchase additional MarketWatch securities to maintain their respective percentage ownership.

On July 23, 2003, MarketWatch and Pinnacor issued a joint press release announcing the transaction.

### **Recommendation of the MarketWatch Board of Directors; MarketWatch's Reasons for the Merger with Pinnacor**

At a meeting held on July 22, 2003, the MarketWatch board of directors unanimously:

determined that it was advisable and in the best interests of MarketWatch and its stockholders to enter into a strategic combination with Pinnacor in order to advance the long-term strategic business interests of MarketWatch upon the terms and subject to the conditions set forth in the merger agreement;

approved and adopted the merger agreement and the transactions contemplated by the merger agreement;

determined to recommend to the MarketWatch stockholders that they approve and adopt the merger agreement and the transactions contemplated by the merger agreement; and

directed that a special meeting of stockholders be called for the purpose of approving the MarketWatch merger and the issuance of Holdco common stock to the Pinnacor stockholders in connection with the Pinnacor merger.

Throughout the process, the MarketWatch board of directors consulted with MarketWatch's senior management, its legal advisors, including its General Counsel and its outside legal counsel, and its financial advisor, and considered the following material information and factors in reaching its determination to approve the merger with Pinnacor:

the reasons set forth below for why MarketWatch's board of directors believes that the merger is expected to be beneficial to MarketWatch and its stockholders;

the merger consideration, including the premium to be paid for each share of Pinnacor common stock, as well as the approximate 74% ownership interest in the combined company to be held by MarketWatch's stockholders;

presentations by senior members of MarketWatch's management regarding the strategic advantages of combining with Pinnacor, operational aspects of the transaction and the results of management's operational and legal due diligence review;

the MarketWatch board of directors' knowledge of MarketWatch and the industries in which MarketWatch competes and its belief that the combined company will have increased business opportunities as a result of the merger;

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the strength of the management team of the combined company;

current financial market conditions and historical market prices, volatility and trading information with respect to MarketWatch and Pinnacor common stock;

the view of MarketWatch's management as to the financial condition, results of operations, businesses prospects, operations technology, management and competitive position of MarketWatch and Pinnacor before and after giving effect to the merger with Pinnacor based on management's due diligence and publicly available reports filed with the Securities and Exchange Commission;

the strategic fit of MarketWatch and Pinnacor, including the belief that the merger with Pinnacor has the potential to enhance stockholder value through the numerous growth opportunities and synergies resulting from combining the two companies complementary strengths and assets, including additional opportunities for growth in customer base, penetration of new market segments, cross-promotions and operating efficiencies;

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the opportunities and alternatives available to MarketWatch if the merger with Pinnacor were to not be undertaken, including pursuing an acquisition of, or business combination or joint venture with, entities other than Pinnacor;

the opportunities and alternatives available to Pinnacor if the merger with MarketWatch were to not be undertaken, including an acquisition of or combination with Pinnacor by a MarketWatch competitor;

the analyses and presentation of UBS on the financial aspects of the proposed merger and their written opinion to the effect that, as of July 22, 2003, and based on and subject to various assumptions, matters considered and limitations described in its opinion, the consideration to be paid to holders of Pinnacor common stock was fair, from a financial point of view, to MarketWatch, a copy of UBS's written opinion is attached to this joint proxy statement-prospectus as Annex B;

the terms and conditions of the merger agreement, including the fact that the exchange ratio and the cash consideration for each share of Pinnacor common stock are fixed, the voting agreements with certain significant stockholders, executive officers and directors of Pinnacor and their affiliates to vote in favor of the merger with MarketWatch, the limitations on the interim business operations of each of MarketWatch and Pinnacor, the conditions to consummation of the merger, the circumstances under which the merger agreement could be terminated and the size and impact of the termination and expense fees associated with a termination, as well as the advice of MarketWatch's financial and legal advisors that these provisions were reasonable in the context of the transaction;

the corporate governance arrangements established for the combined company, including the board composition and designation of key senior management, as well as the establishment of an integration committee, which are designed to promote the smooth integration of the businesses;

the likelihood of the completion of the merger with Pinnacor;

the expected tax treatment of the merger with Pinnacor for U.S. federal income tax purposes;

the interests of the officers and directors of MarketWatch and Pinnacor in the merger, including the matters described under "Interests of Certain MarketWatch Directors and Executive Officers in the Merger," beginning on page 83; and

the impact of the merger on MarketWatch's stockholders, customers and employees.

In consideration of the above factors, the MarketWatch board of directors believes that the merger with Pinnacor will create a combined company that is a market-leading provider of online business news and financial applications to organizations in numerous industries, including banking, brokerage and media. By combining MarketWatch's premium-branded news, tools and charting capabilities with Pinnacor's broad set of financial applications and extensive customization and integration capabilities, the combined company is expected to be able to advance the strategic goals of MarketWatch and Pinnacor and will provide the potential for stronger operating and financial results than either company could achieve on its own.

The MarketWatch board of directors believes the following are key specific reasons that the merger of MarketWatch and Pinnacor will be beneficial to MarketWatch and in the best interests of its stockholders:

MarketWatch expects to be able to offer existing customers of each company new product offerings by selling MarketWatch news to existing Pinnacor customers and selling Pinnacor tools to existing MarketWatch customers. This cross-selling activity is expected to

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contribute to the improvement of MarketWatch's licensing business;

MarketWatch expects its ability to develop and bring new products and services to market and to further develop and improve existing products and services will, over time, be enhanced by the addition of Pinnacor's engineering, development and technical staff;

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MarketWatch expects to be able to realize cost savings through the elimination of redundant expenses in content provider and other agreements, data center operations and public company expenses, as well as through the elimination of some overlapping staff positions;

MarketWatch expects that the combined company will be able to compete more effectively in a rapidly changing and expanding, as well as highly competitive, environment;

MarketWatch expects the merger to position the combined company to execute a long-term goal of licensing news and information services to financial services firms and institutional users;

MarketWatch expects to gain entry into a new business opportunity in providing content and tools to wireless access providers; and

MarketWatch expects to also gain new distribution outlets for its news product through corporate portals and intranets managed in part by Pinnacor.

The MarketWatch board of directors also considered the potential adverse consequences of other factors on the proposed merger with Pinnacor, including:

the challenges of combining the businesses, assets and workforces of two companies and the risks of not achieving the expected operating efficiencies or growth;

the risk of diverting management's focus and resources from other strategic opportunities and from operational matters while working to implement the merger;

the risk that, notwithstanding the long-term benefits of the merger, the combined company's financial results and stock price might decline in the short term;

the likelihood that the combined company will not begin to realize the benefits of the anticipated synergies and cost savings until 2004;

the risk that despite the efforts of the combined company, key management and other personnel may leave the combined company;

the risks associated with fluctuations in the stock prices of MarketWatch and Pinnacor common stock prior to the completion of the merger;

the risk of a disruption of sales momentum as a result of uncertainties created by the announcement of the merger;

the effect of the public announcement of the merger, or the failure to complete the merger, on the direction of MarketWatch's business, the demand for its products and services, its relationships with strategic partners and suppliers, its future operating results, its stock price and its ability to attract and retain key management and marketing, sales, technical and other personnel;

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the substantial charges to be incurred in connection with the merger, including costs of integrating the businesses and transaction expenses arising from the merger;

other applicable risks described in the section entitled "Risk Factors" beginning on page 26; and

the risk of payment of termination and expense fees to Pinnacor under the merger agreement if the merger with Pinnacor were not consummated.

This discussion of the information and factors considered by the MarketWatch board of directors is not intended to be exhaustive, but includes the material factors considered. The MarketWatch board did not assign any particular weight or rank to the factors it considered in approving the merger. In considering the factors described above, individual members of the MarketWatch board may have given them different weight. The MarketWatch board considered all these factors as a whole, and overall unanimously concluded that the above risks are outweighed by the potential benefits of the merger and determined that it is advisable, consistent with

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and in furtherance of MarketWatch's long-term business strategy, and in the best interests of MarketWatch and its stockholders, for MarketWatch to merge with Pinnacor upon the terms and subject to the conditions of the merger agreement.

In considering the recommendation of the MarketWatch board of directors to approve and adopt the merger agreement, approve the MarketWatch merger and the issuance of Holdco common stock in the Pinnacor merger, MarketWatch stockholders should be aware that certain officers and directors of MarketWatch have interests in the proposed merger that are different from, or in addition to, the interests of MarketWatch's stockholders generally. The MarketWatch board of directors was aware of these interests and considered them in approving the merger agreement, the MarketWatch merger and the issuance of Holdco common stock in the Pinnacor merger. See the section entitled "Interests of Certain MarketWatch Directors and Executive Officers in the Merger" beginning on page 83.

### **Recommendation of the Pinnacor Board of Directors; Pinnacor's Reasons for the Merger with MarketWatch**

At a meeting held on July 22, 2003, the Pinnacor board of directors, with the later concurrence of one member who was absent from the board meeting, unanimously:

determined that the merger is advisable, consistent with and in furtherance of the long-term business strategy of Pinnacor, and fair to, and in the best interests of Pinnacor and its stockholders;

approved and adopted the merger agreement, the Pinnacor merger and the transactions contemplated by the merger agreement and the Pinnacor merger;

directed that the proposed transaction be submitted for consideration by the Pinnacor stockholders at the Pinnacor special meeting;

resolved to recommend that the Pinnacor stockholders vote FOR the proposal to approve and adopt the merger agreement and approve the Pinnacor merger;

determined that as a result of the merger the value of the Pinnacor stockholders' investment is likely to be higher than what the value would be if Pinnacor were not to enter into the merger agreement; and

determined that the opportunities created by the merger to increase stockholder value more than offset the risks inherent in the merger.

In reaching its decision, the Pinnacor board of directors consulted with Pinnacor's senior management, as well as its legal counsel and its financial advisor, and considered the following material factors:

(1) the merger will present, based on the then current market price for MarketWatch common stock, the opportunity for the holders of Pinnacor common stock to receive a premium over the trading value of Pinnacor common stock on July 22, 2003, the last day of trading before public announcement of the proposed merger, while at the same time allowing Pinnacor's stockholders to participate in a combined company positioned to benefit from new growth opportunities;



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- (2) the Pinnacor board of directors' knowledge of Pinnacor and the industries in which the Pinnacor businesses compete and its belief that the combined company will compete in those industries more effectively as a result of the merger;
  
- (3) historical information concerning MarketWatch and Pinnacor's respective businesses, prospects, financial performance and condition, operations technology, management and competitive position, including public reports concerning results of operations during the most recent fiscal year and fiscal quarter for each company as filed with the Securities and Exchange Commission;
  
- (4) the strength of the management team of the combined company;

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- (5) other strategic alternatives for Pinnacor, including organic growth as an independent company, the potential to enter into strategic relationships with third parties or acquire or combine with third parties;
- (6) management's view of the financial condition, results of operations and businesses of MarketWatch and Pinnacor before and after giving effect to the merger;
- (7) current financial market conditions and historical market prices, volatility and trading information with respect to the common stock of MarketWatch and Pinnacor;
- (8) the written opinion, dated July 22, 2003, of Citigroup to the Pinnacor board as to the fairness, from a financial point of view and as of the date of the opinion, of the Pinnacor merger consideration, as more fully described below under the caption "Opinion of Pinnacor's Financial Advisor." A copy of Citigroup's written opinion is attached to this joint proxy statement-prospectus as Annex C;
- (9) the fact that the Pinnacor merger provides for a fixed exchange ratio for those Pinnacor stockholders who elect to receive shares of Holdco common stock as merger consideration and, as a result, the value of Holdco common stock to be received by Pinnacor stockholders upon the completion of the Pinnacor merger may be higher or lower than the value of MarketWatch common stock at the time the merger agreement was signed;
- (10) the ability of Pinnacor stockholders to elect to receive shares of Holdco common stock in the Pinnacor merger, thereby giving them the opportunity to continue as equity owners of the combined company after the Pinnacor merger;
- (11) the ability to complete the Pinnacor merger as a transaction in which Pinnacor stockholders will not recognize gain for U.S. federal income tax purposes, except to the extent of any cash received in exchange for their shares of Pinnacor common stock and except in connection with cash received for a fractional share of Holdco common stock;
- (12) the Pinnacor board of directors' belief, after considering the advice of counsel, that the parties should be able to satisfy all conditions to the completion of the merger, including the receipt of the necessary regulatory approvals, if any, in accordance with the terms of the merger agreement;
- (13) the terms of the merger agreement regarding third-party proposals, including (a) that the Pinnacor board of directors may, under certain circumstances, furnish information to a party making, and enter into discussions or negotiations regarding, a proposal that the Pinnacor board of directors concludes, after consultation with and taking into account advice from Pinnacor's financial advisor and outside legal counsel, may reasonably be expected to result in a superior proposal, (b) that the Pinnacor board of directors may withdraw or modify its recommendation of the Pinnacor merger after receiving a superior proposal and after determining, taking into account advice from its outside legal counsel, that submitting the superior proposal to the Pinnacor stockholders is necessary in order to comply with its fiduciary duties, (c) the potential payment to MarketWatch of a termination fee after terminating the merger agreement, and (d) the potential effect of such provisions, combined with voting agreements executed by stockholders representing approximately 27% of the shares of Pinnacor common stock outstanding, on possible efforts by other parties to acquire or otherwise combine with Pinnacor;

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(14) the fact that Pinnacor stockholders will have an opportunity to vote on the proposed merger;

(15) the belief that the terms of the merger agreement, including the parties' representations, warranties and covenants and the conditions to their respective obligations, are reasonable;

(16) the fact that both CBS and Pearson, holders of approximately 65% of the outstanding shares of MarketWatch common stock, entered into voting and waiver agreements whereby they agreed to vote in favor of

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the issuance of shares of Holdco common stock offered as consideration in the Pinnacor merger and agreed to waive the exercise of their participation rights with respect to the issuance of shares of Holdco common stock; and

(17) the interests that certain directors and executive officers of Pinnacor may have with respect to the Pinnacor merger in addition to their interests as stockholders of Pinnacor generally. See the section entitled Interests of Certain Pinnacor Directors and Executive Officers in the Merger beginning on page 84.

In reaching its determination, the Pinnacor board of directors considered the factors described above to be generally positive, as advantages or opportunities, with the exception of the factor described in clause (13) above, which figured both positively and negatively, and the factors described in clauses (9) and (17) above, which the Pinnacor board of directors considered to be neutral. The Pinnacor board of directors also identified and considered the following potentially negative material factors in its deliberations concerning the merger:

(1) the risk that the potential benefits sought in the merger might not be fully realized, including:

the belief of Pinnacor management that the combined company will not begin to realize the benefits of the anticipated synergies until 2004;

possible difficulties in integrating two organizations of the size and complexity of MarketWatch and Pinnacor, which could delay or negate some of the expected benefits of the merger;

the risk that, notwithstanding the long-term benefits of the merger, the financial results and stock price of the combined company might decline in the short term;

possible effects on the long-term stock price and financial results of the combined company if the benefits of the merger are not obtained on a timely basis or at all;

(2) the challenges of integrating the management teams, strategies, cultures and organizations of the companies;

(3) the risk that, despite the efforts of the combined company, key management and other personnel may leave the combined company;

(4) the risks associated with fluctuations in the stock price of MarketWatch and Pinnacor common stock prior to the completion of the merger;

(5) the risk of a disruption of sales momentum as a result of uncertainties created by the announcement of the merger;

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- (6) the possibility that the merger might not be completed, even if approved by each company's stockholders, including the possible termination and expense fees payable by Pinnacor to MarketWatch;
  
- (7) the effect of the public announcement of the merger, or the possibility that the merger might not be completed, on demand for Pinnacor's products and services, relationships with strategic partners, operating results, stock price and ability to attract and retain key management and marketing, sales, technical and other employees;
  
- (8) the substantial charges to be incurred in connection with the merger, including costs of integrating the businesses and transaction expenses arising from the merger; and
  
- (9) other applicable risks described in the section entitled "Risk Factors" beginning on page 26.

The Pinnacor board of directors believes that the above risks are outweighed by the potential benefits of the merger and determined that it is advisable, consistent with and in furtherance of Pinnacor's long-term business

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strategy, and fair to, and in the best interests of, Pinnacor and its stockholders, for Pinnacor to enter into a strategic business combination with MarketWatch on the terms and subject to the conditions of the merger agreement.

The Pinnacor board of directors did not find it necessary to, and did not quantify or otherwise assign relative weights to, the foregoing factors or determine that any factor was of particular importance. Rather, the Pinnacor board of directors views its recommendation as being based on the totality of the information presented to and considered by it. The Pinnacor board of directors considered all these factors and determined that these factors, as a whole, supported the conclusions and recommendations described above.

In considering the recommendation of the Pinnacor board of directors to approve and adopt the merger agreement and approve the Pinnacor merger, Pinnacor stockholders should be aware that certain directors and executive officers of Pinnacor have certain interests in the proposed merger that are different from, and in addition to, the interests of Pinnacor stockholders generally. The Pinnacor board of directors was aware of these interests and considered them in approving the merger agreement and the Pinnacor merger. See the section entitled "Interests of Certain Pinnacor Directors and Executive Officers in the Merger" beginning on page 84.

### **Opinion of MarketWatch's Financial Advisor**

On July 22, 2003, UBS delivered to the MarketWatch board of directors its written opinion to the effect that, as of that date and based on and subject to various assumptions, matters considered and limitations described in the opinion, the consideration to be paid to holders of Pinnacor common stock was fair, from a financial point of view, to MarketWatch.

The full text of UBS's written opinion describes the assumptions made, procedures followed, matters considered and limitations on the review undertaken by UBS. This opinion is attached as Annex B and is incorporated into this joint proxy statement-prospectus by reference. UBS's opinion is directed only to the fairness, from a financial point of view, of the consideration to MarketWatch and does not address any other aspect of the transaction or any related transaction. The opinion does not address the relative merits of the transaction as compared to other business strategies or transactions that might be available with respect to MarketWatch or the underlying business decision of MarketWatch to effect the transaction. The opinion does not constitute a recommendation to any stockholder of MarketWatch as to how to vote with respect to the transaction. You are encouraged to read this opinion carefully in its entirety. The summary of UBS's opinion below is qualified in its entirety by reference to the full text of UBS's opinion.

In arriving at its opinion, UBS:

reviewed certain publicly available business and historical financial information relating to MarketWatch and Pinnacor;

reviewed certain internal financial information and other data relating to the business and financial prospects of MarketWatch, including estimates and financial forecasts prepared by the management of MarketWatch, that were provided to it by MarketWatch and not publicly available;

reviewed certain internal financial information and other data relating to the business and financial prospects of Pinnacor, including estimates and financial forecasts prepared by managements of MarketWatch and Pinnacor and not publicly available;

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conducted discussions with members of the senior managements of MarketWatch and Pinnacor concerning the respective businesses and financial prospects of MarketWatch, Pinnacor and the combined company;

reviewed publicly available financial and stock market data with respect to MarketWatch, Pinnacor and other companies in lines of businesses that UBS believed to be generally comparable to those of MarketWatch and Pinnacor;

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compared the financial terms of the transaction with the publicly available financial terms of other transactions that UBS believed to be generally relevant;

considered pro forma effects of the merger on the combined company's financial statements and reviewed certain estimates of synergies expected to result from the merger prepared by the MarketWatch management;

reviewed drafts of the merger agreement; and

conducted other financial studies, analyses and investigations, and considered other information as UBS deemed necessary or appropriate.

In connection with its review, with MarketWatch's consent, UBS did not assume any responsibility for independent verification for any of the information reviewed by UBS for the purpose of its opinion and, with MarketWatch's consent, UBS relied on that information being complete and accurate in all material respects. With respect to the financial forecasts, estimates, pro forma effects and calculations of synergies that it reviewed, UBS assumed, at MarketWatch's direction, that they had been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of each company as to the future performance of their respective companies and the combined company. In addition, UBS assumed, with MarketWatch's approval, that future financial results, including synergies, will be achieved at the times and in the amounts projected by the management of MarketWatch. In particular, UBS assumed that the aggregate cash portion of the consideration will be approximately equal to Pinnacor's cash balance at closing, less fees and expenses. UBS also assumed, with MarketWatch's consent, that the MarketWatch merger and the Pinnacor merger will qualify for U.S. federal income tax purposes as exchanges within the meaning of Section 351 of the Internal Revenue Code, and that the MarketWatch merger will also constitute a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and the regulations promulgated thereunder. UBS further assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the transaction would be obtained without any adverse effect on MarketWatch, Pinnacor, the combined company and/or the transaction.

UBS's opinion was necessarily based on economic, monetary, market and other conditions as in effect on, and information made available to UBS as of, the date of its opinion. UBS was not asked to, and it did not, offer any opinion as to the terms of the merger agreement or related documents or the form of the merger. In addition, at MarketWatch's direction, UBS did not make any independent evaluation or appraisal of any of the assets or liabilities, contingent or otherwise, of MarketWatch or Pinnacor and was not furnished with any evaluation or appraisal. UBS expressed no opinion as to the value of the Holdco common stock when issued in the transaction or the prices at which the Holdco common stock will trade in the future. Except as described above, MarketWatch imposed no other instructions or limitations on UBS with respect to the investigations made or the procedures followed by UBS in rendering its opinion.

In connection with rendering its opinion to the MarketWatch board, UBS performed a variety of financial and comparative analyses which are summarized below. The following summary is not a complete description of all analyses performed or factors considered by UBS in connection with its opinion. The preparation of a financial opinion is a complex process involving subjective judgments and is not necessarily susceptible to partial analysis or summary description. With respect to the analysis of selected public companies and the analysis of selected precedent transactions summarized below, no company or transaction used as a comparison is either identical or directly comparable to MarketWatch, Pinnacor or to the merger. These analyses necessarily involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the public trading or acquisition values of the companies concerned.

UBS believes that its analyses and the summary below must be considered as a whole, and that selecting portions of its analyses and factors without considering all analyses and factors could create a misleading or incomplete view of the processes underlying UBS's analyses and opinion. None of the analyses performed by UBS was assigned greater significance or reliance by UBS than any other. UBS arrived at its ultimate opinion





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based on the results of all analyses undertaken by it and assessed as a whole. UBS did not draw, in isolation, conclusions from or with regard to any one factor or method of analysis.

The estimates of the future performance of MarketWatch and Pinnacor provided by the MarketWatch management or derived from public sources in or underlying UBS's analyses are not necessarily indicative of future results or values, which may be significantly more or less favorable than those estimates. In performing its analyses, UBS considered industry performance, general business and economic conditions and other matters, many of which are beyond the control of MarketWatch and Pinnacor. Estimates of the financial value of companies do not necessarily purport to be appraisals or to reflect the prices at which companies actually may be sold.

The consideration to be paid to holders of Pinnacor common stock was determined through negotiation between MarketWatch and Pinnacor and the decision to enter into the merger agreement was solely that of the MarketWatch board of directors. UBS's opinion and financial analyses were only one of many factors considered by the MarketWatch board in its evaluation of the merger and should not be viewed as determinative of the views of the MarketWatch board of directors or management with respect to the merger or the merger consideration.

The following is a brief summary of the material financial analyses performed by UBS and reviewed with the MarketWatch board of directors in connection with its opinion relating to the proposed merger. The financial analyses summarized below include information presented in tabular format. In order to fully understand UBS's financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of UBS's financial analyses.

*Enterprise Value Analysis.* UBS performed an enterprise value analysis comparing the relative enterprise value contribution of Pinnacor based on the market value of the MarketWatch common stock and Pinnacor common stock for the twelve months preceding July 18, 2003. This analysis indicated an enterprise value contribution of Pinnacor to MarketWatch equal to 27.8% on July 18, 2003. The following table sets forth the high, median and low enterprise value contributions for the time periods indicated:

<u>Period</u>	<u>High</u>	<u>Median</u>	<u>Low</u>
Current	27.8%	27.8%	27.8%
30-Day	28.6	25.7	20.7
60-Day	28.6	23.0	17.8
90-Day	28.6	21.0	6.0
180-Day	28.6	14.2	2.7
1 year	28.6	7.2	(27.4)

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*Contribution Analysis.* UBS reviewed the contributions of MarketWatch and Pinnacor to the combined company's revenue, earnings before interest, taxes, depreciation and amortization, or EBITDA, earnings before interest and taxes, or EBIT, and enterprise value for the estimated fiscal years 2003 and 2004 (such estimates provided by the respective company's management for 2003 and by the MarketWatch management for 2004). The enterprise value contribution analysis set forth below compares relative contribution at market prices versus relative contribution assuming the consideration paid to Pinnacor stockholders. This analysis indicated the following relative contributions (excluding synergies) of MarketWatch and Pinnacor:

	Percentage Contribution to	
	Combined Company	
	MarketWatch	Pinnacor
<b>Revenue</b>		
2003	58.8%	41.2%
2004	63.0	37.0
<b>EBITDA</b>		
2003	55.4	44.6
2004	67.9	32.1
<b>EBIT</b>		
2003	18.0	82.0
2004	71.1	28.9
<b>Enterprise Value</b>		
Market prices	71.7	28.3
Consideration to Pinnacor stockholders	66.1	33.9

*Discounted Cash Flow Analysis.* UBS performed a discounted cash flow analysis based on the stand-alone net present values of cash flows of MarketWatch and Pinnacor and pro forma net present values of cash flows of Pinnacor. UBS derived the implied reference ranges by applying a range of EBITDA terminal values of 6.0x to 12.0x and discount rates ranging from 12.0% to 18.0%. The following tables set forth the per share range of discounted cash flow values for MarketWatch and Pinnacor and for Pinnacor assuming all synergies are realized (based on estimates provided by the respective company's management for 2003 and by the MarketWatch management for 2004):

*Implied Per Share Range for MarketWatch*

\$7.63 - \$13.02

*Implied Per Share Range for Pinnacor*

\$1.56 - \$2.15

*Implied Per Share Range for Pinnacor with Synergies*

\$2.99 - \$4.95



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UBS compared selected financial information for MarketWatch and Pinnacor with corresponding financial information of selected publicly held companies in the information services industry. These companies included the following:

<u>Comparable Companies</u>	<u>Other Information Services Companies</u>
ProQuest Company	Thomson Corporation
Barra, Inc.	Moody's Corporation
InfoSpace, Inc.	Reuters Group plc
OneSource Information Services, Inc.	Dow Jones & Company, Inc.
	Dun & Bradstreet Corporation
	Interactive Data Corporation
	Factset Research Systems Inc.

UBS reviewed the total enterprise values of the selected companies as a multiple of revenue and EBITDA for the latest twelve months, or LTM, and estimated fiscal years 2003 and 2004. Financial data for the selected companies were based on publicly available information available at the time of the announcement of the transaction. UBS compared the multiples derived from the selected companies with corresponding multiples for Pinnacor based on the consideration to be paid to Pinnacor stockholders on a stand alone basis and assuming all synergies are realized. This analysis indicated the following implied high, mean, median and low market value multiples for the selected companies by category and the implied multiples for the consideration to be paid to Pinnacor stockholders:

	<b>Total Enterprise Value as a Multiple of:</b>		
	<b>Latest twelve months revenue</b>	<b>Estimated fiscal year 2003 revenue</b>	<b>Estimated fiscal year 2004 revenue</b>
<b>Implied Multiples for Selected Comparable Companies</b>			
High	4.2x	3.9x	3.7x
Mean	2.2	2.1	1.9
Median	1.7	1.6	1.5
Low	1.2	1.2	1.1
<b>Implied Multiples for Selected Other Information Services Companies</b>			
High	8.0	7.8	7.1
Mean	3.9	3.7	3.4
Median	3.0	2.9	2.7
Low	0.8	1.0	1.0
<b>Implied Multiple for MarketWatch</b>	2.5	2.4	1.9
<b>Implied Multiples for Pinnacor Consideration</b>			
Pinnacor	1.7	1.7	1.6
Pinnacor including 100% of synergies	1.7	1.7	1.5

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	Total Enterprise Value as a Multiple of:		
	Latest twelve months	Estimated fiscal year	Estimated fiscal year
	EBITDA	2003 EBITDA	2004 EBITDA
<b>Implied Multiples for Selected Comparable Companies</b>			
High	20.2x	12.7x	11.1x
Mean	11.6	9.7	8.1
Median	9.7	10.0	8.0
Low	6.5	5.9	5.4
<b>Implied Multiples for Selected Other Information Services Companies</b>			
High	16.5	15.7	13.5
Mean	12.2	12.0	10.9
Median	10.8	10.9	10.9
Low	7.5	8.3	7.5
<b>Implied Multiple for MarketWatch</b>	NM	13.4	11.3
<b>Implied Multiples for Pinnacor Consideration</b>			
Pinnacor	NM	17.5	14.8
Pinnacor including 100% of synergies	NM	13.4	4.9

*Analysis of Selected Precedent Transactions.* UBS reviewed the implied enterprise values in the following selected merger and acquisition transactions in the financial data and/or technology industries announced in 2002 and 2003:

Acquiror	Target
Yahoo! Inc.	Overture Services Inc.
USA Interactive, Inc.	Lending Tree, Inc.
USA Interactive, Inc.	Hotels.com
USA Interactive, Inc.	Expedia, Inc.
Reuters Group plc	Multex.com Inc.
Interactive Data Corporation	S&P Comstock, Inc.
The Dun & Bradstreet Corp.	Hoover s, Inc.

UBS reviewed the enterprise value in the selected transactions as multiples of LTM and estimated 2003 revenue and EBITDA. UBS then compared the implied multiples derived from the selected transactions with corresponding multiples implied in the merger. Multiples for the selected transactions were based on publicly available information available at the time of the announcement of the transaction. This analysis indicated the following implied enterprise value multiples in the selected transactions, as compared to the multiples implied in the merger:

	Total Enterprise Value as a Multiple of:			
	Latest twelve months	Estimated 2003	Latest twelve months	Estimated 2003
	Revenue	Revenue	EBITDA	EBITDA
High	11.2x	7.8x	40.3x	27.4x
Mean	3.5	2.8	26.1	19.0
Median	2.3	2.1	25.6	19.4
Low	0.7	0.6	12.8	12.3

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Pinnacor consideration	1.7	1.7	NM	17.5
Pinnacor consideration (including 100% of synergies)	1.7	1.7	NM	13.4

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*Historical Premiums Paid Analysis.* UBS reviewed selected purchase price per share premiums paid or to be paid in mergers and acquisitions in excess of \$25 million in the technology industry, announced from January 1, 2002 through July 22, 2003. This analysis indicated high, mean, median and low premiums to the targets' closing stock prices prior to the announcement of the applicable transaction as set forth in the following table. This analysis also indicated implied premiums for Pinnacor for the periods indicated and current premiums as indicated in the table below.

	<b>Historical Premiums Paid</b>		
	<b>1 Week</b>	<b>1 Month</b>	<b>3 Month</b>
High	239.6%	267.5%	560.0%
Mean	42.9	48.8	69.4
Median	30.4	36.5	63.2
Low	(15.3)	(22.7)	(38.7)
Implied Pinnacor consideration premium	10.6	31.4	90.2
Pinnacor consideration premium to current enterprise value			30.0%
Pinnacor consideration premium to current price			10.6

*EPS Accretion/Dilution Analysis.* UBS analyzed the potential pro forma financial effect of the merger on MarketWatch based on the combined company's estimated earnings per share, or EPS, for the fourth quarter of 2003 and fiscal year 2004, assuming net cost synergies in the fourth quarter of 2003 and net cost and revenue synergies in 2004. This analysis indicated that the merger would be accretive to MarketWatch's estimated EPS in the fourth quarter of 2003 and for the fiscal year 2004, excluding one-time restructuring charges, the expensing of in process research and development and the amortization of intangibles. The actual results achieved by the combined company may vary from projected results and the variations may be material.

*Other Factors.* In rendering its opinion, UBS also reviewed and considered other factors, including:

the historical price performance and trading volumes for the MarketWatch common stock and Pinnacor common stock; and

other financial, synergy and cash balance analyses provided by the MarketWatch management.

*Miscellaneous.* Under the terms of its engagement, MarketWatch has agreed to pay UBS customary fees for its financial advisory services in connection with the merger. In addition, MarketWatch has agreed to reimburse UBS for its reasonable expenses, including fees and disbursements of counsel, and to indemnify UBS and related parties against liabilities, including liabilities under federal securities laws, relating to, or arising out of, its engagement.

MarketWatch selected UBS as its financial advisor in connection with the merger because UBS is an internationally recognized investment banking firm with substantial experience in similar transactions and is familiar with MarketWatch and its business. UBS is continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, leveraged buyouts, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities and private placements.



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In the ordinary course of business, UBS, its successors and its affiliates may actively trade in the securities of MarketWatch and Pinnacor for their own accounts and the accounts of their customers and, accordingly, may at any time hold a long or short position in those securities.

### **Opinion of Pinnacor's Financial Advisor**

Pinnacor has retained Citigroup as its exclusive financial advisor in connection with the transaction. In connection with this engagement, Pinnacor requested that Citigroup evaluate the fairness, from a financial point

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of view, of the consideration provided for in the Pinnacor merger. Citigroup delivered to the Pinnacor board of directors a written opinion, dated July 22, 2003, to the effect that, as of that date and based on and subject to the matters described in its opinion, the Pinnacor merger consideration was fair, from a financial point of view, to holders of Pinnacor common stock.

In arriving at its opinion, Citigroup:

reviewed execution forms of the merger agreement and related documents;

held discussions with senior officers, directors and other representatives and advisors of Pinnacor and senior officers and other representatives and advisors of MarketWatch concerning the businesses, operations and prospects of Pinnacor and MarketWatch;

examined publicly available business and financial information relating to Pinnacor and MarketWatch;

examined financial forecasts, including adjustments to such forecasts, and other information and data for Pinnacor and MarketWatch provided to or otherwise discussed with Citigroup by the managements of Pinnacor and MarketWatch, including information relating to the potential strategic implications and operational benefits anticipated by the managements of Pinnacor and MarketWatch to result from the transaction;

reviewed the financial terms of the transaction as described in the merger agreement in relation to, among other things, current and historical market prices and trading volumes of Pinnacor common stock and MarketWatch common stock, historical and projected operating data of Pinnacor and MarketWatch, and the capitalization and financial condition of Pinnacor and MarketWatch;

considered, to the extent publicly available, the financial terms of other transactions effected that Citigroup considered relevant in evaluating the transaction;

analyzed financial, stock market and other publicly available information relating to the businesses of other companies whose operations Citigroup considered relevant in evaluating those of Pinnacor and MarketWatch;

evaluated potential pro forma financial effects of the transaction on MarketWatch; and

conducted other analyses and examinations and considered other financial, economic and market criteria as Citigroup deemed appropriate in arriving at its opinion.

In rendering its opinion, Citigroup assumed and relied, without independent verification, on the accuracy and completeness of all financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with it and upon the assurances of the managements of Pinnacor and MarketWatch that no relevant information was omitted or remained undisclosed to Citigroup. With respect to financial forecasts and information and data relating to Pinnacor and MarketWatch provided to or otherwise reviewed by Citigroup, Citigroup was advised by the managements of Pinnacor and MarketWatch that the forecasts (including adjustments to such forecasts) and other information and data were reasonably prepared on bases reflecting the best currently available estimates and judgments of the managements of Pinnacor and MarketWatch as to the future financial performance of Pinnacor and MarketWatch, the potential strategic implications and operational benefits (including their amount, timing and achievability) anticipated to result from the transaction and the other matters covered by such forecasts and other information and data. Citigroup also assumed, with Pinnacor's consent, that the transaction would be consummated in

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accordance with its terms without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary regulatory and third-party approvals, consents and releases for the transaction, no delay, limitation, restriction or condition would be imposed that would have an adverse effect on Pinnacor or MarketWatch or the contemplated benefits of the transaction. Representatives of Pinnacor advised Citigroup, and Citigroup further assumed, that the final terms of the merger agreement and related documents would not vary materially from those reflected in the execution forms reviewed by Citigroup. Citigroup also assumed, with Pinnacor's consent, that the transaction

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would be treated as a tax-free transaction for Pinnacor, MarketWatch and Holdco for U.S. federal income tax purposes. Citigroup did not express any opinion as to what the value of Holdco common stock actually would be when issued or the price at which Holdco common stock would trade or otherwise be transferable at any time.

Citigroup did not make, and was not provided with, an independent evaluation or appraisal of the assets or liabilities, contingent or otherwise, of Pinnacor or MarketWatch, and did not make any physical inspection of properties or assets of Pinnacor or MarketWatch. Citigroup was not requested to, and it did not, solicit third-party indications of interest in the possible acquisition of all or a part of Pinnacor. Citigroup also was not requested to consider, and its opinion did not address, the relative merits of the transaction as compared to any alternative business strategies that might exist for Pinnacor or the effect of any other transaction in which Pinnacor might engage. Citigroup's opinion was necessarily based on information available, and financial, stock market and other conditions and circumstances existing and disclosed, to Citigroup as of the date of its opinion. Although Citigroup evaluated the Pinnacor merger consideration from a financial point of view, Citigroup was not asked to and it did not recommend the specific consideration payable in the transaction, which was determined through negotiation between Pinnacor and MarketWatch. Except as described above, Pinnacor imposed no other instructions or limitations on Citigroup with respect to the investigations made or procedures followed by Citigroup in rendering its opinion.

**The full text of Citigroup's written opinion dated July 22, 2003, which describes the assumptions made, procedures followed, matters considered and limitations on the review undertaken, is attached to this joint proxy statement-prospectus as Annex C and is incorporated into this joint proxy statement-prospectus by reference. Citigroup's opinion was provided to the Pinnacor board of directors in connection with its evaluation of the Pinnacor merger consideration and relates only to the fairness of the Pinnacor merger consideration from a financial point of view, does not address any other aspect of the transaction or any related transaction and does not constitute a recommendation to any stockholder as to the form of the Pinnacor merger consideration to be elected or how such stockholder should vote or act on any matters relating to the proposed transaction.**

In preparing its opinion, Citigroup performed a variety of financial and comparative analyses, including those described below. The summary of these analyses is not a complete description of the analyses underlying Citigroup's opinion. The preparation of a financial opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a financial opinion is not readily susceptible to summary description. Accordingly, Citigroup believes that its analyses must be considered as a whole and that selecting portions of its analyses and factors or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying its analyses and opinion.

In its analyses, Citigroup considered industry performance, general business, economic, market and financial conditions and other matters existing as of the date of its opinion, many of which are beyond the control of Pinnacor and MarketWatch. No company, transaction or business used in those analyses as a comparison is identical to Pinnacor, MarketWatch or the transaction, and an evaluation of those analyses is not entirely mathematical. Rather, the analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies, business segments or transactions analyzed.

The estimates contained in Citigroup's analyses and the valuation ranges resulting from any particular analysis are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by its analyses. In addition, analyses relating to the value of businesses or securities do not necessarily purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold. Accordingly, the estimates contained in, and the results derived from, Citigroup's analyses are inherently subject to substantial uncertainty.

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Citigroup's opinion and analyses were only one of many factors considered by the Pinnacor board of directors in its evaluation of the transaction and should not be viewed as determinative of the views of the Pinnacor board or management with respect to the transaction or the consideration payable to holders of Pinnacor common stock in the transaction.

The following is a summary of the material financial analyses performed by Citigroup in connection with the rendering of its opinion to the Pinnacor board of directors. **The financial analyses summarized below include information presented in tabular format. In order to fully understand Citigroup's financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of Citigroup's financial analyses.** For purposes of the summary of Citigroup's financial analyses, the term implied per share value of the Pinnacor merger consideration refers to the cash election consideration in the Pinnacor merger of \$2.42 per share and the implied per share value of the stock election consideration in the Pinnacor merger based on the exchange ratio provided for in the Pinnacor merger of 0.2659 and the per share closing price of MarketWatch common stock on July 22, 2003 of \$9.10.

*Pinnacor Analyses*

*Selected Companies Analysis*

Using publicly available information, Citigroup reviewed the market values and trading multiples of Pinnacor and the following 11 selected publicly held companies in the financial data provider and subscription-focused financial data provider industries:

Financial Data Providers	Subscription-Focused Financial Data Providers
The Thomson Corporation Reuters Group PLC The Dun & Bradstreet Corporation Interactive Data Corporation Barra, Inc. Value Line, Inc.	FactSet Research Systems Inc. Advent Software, Inc. TheStreet.com, Inc. OneSource Information Services, Inc. EDGAR Online, Inc.

All multiples were based on closing stock prices on July 22, 2003, the last trading day before public announcement of the proposed transaction. Estimated financial data for the selected companies were based on publicly available research analysts' estimates. Estimated financial data for Pinnacor were based on internal estimates of Pinnacor's management. Citigroup compared firm values, calculated as equity value plus debt less cash and cash equivalents, as multiples of calendar year 2003 estimated revenue and earnings before interest, taxes, depreciation and amortization, referred to as EBITDA. Citigroup then applied a range of selected multiples of calendar year 2003 estimated revenue and EBITDA derived from the selected companies to corresponding financial data of Pinnacor. This analysis indicated the following approximate implied per share equity reference range for Pinnacor, as compared to the implied per share value of the Pinnacor merger consideration:

Implied Per Share Equity Reference Range for Pinnacor	Implied Per Share Value of Pinnacor Merger Consideration
\$1.90 - \$2.25	\$2.42



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*Precedent Transactions Analysis*

Using publicly available information, Citigroup reviewed the transaction value multiples paid in the following eight selected transactions in the financial data provider and other technology-related industries:

Acquiror	Target
Reuters Group PLC	Multex.com Inc.
SunGard Data Systems Inc.	HTE Inc.
SunGard Data Systems Inc.	Caminus Corp.
Interactive Data Corporation	S&P ComStock Inc.
The Dun & Bradstreet Corporation	Hoover's, Inc.
Fidelity National Information Solutions, Inc.	Factual Data Corp.
Moody's Corp.	KMV LLC
TIBCO Software Inc.	Talarian Corp.

All multiples for the selected transactions were based on publicly available financial information at the time of announcement of the relevant transaction. Estimated financial data for Pinnacor were based on internal estimates of Pinnacor's management. Citigroup compared firm values in the selected transactions as multiples of calendar year 2003 estimated revenue and EBITDA. Citigroup then applied a range of selected multiples of calendar year 2003 estimated revenue and EBITDA derived from the selected transactions to corresponding data of Pinnacor for calendar year 2003 and for the 12 months ending March 31, 2004. This analysis indicated the following approximate implied per share equity reference range for Pinnacor, as compared to the implied per share value of the Pinnacor merger consideration:

Implied Per Share Equity Reference Range for Pinnacor	Implied Per Share Value of Pinnacor Merger Consideration
\$2.15 - \$2.45	\$2.42

*Discounted Cash Flow Analysis*

Citigroup performed a discounted cash flow analysis to calculate the estimated present value of the standalone unlevered, after-tax free cash flows that Pinnacor could generate over calendar years 2003 through 2008 under two cases, a management case, which was based on internal estimates of Pinnacor's management for calendar years 2003 and 2004 and extrapolated for calendar years 2005 through 2008 based on guidance from Pinnacor's management, and an adjusted case, which was based on the management case adjusted downward to reflect a 50% sensitivity to Pinnacor's calendar year 2004 revenue growth as estimated by Pinnacor's management and lower long-term EBITDA margins. Citigroup derived an implied equity reference range for Pinnacor by applying a range of EBITDA terminal value multiples of 8.0x to 10.0x to Pinnacor's calendar year 2008 estimated EBITDA under each case. The present value of the cash flows and terminal values were calculated using discount rates ranging from 10.0% to 18.0%. This analysis indicated the following approximate implied per share equity reference ranges for Pinnacor under each case, as compared to the implied per share value of the Pinnacor merger consideration:

Implied Per Share Equity Reference Range for Pinnacor	Implied Per Share Value of
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<b>Management Case</b>	<b>Adjusted Case</b>	<b>Pinnacor Merger Consideration</b>
\$2.11 - \$2.77	\$1.94 - \$2.50	\$2.42



**Table of Contents*****MarketWatch Analyses******Selected Companies Analysis***

Using publicly available information, Citigroup reviewed the market values and trading multiples of MarketWatch and the following nine selected publicly held companies in the online media industry:

Yahoo! Inc.  
 Monster Worldwide, Inc.  
 aQuantive, Inc.  
 Ask Jeeves, Inc.  
 CNET Networks, Inc.  
 FindWhat.com  
 LookSmart, Ltd.  
 Bankrate, Inc.  
 TheStreet.com, Inc.

All multiples were based on closing stock prices on July 22, 2003. Estimated financial data for the selected companies were based on publicly available research analysts' estimates. Estimated financial data for MarketWatch were based on internal estimates of MarketWatch's management. Citigroup compared firm values as multiples of calendar year 2003 estimated revenue and calendar years 2003 and 2004 estimated EBITDA. Citigroup then applied a range of selected multiples of calendar year 2003 estimated revenue and calendar years 2003 and 2004 estimated EBITDA derived from the selected companies to corresponding financial data of MarketWatch. This analysis indicated the following approximate implied per share equity reference range for MarketWatch, as compared to the closing price of MarketWatch common stock on July 22, 2003:

<b>Implied Per Share Equity</b>	<b>Closing Price of MarketWatch</b>
<b>Reference Range for MarketWatch</b>	<b>Common Stock on July 22, 2003</b>
\$7.00 - \$10.50	\$9.10

***Discounted Cash Flow Analysis***

Citigroup performed a discounted cash flow analysis to calculate the estimated present value of the standalone unlevered, after-tax free cash flows that MarketWatch could generate over calendar years 2003 through 2008. Estimated financial data for MarketWatch were based on internal estimates of MarketWatch's management as adjusted by Pinnacor's management. Citigroup derived an implied equity reference range for MarketWatch by applying a range of EBITDA terminal value multiples of 8.0x to 10.0x to MarketWatch's calendar year 2008 estimated EBITDA. The present value of the cash flows and terminal values were calculated using discount rates ranging from 10.0% to 18.0%. This analysis indicated the following approximate implied per share equity reference range for MarketWatch, as compared to the closing price of MarketWatch common stock on July 22, 2003:

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**Implied Per Share Equity**

**Closing Price of MarketWatch**

**Reference Range for MarketWatch**

**Common Stock on July 22, 2003**

\$7.05 - \$10.06

\$9.10

### *Illustrative Pro Forma Analysis*

Citigroup reviewed hypothetical trading prices of Holdco common stock derived by applying the calendar year 2004 estimated EBITDA trading multiple for MarketWatch based on the closing price of MarketWatch common stock on July 22, 2003 to the combined calendar year 2004 estimated EBITDA for Pinnacor and MarketWatch, assuming that 0%, 50% and 100% of the potential synergies anticipated by the managements of Pinnacor and MarketWatch to result from the transaction were realized. Citigroup then compared these

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hypothetical trading prices to the closing price of MarketWatch common stock on July 22, 2003. Citigroup also reviewed the calendar year 2004 estimated EBITDA trading multiples for Holdco under each synergy scenario that would result in Holdco common stock having a trading price equal to the closing price of MarketWatch common stock on July 22, 2003, referred to as the breakeven trading multiples. Estimated financial data for Pinnacor were based on internal estimates of Pinnacor's management, and estimated financial data for MarketWatch were based on internal estimates of MarketWatch's management. This analysis indicated that, based on the calendar year 2004 estimated EBITDA trading multiple for MarketWatch derived from the closing price of MarketWatch common stock on July 22, 2003, the proposed transaction could be accretive to the hypothetical trading prices derived for Holdco common stock under each synergy scenario considered. This analysis also indicated the following calendar year 2004 estimated EBITDA breakeven trading multiples for Holdco under each synergy scenario:

Calendar Year 2004 Estimated		
EBITDA Breakeven Trading Multiple for Holdco		
With 0%	With 50%	With 100%
Synergies	Synergies	Synergies
14.6x	11.7x	9.4x

The actual results achieved by Holdco may vary from projected results and the variations may be material. Citigroup did not express any opinion as to what the value of Holdco common stock actually would be when issued or the price at which Holdco common stock would trade or otherwise be transferable at any time.

*Other Factors*

In rendering its opinion, Citigroup also reviewed and considered other factors, including:

the relationship between movements in Pinnacor common stock and MarketWatch common stock, movements in the common stock of selected companies in related industries and movements in the Nasdaq Composite Index;

the trading volume of Pinnacor common stock at various price ranges during the one-year period ended July 22, 2003;

the multiples of Pinnacor's and MarketWatch's calendar year 2002 revenue and EBITDA and calendar years 2003 and 2004 estimated revenue and EBITDA implied by the closing prices of Pinnacor common stock and MarketWatch common stock on July 22, 2003;

the premiums implied for Pinnacor in the Pinnacor merger relative to the closing price of Pinnacor common stock and the corresponding firm value for Pinnacor on July 22, 2003 and the average closing prices of Pinnacor common stock and the corresponding firm values for Pinnacor over various trading periods ended July 22, 2003, based on the closing price of MarketWatch common stock and the average closing prices of MarketWatch common stock over the same trading periods;

the multiples of Pinnacor's calendar year 2002 revenue and EBITDA and estimated revenue and EBITDA for calendar years 2003 and 2004 and for the four fiscal quarters ending March 31, 2004 implied by the Pinnacor merger consideration; and

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illustrative implied per share values for the Pinnacor merger consideration based on a range of hypothetical calendar year 2004 estimated EBITDA trading multiples for Holdco common stock, assuming that 100% of the potential synergies anticipated by the managements of Pinnacor and MarketWatch to result from the transaction were realized and that all holders of Pinnacor common stock elected to receive stock election consideration in the Pinnacor merger and received a prorated portion of the cash election consideration.

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### *Miscellaneous*

Under the terms of its engagement, Pinnacor has agreed to pay Citigroup customary fees for its financial advisory services in connection with the transaction. Pinnacor also has agreed to reimburse Citigroup for reasonable travel and other expenses incurred by Citigroup in performing its services, including reasonable fees and expenses of its legal counsel, and to indemnify Citigroup and related persons against liabilities, including liabilities under the federal securities laws, arising out of its engagement.

In the ordinary course of business, Citigroup and its affiliates may actively trade or hold the securities of Pinnacor and MarketWatch for their own account or for the account of customers and, accordingly, may at any time hold a long or short position in those securities. Citigroup and its affiliates in the past have provided services to affiliates of Pinnacor unrelated to the transaction, for which services Citigroup and its affiliates have received compensation. Citigroup and its affiliates also in the past have provided services to MarketWatch and its affiliates, and currently are providing services to affiliates of MarketWatch, unrelated to the transaction, for which services Citigroup and its affiliates have received and expect to receive compensation. In addition, Citigroup and its affiliates, including Citigroup Inc. and its affiliates, may maintain relationships with Pinnacor, MarketWatch and their respective affiliates.

Pinnacor selected Citigroup as its exclusive financial advisor based on Citigroup's reputation, experience and familiarity with Pinnacor and its business. Citigroup is an internationally recognized investment banking firm that regularly engages in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes.

### **Interests of Certain MarketWatch Directors and Executive Officers in the Merger**

In considering the recommendation of the board of directors of MarketWatch to vote for the proposal to adopt the merger agreement, MarketWatch stockholders should be aware that the executive officers and members of the board of directors of MarketWatch have agreements or arrangements that provide them with interests in the merger that differ from, or are in addition to, those of MarketWatch stockholders generally. The MarketWatch board of directors was aware of these agreements and arrangements during its deliberations of the merits of the merger with Pinnacor and in determining to recommend to the stockholders of MarketWatch that they vote for the approval of the merger agreement. These agreements and arrangements are summarized below.

*Governance Structure and Management Positions after the Merger.* The board of directors of the combined company will, at the closing, be comprised of twelve individuals, three of whom will be nominated by CBS, three of whom will be nominated by Pearson and two of whom will be nominated by Pinnacor. The members of the board of directors of MarketWatch are the current members of the board of directors of Holdco. Pursuant to the merger agreement, Pinnacor will nominate two members to the board of directors of the combined company prior to the completion of the merger. Lawrence S. Kramer, the Chairman of the board of directors of MarketWatch, is the current Chairman of the board of directors of Holdco. Moreover, each committee of the board of directors of the combined company will, at the closing, be comprised of the same directors currently designated by MarketWatch on its comparable committees of its board of directors. In accordance with the existing practice of MarketWatch, it is expected that the directors of the combined company who are also full-time employees of the combined company, or its operating subsidiaries, MarketWatch and Pinnacor after the merger, and the directors of the combined company who are affiliates will receive no additional compensation for their services as directors. The compensation to be paid to each non-employee and independent director of the combined company has not been determined by the board of the combined company. For a description of the current compensation arrangement with the directors of MarketWatch, see page 122.

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Furthermore, the current MarketWatch executive officers will become the executive officers of the combined company. The current employment agreements of the MarketWatch executive officers will remain in place after the completion of the merger. For a description of the employment agreements of the current executive officers of MarketWatch, see page 127.

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*MarketWatch Stock Options.* Pursuant to the terms of the merger agreement, each MarketWatch stock option granted to MarketWatch executive officers and non-employee directors outstanding immediately prior to the completion of the merger will be converted, upon the completion of the merger, into an option to purchase the same number of shares of Holdco common stock at an exercise price per share equal to the exercise price per share of MarketWatch common stock subject to the option before the conversion. Each outstanding stock option will continue to be governed by the terms of MarketWatch's 1998 stock incentive plan and the respective stock option agreement after the completion of the merger. The completion of the merger will not affect the exercisability or vesting schedule of the stock options previously granted to MarketWatch executive officers and non-employee directors. Subject to the receipt of the requisite vote of the MarketWatch and Pinnacor stockholders approving Holdco's 2003 stock incentive plan, all new stock options to purchase Holdco common stock to be granted to executive officers and non-employee directors of Holdco are expected to be governed by Holdco's 2003 stock incentive plan described on page 186.

As of August 4, 2003, the directors and executive officers of MarketWatch beneficially owned 1,194,159 shares of MarketWatch, including stock options to purchase 1,084,577 shares of MarketWatch common stock, exercisable within 60 days of August 4, 2003, collectively representing approximately 6.3% of the outstanding shares of MarketWatch common stock.

*Section 16.* MarketWatch has agreed to approve in advance the disposition of MarketWatch common stock and the acquisition of Holdco common stock by any officer or director of MarketWatch who is subject to Section 16 of the Exchange Act with the intent of exempting these transactions from Section 16(b) of the Exchange Act.

**Interests of Certain Pinnacor Directors and Executive Officers in the Merger**

In considering the recommendation of the board of directors of Pinnacor to vote for the proposal to adopt the merger agreement, stockholders of Pinnacor should be aware that the executive officers and members of the board of directors of Pinnacor have agreements or arrangements that provide them with interests in the Pinnacor merger that differ from, or are in addition to, those of Pinnacor stockholders generally. The Pinnacor board of directors was aware of these agreements or arrangements during its deliberations of the merits of the merger with MarketWatch and in determining to recommend to the Pinnacor stockholders that they vote for the approval of the merger agreement. These agreements or arrangements are summarized below.

*Bonus and other Severance Arrangements.* In 2003, in recognition of services provided in connection with the merger agreement, the Pinnacor board of directors approved a bonus of \$300,000 payable to each of Kirk Loevner and David Obstler upon the occurrence of the following events:

to Mr. Obstler, a payment of \$150,000 upon the closing of the Pinnacor merger and a payment of \$150,000 upon the termination or constructive termination of Mr. Obstler's employment within 12 months after the closing of the Pinnacor merger; and

to Mr. Loevner, a one-time payment of \$300,000 in the event of a termination or constructive termination of Mr. Loevner's employment within 12 months after the closing of the Pinnacor merger.

In addition, Pinnacor currently maintains employment agreements with Mr. Loevner, Mr. Obstler and William Staib pursuant to which each of them is entitled to receive a severance payment in the event that his employment is terminated by Pinnacor (or the combined company after the merger) without cause or by the executive officer for good reason. While the consummation of the merger will not by itself constitute a good reason, the severance payments will be triggered if the executive officer is terminated as a result of the merger if such executive officer is terminated without cause. In the event of such a termination of employment and assuming that the termination of each of their employment is

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effective as of December 1, 2003, Messrs. Loevner, Obstler and Staib would be entitled to receive severance payments in the amounts of \$490,000, \$402,344 and \$107,500, respectively. In the event that such severance payments are subject to excise tax imposed on parachute payments under Section 4999 of the Internal Revenue Code, the executive officers are entitled to



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receive a gross-up payment for any amounts payable by them, including any excise tax payable in respect of such gross-up payment. See the section entitled "Certain Relationships and Related Transactions with Respect to Pinnacor" beginning on page 132.

*Section 16.* Pinnacor and MarketWatch have agreed to approve in advance the disposition of Pinnacor common stock and the acquisition of Holdco common stock by any officer or director of Pinnacor who is subject to Section 16 of the Exchange Act with the intent of exempting these transactions from Section 16(b) of the Exchange Act.

*Equity-Based Incentive Plans.* As of August 4, 2003, Pinnacor's directors and executive officers held unvested stock options to acquire an aggregate of 2,943,638 shares of Pinnacor common stock, with an average weighted exercise price of \$1.74 per share. These options will become fully vested and will be converted upon the completion of the Pinnacor merger into options to acquire an aggregate of approximately 782,713 shares of Holdco common stock with a weighted average exercise price of approximately \$6.55 per share. In addition, upon the completion of the Pinnacor merger, restrictions with respect to 100,000 shares of restricted Pinnacor common stock currently held by Mr. Loevner and 50,000 shares of restricted Pinnacor common stock currently held by Mr. Obstler will lapse and such shares will become fully vested.

*Appointment of Directors.* In accordance with the terms of the merger agreement, at the time the merger is completed, two members of the board of directors of the combined company will be nominated by Pinnacor.

*Indemnification and Directors and Officers Insurance.* Holdco agreed to honor the obligations of Pinnacor pursuant to indemnification agreements between Pinnacor and its officers, directors and employees entered into before the completion of the Pinnacor merger. Holdco also agreed for five years after the completion of the Pinnacor merger to indemnify Pinnacor's officers, directors and employees before the closing to the extent of the indemnification provisions included in Pinnacor's current certificate of incorporation and bylaws. In addition, for five years after the completion of the Pinnacor merger, Holdco has agreed to maintain the same directors and officers' liability insurance maintained on the date of the merger agreement by Pinnacor covering those directors and officers of Pinnacor who had been covered by such insurance at the time the merger agreement was executed, or, in the alternative, Holdco has agreed to maintain run-off or tail policies or endorsement policies providing coverage on substantially the same terms and conditions, for claims arising out of acts or conduct occurring on or prior to the completion of the Pinnacor merger and asserted within five years after the completion of the Pinnacor merger. However, Holdco is not required to pay, on an annual basis, more than 150% of the current annual premium paid by Pinnacor for that insurance, and if such insurance would exceed more than 150% of the current premium paid by Pinnacor, Holdco is required to purchase the maximum coverage possible for such amount.

## **Material United States Federal Income Tax Consequences of the Merger**

The following are certain U.S. federal income tax consequences of the merger generally applicable to MarketWatch and Pinnacor stockholders. The following discussion is based upon the Internal Revenue Code of 1986, as amended, or the Code, the regulations promulgated under the Code, and existing administrative interpretations and court decisions, all of which are subject to change, possibly with retroactive effect. Any such change could affect the continuing validity of the following discussion. This discussion does not address all aspects of U.S. federal income taxation that may be important to you in light of your particular circumstances or if you are subject to special rules, such as rules relating to:

stockholders who are neither citizens nor residents of the United States or that are partnerships, foreign corporations or foreign estates or trusts;

financial institutions;

tax-exempt organizations;

insurance companies;

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dealers in securities;

traders in securities that elect to use a mark-to-market method of accounting;

investors in pass-through entities;

stockholders who acquired their stock pursuant to the exercise of options or similar derivative securities, through a tax-qualified retirement plan or otherwise as compensation; and

stockholders who hold their stock as part of a hedge, straddle or other risk reduction, constructive sale or conversion transaction.

The discussion below does not address the tax consequences of the merger under foreign, state or local tax laws, the tax consequences of transactions effectuated prior or subsequent to, or concurrently with, the merger, whether or not any such transactions are undertaken in connection with the merger, including without limitation any transaction in which MarketWatch or Pinnacor common stock is acquired or shares of Holdco common stock are disposed of, or the tax consequences to holders of options, warrants or similar rights to acquire MarketWatch or Pinnacor common stock. This discussion assumes you hold your shares of MarketWatch or Pinnacor common stock, as the case may be, as capital assets within the meaning of Section 1221 of the Code (generally, as an investment). **MARKETWATCH AND PINNACOR STOCKHOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE SPECIFIC TAX CONSEQUENCES OF THE MERGER, INCLUDING THE APPLICABLE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES TO THEM OF THE MERGER.**

It is intended that the MarketWatch merger and the Pinnacor merger will be treated as transfers governed by Section 351 of the Code, and that the MarketWatch merger also will be treated as a reorganization within the meaning of Section 368(a) of the Code. It is a condition to the completion of the merger that Pinnacor have received an opinion from Skadden, Arps, Slate, Meagher & Flom LLP, counsel to Pinnacor, to the effect that the MarketWatch merger and the Pinnacor merger will be treated as transfers governed by Section 351 of the Code, and that MarketWatch have received an opinion from Morrison & Foerster LLP, counsel to MarketWatch, to the effect that the MarketWatch merger and the Pinnacor merger will be treated as transfers governed by Section 351 of the Code and that the MarketWatch merger also will be treated as a reorganization qualifying under the provisions of Section 368(a) of the Code. Neither MarketWatch nor Pinnacor intends to waive the condition relating to the receipt of the tax opinions after receipt of stockholder approval of the merger without resoliciting the approval of their stockholders to the extent the material tax consequences of the merger to such stockholders are expected to differ from those described below under Tax Consequences to MarketWatch Stockholders and Tax Consequences to Pinnacor Stockholders.

*Tax Consequences to MarketWatch Stockholders.* Assuming that the MarketWatch merger and Pinnacor merger will be treated as transfers governed by Section 351 of the Code or that the MarketWatch merger will be treated as a reorganization qualifying under the provisions of Section 368(a) of the Code for federal tax purposes, or both, a MarketWatch stockholder who exchanges MarketWatch common stock for Holdco common stock in the MarketWatch merger will not recognize any gain or loss upon such exchange. The tax basis of the Holdco common stock received by such holder will be the same as the tax basis of the MarketWatch common stock surrendered, and the holding period of the Holdco common stock will include the holding period of the MarketWatch common stock surrendered in exchange therefor.

*Tax Consequences to Pinnacor Stockholders.* Assuming that the MarketWatch merger and Pinnacor merger will be treated as transfers governed by Section 351 of the Code for federal tax purposes, the following are the material U.S. federal income tax consequences of the Pinnacor merger to Pinnacor stockholders who do not exercise appraisal rights in connection with the Pinnacor merger.

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*Considerations in Choosing an Election.* The federal income tax consequences of the Pinnacor merger to a Pinnacor stockholder generally will depend on whether the holder exchanges its Pinnacor common stock for cash, Holdco common stock or a combination of cash and Holdco common stock. The actual federal income tax

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consequences to each Pinnacor stockholder of making a cash election or a stock election will not be known at the time the election is made because Pinnacor stockholders will not know at such time if, or to what extent, the proration procedures will apply. Accordingly, Pinnacor stockholders are urged to consult their tax advisors before making an election in connection with the Pinnacor merger.

*Exchange Solely for Cash.* In general, a holder who receives solely cash in exchange for all of the shares of Pinnacor common stock actually owned by such holder will recognize capital gain or loss equal to the difference between the amount of cash received and the holder's adjusted tax basis in the shares of Pinnacor common stock surrendered. Any such gain or loss generally will be long-term capital gain or loss if the holder's holding period with respect to the Pinnacor common stock surrendered is more than one year at the effective time of the Pinnacor merger. Gain or loss must be calculated separately for each block of Pinnacor common stock (i.e., shares of Pinnacor common stock acquired at the same time in a single transaction).

*Exchange Solely for Holdco Common Stock.* A holder who receives solely Holdco common stock in exchange for all of the shares of Pinnacor common stock actually owned by such holder will not recognize any gain or loss on the exchange, except in respect of cash received instead of a fractional share of Holdco common stock (as discussed below). The aggregate adjusted tax basis of the shares of Holdco common stock received in the Pinnacor merger will be equal to the aggregate adjusted tax basis of the shares of Pinnacor common stock surrendered, excluding any portion of such basis allocated to fractional shares. The holding period of the Holdco common stock will include the period during which the shares of Pinnacor common stock were held.

*Exchange for a Combination of Holdco Common Stock and Cash.* Except as discussed below in respect of cash received instead of a fractional share of Holdco common stock, a holder who exchanges all of the shares of Pinnacor common stock actually owned by such holder for a combination of Holdco common stock and cash will recognize all or a portion of any gain realized in the transaction, but will not recognize any loss realized in the transaction. Gain or loss will be calculated separately for each block of Pinnacor common stock surrendered. For this purpose, all of the cash and Holdco common stock received by a Pinnacor stockholder pursuant to the Pinnacor merger will be allocated proportionately among the blocks of Pinnacor common stock surrendered by such holder.

The amount of gain recognized with respect to each block of Pinnacor common stock surrendered will be the lesser of (i) the sum of the amount of cash and the fair market value of the Holdco common stock allocable to such block of Pinnacor common stock over the holder's adjusted tax basis in such block, and (ii) the amount of cash received with respect to such block of Pinnacor common stock. For example, if a holder of Pinnacor common stock owns a single block of common stock (i.e., all stock was purchased on the same date at the same price) with an adjusted tax basis of \$1,000, which is exchanged for \$500 in cash and Holdco common stock with a fair market value of \$1,100, the amount of gain recognized would be limited to \$500, the amount of cash received, since this amount is less than the sum of the amount of cash and the fair market value of the Holdco common stock received (\$500 + \$1,100) over the holder's adjusted tax basis (\$1,000) in the Pinnacor common stock surrendered. If, however, the holder's adjusted tax basis in the Pinnacor common stock surrendered was \$1,200, then the amount of gain recognized would be limited to \$400, the sum of the amount of cash and the fair market value of the Holdco common stock received (\$500 + \$1,100) over the holder's adjusted tax basis (\$1,200) in the Pinnacor common stock surrendered.

A loss realized on one block of stock may not be used to offset a gain realized on another block of stock. Any recognized gain will generally be long-term capital gain if the holder's holding period with respect to the Pinnacor common stock surrendered is more than one year at the effective time of the Pinnacor merger.

The aggregate tax basis of Holdco common stock received (including a fractional share for which cash is received) by a holder who receives a combination of Holdco common stock and cash will equal the aggregate adjusted tax basis of the shares of Pinnacor common stock surrendered by such holder pursuant to the Pinnacor merger, reduced by the amount of cash received by the holder pursuant to the Pinnacor merger (excluding any cash received instead of a fractional share of Holdco common stock) and increased by the amount of gain



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(excluding any gain or loss with respect to a fractional share, as described below), if any, recognized by the holder on the exchange. The holding period of the Holdco common stock will include the holding period of the shares of Pinnacor common stock surrendered. These basis and holding period rules should be applied separately to each block of Pinnacor common stock that a holder surrenders in the Pinnacor merger.

*Cash in Lieu of Fractional Shares.* A holder of Pinnacor common stock who receives cash in lieu of a fractional share of Holdco common stock in the Pinnacor merger will be deemed to have received that fractional share in the Pinnacor merger and then to have had the fractional share redeemed in exchange for cash. The stockholder will recognize gain or loss equal to the difference between the cash received for the fractional share and the portion of the stockholder's tax basis in the shares of Pinnacor common stock surrendered in the Pinnacor merger that is allocable to the fractional share. Any such gain or loss generally will be long-term capital gain or loss if the Pinnacor common stock has been held by the holder for more than one year at the effective time of the Pinnacor merger.

*Exercise of Appraisal Rights.* Regardless of the status of the Pinnacor merger as a nontaxable transaction, if you exercise appraisal rights in connection with the Pinnacor merger and receive cash payment for all of your shares of Pinnacor common stock, you generally will recognize capital gain or loss, which will be long-term capital gain or loss if you have held your shares of Pinnacor common stock for more than one year at the time of payment. You should consult your tax advisor regarding the tax consequences to you if you exercise appraisal rights in connection with the Pinnacor merger and receive cash for your Pinnacor common stock.

*Additional Tax Considerations.* The tax opinions of Skadden, Arps, Slate, Meagher & Flom LLP and Morrison & Foerster LLP referred to above will be dated as of the effective date of the merger, will be based on then-existing law and will assume the absence of changes in existing facts. The opinions also will rely on, among other things, customary assumptions and representations contained in certificates executed by officers of MarketWatch and Pinnacor dated on or before the date of the opinions, which shall not have been withdrawn or modified in any material respect as of the effective time of the merger. The opinions will neither bind the Internal Revenue Service, or the IRS, nor preclude the IRS from adopting a contrary position, and it is possible that the IRS may successfully assert a contrary position in litigation or other proceedings. Neither MarketWatch nor Pinnacor will request a ruling from the IRS in connection with the merger.

**THE FOREGOING DISCUSSION IS NOT INTENDED TO BE A COMPLETE ANALYSIS OR DESCRIPTION OF ALL POTENTIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER. IN ADDITION, THE DISCUSSION DOES NOT ADDRESS TAX CONSEQUENCES WHICH MAY VARY WITH, OR ARE CONTINGENT ON, YOUR INDIVIDUAL CIRCUMSTANCES. MOREOVER, THE DISCUSSION DOES NOT ADDRESS ANY NON-INCOME TAX OR ANY FOREIGN, STATE OR LOCAL TAX CONSEQUENCES OF THE MERGER. ACCORDINGLY, YOU ARE STRONGLY URGED TO CONSULT WITH YOUR TAX ADVISOR TO DETERMINE THE PARTICULAR U.S. FEDERAL, STATE, LOCAL OR FOREIGN INCOME OR OTHER TAX CONSEQUENCES TO YOU OF THE MERGER.**

### **Accounting Treatment of the Merger**

We intend to account for the merger of MarketWatch and Pinnacor under the purchase method of accounting for business combinations. For more details about purchase accounting see Note 2, "Preliminary Purchase Price" to the Notes to Unaudited Pro Forma Combined Condensed Financial Statements beginning on page 20.

### **Regulatory Matters**

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Based on information currently available, each of MarketWatch and Pinnacor believes that the transactions contemplated by the merger agreement do not require an antitrust notification under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, or the HSR Act, and the rules promulgated thereunder by the



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Federal Trade Commission, or the FTC. Therefore, MarketWatch and Pinnacor do not expect to give any such notifications. However, if, prior to the closing, there is a change in the factual circumstances requiring the notification of one or more of the transactions contemplated by the merger agreement, the merger may not be consummated until such notifications have been given and certain information has been furnished to the FTC and the Antitrust Division of the Department of Justice, or the Antitrust Division, and the specified waiting period requirements have been satisfied. Although each of MarketWatch and Pinnacor believes that the transactions contemplated by the merger agreement do not require an antitrust notification and changes in factual circumstances that would require such notification are unlikely, we cannot assure you that such circumstances will not change and result in MarketWatch and Pinnacor making such notifications.

In the event an HSR Act notification is required, the waiting period under the HSR Act will expire at 11:59 p.m. Eastern Time 30 days after the appropriate notifications have been made, unless the parties making such notification receive a request for additional documents, or the Antitrust Division and the FTC terminate the waiting period prior thereto. In practice, complying with a request for additional information or material can take a significant amount of time. In addition, if the Antitrust Division or the FTC raises substantive issues in connection with a proposed transaction, the parties may engage in negotiations with the relevant governmental agency concerning possible means of addressing those issues and may agree to delay consummation of the transaction while such negotiations continue.

The FTC and the Antitrust Division frequently scrutinize the legality under the antitrust laws of transactions such as the merger regardless of whether notification of the transaction is made under the HSR Act. At any time before or after the consummation of the merger of MarketWatch and Pinnacor, the Antitrust Division or the FTC could take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the consummation of the merger or seeking divestiture of substantial assets of MarketWatch and/or Pinnacor. At any time before or after the consummation of the merger and notwithstanding the absence of any HSR Act notification requirement, or if an HSR Act notification has been made, notwithstanding the fact that the HSR Act waiting period may have expired, any state could take such action under such state's antitrust laws as it deems necessary or desirable in the public interest. Such action could include seeking to enjoin the consummation of the merger or seeking divestiture of substantial assets of MarketWatch and/or Pinnacor. Under certain circumstances, private parties may also seek to take legal action under applicable antitrust laws.

MarketWatch and Pinnacor believe that the merger can be effected in compliance with federal and state antitrust laws. However, we cannot assure you that a challenge to the consummation of the merger on antitrust grounds will not be made or that, if such a challenge were made, MarketWatch and Pinnacor would prevail or would not be required to accept certain conditions, possibly including certain divestitures of substantial assets of MarketWatch and/or Pinnacor, in order to consummate the merger.

## **Appraisal Rights**

Pinnacor stockholders have the right to dissent from the Pinnacor merger and receive the fair cash value of all their Pinnacor common stock instead of receiving the merger consideration in the Pinnacor merger if such stockholders have complied with Section 262 of the Delaware General Corporation Law, or DGCL, a copy of which is attached to this joint proxy statement-prospectus as Annex D. Holders of stock options or warrants for Pinnacor common stock are not entitled to appraisal rights.

Below is a summary of the steps you must take if you are a Pinnacor stockholder and you wish to exercise your appraisal rights. This description is not complete and you should read Section 262 of the DGCL carefully and in its entirety. Failure to comply with the procedure set forth in Section 262 may terminate your appraisal rights.

### **1. You must make a written demand for appraisal.**

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You must deliver a written demand for appraisal to Pinnacor Inc. at 601 West 26th Street, 13th Floor, New York, NY 10001, Attention: Secretary, before the vote on the Pinnacor merger is taken at the Pinnacor special meeting. A vote against the merger alone will not constitute a valid demand for appraisal, and you therefore must

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provide written notice separate from your proxy. A demand for appraisal should be signed by or on behalf of the stockholder exactly as the stockholder's name appears on the stockholder's stock certificates. If the shares are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, the demand should be executed in that capacity, and if the shares are owned of record by more than one person, as in a joint tenancy or tenancy in common, the demand should be executed by or on behalf of all joint owners. An authorized agent, including one or more joint owners, may execute a demand for appraisal on behalf of a record holder; however, in the demand, the agent must identify the record owner or owners and expressly disclose that the agent is executing the demand as an agent for the record owner or owners. A record holder such as a broker who holds shares as nominee for several beneficial owners may exercise appraisal rights for the shares held for one or more beneficial owners and not exercise rights for the shares held for other beneficial owners. In this case, the written demand should state the number of shares for which appraisal rights are being demanded. When no number of shares is stated, the demand will be presumed to cover all shares held of record by the nominee.

### **2. You must refrain from voting for approval of the merger.**

You must not vote your shares of Pinnacor common stock for approval of the Pinnacor merger. You can terminate your right to appraisal, even if you have previously filed a written demand for appraisal, if you return a signed proxy and:

(A) fail to vote against approval and adoption of the merger agreement and the approval of the Pinnacor merger; or

(B) fail to note that you are abstaining from voting.

### **3. You must continuously hold your shares of Pinnacor common stock.**

You must continuously hold your shares of Pinnacor common stock from the date you make the demand for appraisal through the completion of the Pinnacor merger.

### **4. Petition with the Delaware Court of Chancery.**

If you and Pinnacor cannot agree on the fair cash value of your dissenting shares, then within 120 days after the effective date of the merger, either the surviving corporation in the Pinnacor merger or any stockholder who has complied with the conditions of Section 262 of the DGCL may file a petition in the Delaware Court of Chancery. The petition should request that the court determine the value of the shares of stock held by all of the stockholders who are entitled to appraisal rights. Neither Holdco nor Pinnacor has any intention at this time, nor any obligation, to file such a petition. If you and Pinnacor cannot agree on such a fair cash value and you do not file a petition within 120 days after the effective date of the merger, you will lose your appraisal rights.

### **5. Appraisal of shares.**

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If a petition for appraisal is timely filed, the Delaware Court of Chancery will determine the stockholders who are entitled to appraisal rights. The Delaware Court of Chancery will then determine the fair value of the applicable shares held by the dissenting stockholders, exclusive of any value arising from the accomplishment or expectation of the Pinnacor merger, but together with a fair rate of interest, if any, to be paid on the amount determined to be the fair value. In determining the fair value, the court will consider all relevant factors. The Delaware Court of Chancery may determine the fair value to be more than, the same as, or less than the Pinnacor merger consideration. The costs and expenses of the appraisal proceeding may be assessed against Pinnacor and the dissenting stockholders, as the court deems equitable under the circumstances. However, you may request that the Delaware Court of Chancery allocate the expenses of the appraisal action incurred by any stockholder against the value of all of the shares entitled to appraisal.

### **6. Withdrawal of demand.**

You may withdraw your demand for appraisal and accept the Pinnacor merger consideration by delivering to Pinnacor a written withdrawal of your demand, except that (1) any attempt to withdraw your demand for

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appraisal made more than 60 days after the completion of the Pinnacor merger will require the written approval of Pinnacor, and (2) an appraisal proceeding in the Delaware Court of Chancery cannot be dismissed unless the court approves such dismissal.

Failure to follow the steps required by Section 262 of the DGCL for exercising appraisal rights may result in the loss of such rights (in which event a Pinnacor stockholder will be entitled to receive the applicable Pinnacor merger consideration with respect to such dissenting shares in accordance with the merger agreement). In view of the complexity of the provisions of Section 262 of the DGCL, Pinnacor stockholders who are considering objecting to the merger are urged to consult their own legal advisors.

## **Listing of Holdco Common Stock on Nasdaq National Market**

Holdco will use reasonable best efforts to cause the shares of Holdco common stock that are to be issued in connection with the merger to be approved for listing on the Nasdaq National Market, subject to official notice of issuance, before the completion of the merger. The proposed symbol for the Holdco common stock is MKTW, which is the current trading symbol for MarketWatch.

## **Delisting and Deregistration of MarketWatch and Pinnacor Common Stock after the Merger**

When the merger is completed, MarketWatch common stock and Pinnacor common stock will each be delisted from the Nasdaq National Market and will be deregistered under the Securities Exchange Act of 1934, as amended.

## **Restrictions on Sales of Holdco Common Stock by Affiliates of Holdco, MarketWatch and Pinnacor**

The shares of Holdco common stock to be issued in connection with the merger will be registered under the Securities Act of 1933, as amended, and will be freely transferable under the Securities Act, except for shares of Holdco common stock issued to any person who is deemed to be an affiliate of either MarketWatch or Pinnacor at the time of the respective special meeting of stockholders or an affiliate of Holdco after the completion of the merger. Persons who may be deemed to be affiliates include individuals or entities that control, are controlled by, or are under the common control of either MarketWatch or Pinnacor at the time of the respective special meeting of stockholders and of Holdco after the completion of the merger. You will be notified if you are such an affiliate. Affiliates may not sell their shares of Holdco common stock except pursuant to:

an effective registration statement under the Securities Act covering the resale of those shares;

an exemption under paragraph (d) of Rule 145 under the Securities Act;

in accordance with Rule 144 under the Securities Act; or

any other applicable exemption under the Securities Act.

Holdco's registration statement on Form S-4, of which this joint proxy statement-prospectus forms a part, does not cover the resale of shares of Holdco common stock to be received in the merger by the affiliates of MarketWatch or Pinnacor prior to the merger and Holdco after the completion of the merger.

#### **Stockholder Lawsuit Challenging the Pinnacor Merger**

On July 24, 2003, a shareholder class action lawsuit was filed against Pinnacor, Pinnacor's current directors, a Pinnacor officer, and MarketWatch in the Delaware Court of Chancery. The lawsuit purports to be a class action filed on behalf of holders of the Pinnacor common stock as of the date of the announcement of the proposed merger of Pinnacor and MarketWatch. The lawsuit alleges that Pinnacor's directors breached their fiduciary duties in proceeding with the merger by agreeing to an inadequate proposed purchase price which fails adequately to compensate Pinnacor stockholders for the loss of control of the company. The lawsuit alleges that MarketWatch aided and abetted these breaches of fiduciary duty in some unspecified way. The lawsuit seeks an unspecified amount of damages and also an injunction against consummation of the proposed transaction.

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**THE MERGER AGREEMENT**

*The following describes certain material provisions of the merger agreement. The following description of the merger agreement does not purport to be complete and is subject to, and qualified in its entirety by reference to, the merger agreement, which is attached as Annex A to this joint proxy statement-prospectus and is incorporated in this joint proxy statement-prospectus by reference. All MarketWatch stockholders and Pinnacor stockholders are urged to read the merger agreement carefully and in its entirety.*

*Holding Company and Merger Subsidiaries.* To accomplish the proposed merger between MarketWatch and Pinnacor, MarketWatch formed a new company, currently named NMP, Inc., to which we refer as Holdco or the combined company in this joint proxy statement-prospectus, with two wholly-owned subsidiaries, Maple Merger Sub and Pine Merger Sub.

*Structure of the Merger.* At the closing of the merger, the following transactions will occur:

Pine Merger Sub will be merged with and into Pinnacor, and Pinnacor will be the surviving corporation. This is referred to as the Pinnacor merger in this joint proxy statement-prospectus.

Maple Merger Sub will be merged with and into MarketWatch, and MarketWatch will be the surviving corporation. This is referred to as the MarketWatch merger in this joint proxy statement-prospectus.

MarketWatch's ownership in Holdco will be cancelled. See The Merger Agreement Cancellation below.

As a result of the MarketWatch merger and the Pinnacor merger, MarketWatch and Pinnacor will each become a wholly-owned subsidiary of Holdco. After the merger is completed, Holdco will be renamed MarketWatch.com, Inc. MarketWatch, one of Holdco's operating subsidiaries after the merger, will be renamed MarketWatch Media, Inc. and Pinnacor, the other Holdco operating subsidiary after the merger, will continue to be named Pinnacor Inc.

*Closing and Effective Time of the Merger.* The merger agreement provides that the closing will take place as soon as practicable after the satisfaction or waiver of the conditions to the Pinnacor merger and the MarketWatch merger contained in the merger agreement, unless some other time or date is agreed upon by MarketWatch and Pinnacor. The effective time of the merger will be the time when the certificates of merger for each of the MarketWatch merger and the Pinnacor merger are filed in accordance with the relevant provisions of Delaware law.

*The Pinnacor Merger Consideration.* In the Pinnacor merger, a holder of Pinnacor common stock may elect to receive, for each share of Pinnacor common stock, either \$2.42 in cash or 0.2659 of a share of Holdco common stock, also referred to as the exchange ratio. If a Pinnacor stockholder holds more than one share of Pinnacor common stock, that stockholder can elect to receive cash, stock, or a combination of cash and stock for their shares of Pinnacor common stock, but may receive a different mix of consideration than that elected based on the proration rules described below. Under the terms of the merger agreement, the aggregate cash consideration that Pinnacor stockholders will receive in the Pinnacor merger is \$44.0 million, and accordingly, at the closing, an aggregate of 18,181,818 shares of Pinnacor common stock will be exchanged for cash, with the remaining outstanding shares of Pinnacor common stock being exchanged for Holdco common stock at the exchange ratio. Assuming that 40,790,486 shares of Pinnacor common stock are outstanding as of the closing of the merger, 22,608,668 shares of Pinnacor common stock will be exchanged for Holdco common stock, at the exchange ratio of 0.2659. Notwithstanding the exact number of shares of Pinnacor common stock that will be exchanged for cash and Holdco common stock as described above, the actual number of such

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shares may be different due to the fact that Holdco will not be issuing fractional shares. Elsewhere in this joint proxy statement-prospectus we refer to these share numbers on an approximate basis.



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On the date of the merger agreement, MarketWatch and Pinnacor agreed that the exchange ratio and the per share cash consideration would be fixed and would be calculated based on \$44 million in cash paid to the holders of outstanding shares of Pinnacor common stock, and 6.5 million shares of Holdco common stock issued to the holders of the fully diluted equity of Pinnacor. The parties agreed that the fully diluted equity of Pinnacor included the shares of Pinnacor common stock, including the restricted shares of Pinnacor common stock outstanding on June 30, 2003, the number of shares of Pinnacor common stock issuable upon exercise of the in-the-money stock options (as of June 30, 2003 with an exercise price of less than \$2.42), net of stock assumed to be repurchased at \$2.42 net of using the proceeds of such exercise (the treasury stock method), and the then expected number of shares of Pinnacor common stock to be issued under Pinnacor's employee stock purchase plan at the closing of the merger. That calculation resulted in the exchange ratio of 0.2659 per share and the per share cash consideration of \$2.42.

Since the facts underlying the assumptions relating to the calculation of the exchange ratio may change between the date of the merger agreement and the closing of the merger, this fixed exchange ratio of 0.2659 is likely to result in more or less than the 6.5 million shares of Holdco common stock actually being issued to holders of Pinnacor common stock, in the aggregate, as a result of the Pinnacor merger. Shares of Holdco common stock will be issued in the Pinnacor merger as follows:

At the closing of the merger, in exchange for the outstanding shares of Pinnacor common stock (including shares of Pinnacor common stock to be issued under Pinnacor's employee stock purchase plan at the closing of the merger).

After the closing of the merger, if and when exercised, upon the exercise of the Pinnacor stock options and warrants assumed by Holdco.

Since Pinnacor stockholders may, in the aggregate, elect to receive more cash than the \$44.0 million that will be available under the merger agreement, or alternatively, Pinnacor stockholders may, in the aggregate, elect to receive more stock than the number of shares of Holdco common stock available for distribution under the merger agreement, the aggregate consideration will be apportioned between the Pinnacor stockholders based on the proration rules that will govern the allocation of the cash and stock consideration. These proration rules are discussed below.

*The Pinnacor Merger Proration Rules.* Based on differing preferences for cash and stock consideration among the Pinnacor stockholders, there are different potential scenarios for proration. Below, we describe three likely proration scenarios and provide an example of the application of the proration rules to each of these scenarios.

For purposes of these examples, we have assumed that at the closing, 40,790,486 shares of Pinnacor common stock will be outstanding, which is the number of shares of Pinnacor common stock outstanding as of June 30, 2003. Based on that number of outstanding shares of Pinnacor common stock, approximately 18,181,818 shares of Pinnacor common stock will be exchanged for cash and approximately 22,608,668 shares of Pinnacor common stock will be exchanged for Holdco common stock at the exchange ratio. For purposes of illustration, the numbers in these examples have been rounded to the nearest fourth digit following the decimal point.

***Case 1: Pinnacor stockholders, in the aggregate, elect to exchange shares of Pinnacor common stock for cash in an amount exceeding the \$44.0 million cash portion of the aggregate consideration to be paid.***

In this case, Holdco will calculate a proration factor for the Pinnacor shares for which a cash election has been made. This proration factor will equal (a) the total number of Pinnacor shares that can be exchanged for cash pursuant to the merger agreement, divided by (b) the number of Pinnacor shares for which a valid cash election has been made. As a result:

each share of Pinnacor common stock for which a stock election has been made will be exchanged for a fraction of a share of Holdco common stock equal to 0.2659;

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each share of Pinnacor common stock for which no election has been made will be exchanged for a fraction of a share of Holdco common stock equal to 0.2659; and

each share of Pinnacor common stock for which a cash election has been made will be exchanged for:

1. cash equal to \$2.42 multiplied by the proration factor; and
2. a fraction of a share of Holdco common stock equal to 0.2659 multiplied by one minus the proration factor.

***Case 1 Example:***

Assume for this case that a cash election has been made with respect to 24,474,292 shares, or approximately 60% of the assumed outstanding shares of Pinnacor common stock, at the closing. The cash proration factor will be:

$18,181,818 \text{ divided by } 24,474,292 = 0.7429.$

Each share of Pinnacor common stock for which a share election has been made or for which no election has been made will be exchanged for a fraction of a share of Holdco common stock equal to 0.2659. Each share of Pinnacor common stock for which a cash election has been made will be exchanged for:

cash in the amount of \$2.42 multiplied by 0.7429 = \$1.7978; and

a fraction of a share of Holdco common stock equal to 0.2659 multiplied by  $(1 - 0.7429) = 0.0684.$

***Case 2: Pinnacor stockholders, in the aggregate, elect to exchange shares of Pinnacor common stock for Holdco common stock in an amount exceeding the fixed number of shares of Holdco common stock available as the stock portion of the aggregate consideration to be paid.***

In this case, Holdco will calculate a proration factor for the shares of Pinnacor common stock for which a stock election has been made. This proration factor will equal (x) the number of shares of Pinnacor common stock that can be exchanged for Holdco common stock pursuant to the merger agreement, divided by (y) the number of shares of Pinnacor common stock for which a valid stock election has been made. As a result:

each share of Pinnacor common stock for which a cash election has been made will be exchanged for cash in the amount of \$2.42;

each share of Pinnacor common stock for which no election has been made will be exchanged for cash in the amount of \$2.42; and

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each share of Pinnacor common stock for which a share election has been made will be exchanged for:

1. a fraction of a share of Holdco common stock equal to 0.2659 multiplied by the proration factor; and
2. cash equal to \$2.42 multiplied by one minus the proration factor.

### *Case 2 Example:*

Assume for this case that a stock election has been made with respect to 36,711,437, or approximately 90% of the assumed outstanding shares of Pinnacor common stock at the closing. The stock proration factor will be:

$22,608,668 \text{ divided by } 36,711,437 = 0.6158.$

Each share of Pinnacor common stock for which a cash election has been made or for which no election has been made will be exchanged for \$2.42 in cash. Each share of Pinnacor common stock for which a stock election has been made will be exchanged for:

a fraction of a share of Holdco common stock equal to  $0.2659 \text{ multiplied by } 0.6158 = 0.1637$ ; and

cash in the amount of  $\$2.42 \text{ multiplied by } (1 - 0.6158) = \$0.9298.$

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In the two cases above, the form of election permits a stockholder who owns, alone or together with his or her affiliates, shares of Pinnacor common stock in more than one name or account, to specify how to allocate the cash paid and the Holdco common stock issued in the Pinnacor merger among the various accounts of the stockholder and, with their consent, his or her affiliates. Regardless of the allocation specified by a Pinnacor stockholder with respect to the various accounts, the cash and Holdco common stock received as merger consideration will be treated as allocated proportionately among any blocks of stock owned by the stockholder for purposes of computing such stockholder's taxable gain or loss. See Material United States Federal Income Tax Consequences of the Merger Tax Consequences to Pinnacor Stockholders Exchange for a Combination of Holdco Common Stock and Cash beginning on page 85 for a discussion of how to compute gain or loss for tax purposes.

***Case 3: Pinnacor stockholders, in the aggregate, elect to exchange shares of Pinnacor common stock for cash and Holdco common stock in amounts below the cash and Holdco common stock portion of the aggregate consideration to be paid.***

In this case, Holdco will calculate a cash proration factor and a stock proration factor for the shares of Pinnacor common stock for which no election has been made. The cash proration factor will equal (a) the positive difference between the number of shares of Pinnacor common stock that will be exchanged for cash pursuant to the merger agreement, and the number of shares of Pinnacor common stock for which a valid cash election has been made, divided by (b) the number of shares for which no election has been made. The stock proration factor will equal (x) the positive difference between the number of shares of Pinnacor common stock that will be exchanged for Holdco common stock pursuant to the merger agreement, and the number of shares of Pinnacor common stock for which a valid stock election has been made, divided by (y) the number of shares for which no election has been made. As a result:

each share of Pinnacor common stock for which a cash election has been made will be exchanged for cash in the amount of \$2.42;

each share of Pinnacor common stock for which a stock election has been made will be exchanged for 0.2659 of a share of Holdco common stock; and

each share of Pinnacor common stock for which no election has been made will be exchanged for:

1. cash equal to \$2.42 multiplied by the cash proration factor; and
2. a fraction of a share of Holdco common stock equal to 0.2659 multiplied by the stock proration factor.

***Case 3 Example:***

Assume for this case that a cash election has been made with respect to 12,237,146 shares, or approximately 30% of the assumed outstanding shares of Pinnacor common stock, a share election has been made with respect to another 12,237,146 shares of Pinnacor common stock and no election has been made with respect to the remaining 16,316,194, or approximately 40% of the assumed outstanding shares of Pinnacor common stock.

The non-electing cash proration factor will be:  $(18,181,818 \text{ minus } 12,237,146) \text{ divided by } 16,316,194 = 0.3643$ .

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The non-electing stock proration factor will be:  $(22,608,668 \text{ minus } 12,237,146) \text{ divided by } 16,316,194 = 0.6357$ .

Each share of Pinnacor common stock for which a cash election has been made will be exchanged for \$2.42. Each share of Pinnacor common stock for which a share election has been made will be exchanged for 0.2659 of a share of Holdco common stock. Each share for which no election has been made will be exchanged for:

cash in the amount of \$2.42 multiplied by 0.3643 = \$0.8816; and

a fraction of a share of Holdco common stock equal to 0.2659 multiplied by 0.6357 = 0.1690.

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*Pinnacor Stock Options, Warrants, Stock Purchase Rights and Restricted Stock.* Each outstanding Pinnacor stock option will become fully vested upon the completion of the Pinnacor merger. In connection with the Pinnacor merger, each outstanding Pinnacor stock option will be converted into an option to purchase the number of shares of Holdco common stock that is equal to the product of the number of shares of Pinnacor common stock that could have been purchased before the Pinnacor merger upon the exercise of the option multiplied by 0.2659 and rounded down to the nearest whole share. The exercise price per share of Holdco common stock for the converted option will be equal to the exercise price per share of Pinnacor common stock subject to the option before the conversion divided by 0.2659 and rounded up to the nearest whole cent. The other terms of each Pinnacor stock option applicable before the conversion will continue to apply to the converted option after the conversion.

When the Pinnacor merger is completed, each outstanding Pinnacor warrant will be converted into a warrant to purchase the number of shares of Holdco common stock that is equal to the product of the number of shares of Pinnacor common stock that could have been purchased before the Pinnacor merger upon the exercise of the warrant multiplied by 0.2659 and rounded down to the nearest whole share. The exercise price per share of Holdco common stock for the converted warrant will be equal to the exercise price per share of Pinnacor common stock subject to the warrant before the conversion divided by 0.2659 and rounded up to the nearest whole cent. The other terms of each Pinnacor warrant applicable before the conversion will continue to apply to the converted warrant after the conversion.

The current offering period under the Pinnacor employee stock purchase plan will terminate immediately prior to the closing of the Pinnacor merger. At that time, each outstanding purchase right under the plan will be automatically exercised and all accumulated payroll deductions will be applied toward the purchase of shares of Pinnacor common stock. Each share of Pinnacor common stock purchased upon the exercise of such purchase right will be treated as any other outstanding share of Pinnacor common stock and will be entitled to elect to receive cash and/or Holdco common stock as the merger consideration in connection with the Pinnacor merger.

When the Pinnacor merger is completed, each holder of a share of Pinnacor restricted stock may elect to receive, subject to proration, their merger consideration in the form of cash or shares of Holdco common stock, or a combination of both. Any stock payable with respect to unvested shares of the Pinnacor restricted stock will be converted into Holdco common stock and will continue to be subject to the restrictions set forth in the agreements under which such Pinnacor restricted stock were issued. Any cash payable with respect to unvested shares of the Pinnacor restricted stock will be placed in an escrow account for the benefit of the holders of such unvested shares of Pinnacor restricted stock and will be released from such escrow account in accordance with the vesting schedule applicable to such Pinnacor restricted stock. Pursuant to the terms of the merger agreement, Pinnacor restricted stock held by each of Messrs. Loevner and Obstler will become fully vested upon the completion of the Pinnacor merger.

*The MarketWatch Merger Consideration.* In the MarketWatch merger, each share of MarketWatch common stock will be exchanged for one share of Holdco common stock.

*MarketWatch Stock Options and Employee Stock Purchase Plan.* When the MarketWatch merger is completed, each outstanding MarketWatch stock option will be converted into an option to purchase the same number of shares of Holdco common stock at an exercise price per share equal to the exercise price per share of MarketWatch common stock subject to the option before the conversion. The other terms of each MarketWatch stock option applicable before the conversion, including the vesting schedule, will continue to apply to the converted option after the conversion.

When the MarketWatch merger is completed, each outstanding stock purchase right under the 2000 employee stock purchase plan will be converted into a right to purchase the same number of shares of Holdco common stock at a purchase price per share equal to the purchase price per share of MarketWatch common stock at which such stock purchase right was exercisable before the conversion. The other terms of each MarketWatch





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stock purchase right applicable before the conversion will continue to apply to the converted stock purchase right after the conversion.

*Fractional Shares of Holdco Common Stock.* Pinnacor stockholders will not receive a fractional share of Holdco common stock in the Pinnacor merger. A Pinnacor stockholder who would otherwise have been entitled to a fraction of a share of Holdco common stock (after aggregation of all shares) will instead receive a cash payment (without interest) determined by multiplying the fractional share interest to which such holder would otherwise be entitled by \$9.10.

*Cancellation.* Each share of Pinnacor common stock held by Pinnacor or any subsidiary of Pinnacor immediately prior to the effective time of the Pinnacor merger will cease to be outstanding and will be cancelled and extinguished without the payment of any consideration. Each share of MarketWatch common stock held by MarketWatch or any subsidiary of MarketWatch immediately prior to the effective time of the MarketWatch merger will cease to be outstanding and will be cancelled and extinguished without the payment of any consideration. Each share of Holdco common stock held by MarketWatch immediately prior to the effective time of the MarketWatch merger will cease to be outstanding and will be cancelled and extinguished without the payment of any consideration.

*Making the Election.*

*Exchange Agent.* Holdco has selected Mellon Investor Services, which is the transfer agent for MarketWatch, to serve as the exchange agent for purposes of affecting the election and proration rules.

*Form of Election.* A BLUE form of election (which is also the transmittal letter) is included with this document. The BLUE form of election must be used to make the election to receive cash or Holdco common stock as merger consideration. To make an election, Pinnacor stockholders should:

submit to the exchange agent, using the blue striped envelope provided with this joint proxy statement-prospectus, a properly completed and signed BLUE form of election accompanied by the certificates representing the shares of Pinnacor common stock for which the election is being made; or

for Pinnacor stockholders whose shares are held in book-entry or street name form, refer to the BLUE form of election on how to instruct the broker, dealer, bank or other financial institution that holds the shares to make an election on such Pinnacor stockholders behalf.

Pinnacor stockholders of record who want to make an election, but are unable to furnish the exchange agent with their share certificates prior to the election deadline referred to below, should use the guaranteed delivery procedures set forth in the BLUE form of election. Delivery of the certificates must be guaranteed by an eligible guarantor institution, generally a bank, broker, dealer, material securities exchange or certain other financial institutions.

The BLUE form of election is also the transmittal letter, so that stockholders who have delivered a BLUE form of election with their shares of Pinnacor common stock to the exchange agent will not have to take any further action after the Pinnacor merger to receive their merger consideration.

If a Pinnacor stockholder delivers his or her BLUE form of election to the exchange agent after the election deadline or the BLUE form of election does not comply with the required procedures, the stockholder will not be regarded as having made an election. See the Non-Electing Shares section described below. Pinnacor stockholders should read the BLUE form of election for a more complete discussion of the election procedures.

*Election Deadline.* The deadline for Pinnacor stockholders to make their election is 5:00 p.m., Eastern Time, on the date that the Pinnacor merger is effective. MarketWatch and Pinnacor expect the merger to be consummated on the day that the Pinnacor stockholders approve and adopt the merger agreement and approve

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the transactions contemplated by the merger agreement. Accordingly, Pinnacor stockholders who wish to make an election should make sure that their BLUE form of election is received by the exchange agent no later than 5:00 p.m., Eastern Time, on the date of the Pinnacor special meeting. If your shares are held in book-entry or street name form, your broker or financial institution must complete the procedures described above prior to the election deadline.

*Changes, Revocation and Return of Shares.* Any Pinnacor stockholder may change his or her election prior to the election deadline:

by submitting a properly completed and signed revised BLUE form of election; or

in the case of stockholders whose shares are held in book-entry or street name form, by causing a new message with revised election information to be transmitted through DTC.

Any holder of shares of Pinnacor common stock may revoke his or her election at any time prior to the election deadline:

by written notice to the exchange agent; or

in the case of stockholders whose shares are held in book-entry or street name form, by causing a new message to be transmitted through DTC to the exchange agent withdrawing the shares previously deposited and specifying the name and number of the account at DTC to be credited.

If the merger agreement is terminated without the MarketWatch merger and the Pinnacor merger having been consummated, the exchange agent will return all certificates representing shares of MarketWatch and Pinnacor common stock submitted or transferred to the exchange agent.

*General.* Pinnacor stockholders with a preference as to the form of consideration they wish to receive for their shares of Pinnacor common stock should make an election. None of Holdco, MarketWatch, Pinnacor or the MarketWatch or Pinnacor boards of directors makes any recommendation about whether Pinnacor stockholders should make an election, or what election they should make. Each holder of shares of Pinnacor common stock must make his or her own decision about whether to make an election and, if so, what election to make.

It will take a period of time before the exchange agent can verify the BLUE forms of election and tabulate the election results. Consequently, the payment of the merger consideration to Pinnacor stockholders will begin as soon as reasonably practicable after the consummation of the merger.

*Non-Electing Shares and Deemed Non-Electing Shares.* Shares of Pinnacor common stock for which a BLUE form of election is not submitted prior to the election deadline will be deemed to be shares for which no election has been made. If MarketWatch or the exchange agent determines that any election was not properly made, such election will have no force and effect, and the shares with respect to which such election was made will be deemed shares for which no election has been made. Neither MarketWatch nor the exchange agent has any obligation to inform any Pinnacor stockholder of any defect in the making of an election. If a Pinnacor stockholder submits his or her BLUE form of election with his or her share certificates and the BLUE form of election is defective, the certificates will be held by the exchange agent and exchanged for the merger consideration applicable to shares for which no election has been made after the merger is consummated. The stockholder will not need to complete and deliver to the exchange agent a separate letter of transmittal after the Pinnacor merger as described

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below. MarketWatch and the exchange agent reserve the right to waive defects in a BLUE form of election, including late delivery. However, waiver of defects is in their sole discretion.

*General Exchange Procedures for MarketWatch and Non-Electing Pinnacor Stockholders.* As soon as reasonably practicable after the consummation of the merger, Holdco will cause the exchange agent to mail to holders of record of shares of Pinnacor common stock for which no election has been made, and to holders of record of shares of MarketWatch common stock, a letter of transmittal and instructions on surrendering their

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certificates for either shares of Pinnacor or MarketWatch common stock in exchange for the merger consideration they are entitled to receive.

Holders of certificates previously representing shares of Pinnacor or MarketWatch common stock will not be paid dividends or distributions on any Holdco common stock they are entitled to receive as merger consideration and will not be paid cash in lieu of a fractional share of Holdco common stock, until the Pinnacor or MarketWatch share certificates, as applicable, are surrendered for exchange. When the certificates are surrendered, any unpaid dividends declared by Holdco after the consummation of the merger and any cash in lieu of a fractional share of Holdco common stock will be paid without interest.

The exchange agent will deliver the merger consideration in exchange for lost, stolen or destroyed certificates if the owner of such certificates signs an affidavit of loss, theft or destruction, as appropriate. Holdco and the exchange agent may also, in its discretion, require the holder of such lost, stolen or destroyed certificates to deliver a bond in a reasonable sum as indemnity against any claim that might be made against Holdco with respect to alleged lost, stolen or destroyed certificates.

*Representations and Warranties by Pinnacor.* Pinnacor made a number of representations and warranties in the merger agreement regarding aspects of its business, financial condition, structure and other facts pertinent to the transactions contemplated by the merger agreement.

The representations given by Pinnacor cover the following topics, among others, as they relate to Pinnacor and its subsidiaries:

corporate organization and its qualification to do business;

certificate of incorporation and bylaws;

capitalization;

authorization of the merger agreement;

that the transactions contemplated by the Pinnacor merger will not result in a violation of Pinnacor's organizational documents, laws or contracts;

consents and regulatory approvals necessary to complete the Pinnacor merger and Pinnacor's permits;

filings and reports with the Securities and Exchange Commission and financial statements;

the absence of material changes or events;

undisclosed liabilities;

material contracts;

litigation;

employee benefit plans and employment agreements;

labor and employment matters;

taxes;

environmental matters and applicable laws;

intellectual property;

compliance and permits;

waiver of anti-takeover statutes and stockholder rights plan;

customers and suppliers;

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title to properties and absence of liens;

insurance coverage;

accounts receivable;

restrictions on business activities;

interested party transactions;

brokers and other transaction related fees; and

the opinion of Pinnacor's financial advisor.

*Representations and Warranties by MarketWatch.* MarketWatch made a number of representations and warranties in the merger agreement regarding aspects of its business, financial condition, structure and other facts pertinent to the transactions contemplated by the merger agreement.

The representations given by MarketWatch cover the following topics, among others, as they relate to MarketWatch and its subsidiaries:

corporate organization and its qualification to do business;

certificate of incorporation and bylaws;

capitalization;

authorization of the merger agreement;

that the transactions contemplated by the MarketWatch merger will not result in a violation of MarketWatch's organizational documents, laws or contracts;

filings and reports with the Securities and Exchange Commission and financial statements;

the absence of material changes or events;

undisclosed liabilities;

litigation;

title to properties and absence of liens;

taxes;

brokers and other transaction related fees;

interested party transactions; and

the opinion of MarketWatch's financial advisor.

The representations and warranties in the merger agreement are complicated and not easily summarized. You are urged to carefully read the sections of the merger agreement entitled "Representations and Warranties of Company" and "Representations and Warranties of Parent."

*Pinnacor's Conduct of Business Before the Completion of the Merger.* Pinnacor agreed that until the earlier of the completion of the merger or the termination of the merger agreement, or unless MarketWatch consents in writing, Pinnacor and its subsidiaries will operate their businesses in the ordinary course and in a manner consistent with past practice and use commercially reasonable efforts to preserve substantially intact their business organization and keep available the services of its current officers, employees and consultants and preserve its relationships with customers, suppliers and others having significant business relations with Pinnacor and its subsidiaries.



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Pinnacor also agreed that until the earlier of the completion of the merger or the termination of the merger agreement or unless MarketWatch consents in writing, Pinnacor and its subsidiaries would conduct their businesses in compliance with specific restrictions relating to, among other things, the following:

the modification of Pinnacor's organizational documents;

the issuance, sale or other disposition of securities, except for the issuance of shares of Pinnacor common stock issuable pursuant to Pinnacor's employee stock purchase plan or upon exercise of outstanding Pinnacor stock options or warrants;

the disposition or sale of any assets or inventory of Pinnacor or any of its subsidiaries unless in the ordinary course;

the acceleration, amendment or change of the period of exercisability of options or restricted stock or authorization of cash payments in exchange for any options;

the payment or authorization of dividends or other distributions;

the modification of its capital stock structure through splits, combinations, reclassifications, redemptions or repurchases;

the acquisition of other entities or assets;

the incurrence of indebtedness or the making of loans except for certain categories of indebtedness and loans, in each case in the ordinary course of business;

the making of capital expenditures;

any increase in the compensation payable to Pinnacor's officers or employees, other than in the ordinary course in accordance with past practices, to employees who are not vice-president level or higher level employees, any grant of bonus, severance or termination pay, any entering into employment or severance agreements with any director, officer or other employee or any amendment of existing employment arrangements or entering into various new employment arrangements;

the taking of any actions that result in changes in accounting principles and procedures;

the making of material tax election inconsistent with past practices or the settling of tax liabilities;

the payment, discharge or satisfaction of claims, liabilities or obligations, other than in the ordinary course of business and consistent with past practices if reserved against on Pinnacor's financial statements;

the waiver, modification or release of any confidentiality agreements;

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the taking of any action that could reasonably be expected to delay the consummation, or otherwise adversely affect, the transactions contemplated by the merger agreement;

the revaluation of Pinnacor s assets;

the ability to liquidate or dissolve;

the adoption of any plans or devices that have anti-takeover effects;

the modification of Pinnacor s stockholders rights plan to allow entities other than MarketWatch or Holdco to acquire more than 15% of Pinnacor s common stock;

the sale or acceleration of accounts receivable or any accrual of liabilities not in the ordinary course or the writing off of any notes or accounts receivable or portions thereof as uncollectible;

discharge any lien or pay any obligation or liability other than current liabilities;

the making of any gifts or the sale, transfer or exchange of any property for less than fair market value;

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the making of any cash expenditures other than in the ordinary course, relating to the implementation of the merger agreement, including the payment of transaction expenses, the payment of director and officer insurance policies or the settlement of claims in the ordinary course;

the taking of any action relating to, or otherwise agreeing in writing to do, any of the above things; and

any actions that would make Pinnacor's representations and warranties materially untrue.

The agreements related to the conduct of Pinnacor's business in the merger agreement are complicated and not easily summarized. You are urged to carefully read the section of the merger agreement entitled "Conduct of Business Pending the Mergers."

*MarketWatch's Conduct of Business Before the Completion of the Merger.* MarketWatch agreed that, until the earlier of the completion of the merger or the termination of the merger agreement or unless Pinnacor consents in writing, MarketWatch and its subsidiaries would conduct their businesses in compliance with specific restrictions relating to, among other things, the following:

the modification of MarketWatch's organizational documents;

the taking of any action that could reasonably be expected to delay the consummation, or otherwise adversely affect, the transactions contemplated by the merger agreement;

the payment or authorization of dividends or other distributions;

the modification of its capital stock structure through splits, combinations, reclassifications, redemptions or repurchases;

the ability to liquidate or dissolve;

the taking of any action relating to, or otherwise agreeing in writing to do, any of the above things; and

any actions that would make MarketWatch's representations and warranties materially untrue.

The agreements related to the conduct of MarketWatch's business in the merger agreement are complicated and not easily summarized. You are urged to carefully read the section of the merger agreement entitled "Conduct of Business by the Parent or Holdco Pending the Mergers."

*No Other Negotiations Involving Pinnacor.* Until the merger is completed or the merger agreement is terminated, Pinnacor has agreed that it (and other related entities or individuals of Pinnacor) will not, directly or indirectly:

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initiate, solicit, knowingly encourage or otherwise take any action to facilitate any inquiries or the making of a proposal relating to any alternative transaction, as defined below, or that may reasonably be expected to lead to any alternative transaction;

enter into any discussions or negotiations regarding any alternative transaction; or

agree to or endorse an alternative transaction.

Pinnacor has agreed to notify MarketWatch of any of the following:

all relevant terms of any inquiries and proposals mentioned in the first bullet of this No Other Negotiations Involving Pinnacor section;

copies of such written inquiries or proposals;

updates on any material changes to such inquiries or proposals;

any request received by Pinnacor for nonpublic information that Pinnacor reasonably believes would lead to an alternative transaction;

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any request for an alternative transaction;

any inquiry received by Pinnacor with respect to, or which Pinnacor reasonably believes would lead to, an alternative transaction;

the identity of the person or group making any such request, alternative transaction or inquiry; and

updates as to any material changes with respect to any such request, alternative transaction or inquiry.

However, Pinnacor may furnish information, enter into a confidentiality agreement with or enter into discussions or negotiations with, any person or entity in response to an unsolicited bona fide written proposal by the person or group relating to an alternative transaction if:

Pinnacor's board of directors determines in good faith, after consultation with and taking into account advice of its outside legal counsel, that the action is necessary for Pinnacor's directors to comply with their fiduciary duties under applicable law;

Pinnacor's board of directors believes that the alternative transaction is a superior proposal, as defined below, or may reasonably be expected to result in a superior proposal; and

prior to furnishing information or entering into discussions or negotiations with, any person or entity, Pinnacor:

provides written notice to MarketWatch that it is doing so; and

Pinnacor receives from such person or entity an executed confidentiality agreement on terms no less favorable than those contained in the confidentiality and exclusivity agreement between MarketWatch and Pinnacor dated May 1, 2003, as amended.

Further, in the event an alternative transaction constitutes a superior proposal, Pinnacor may withdraw, qualify, modify or propose to withdraw, qualify or modify its recommendation of the Pinnacor merger, or approve or recommend, or propose to approve or recommend an alternative transaction. In addition, Pinnacor is permitted to comply with Rule 14e-2 of the Securities Exchange Act of 1934 with regard to an alternative transaction.

Pinnacor has agreed to provide MarketWatch with at least 48 hours prior written notice, or such lesser prior written notice as provided to the members of Pinnacor's board of directors, but in no event less than eight hours, of any meeting of Pinnacor's board of directors at which Pinnacor's board of directors is reasonably expected to consider a superior proposal, and to provide MarketWatch with at least five business days prior written notice, or such lesser prior notice as provided to the members of Pinnacor's board of directors, but in no event less than 48 hours, of a meeting of Pinnacor's board of directors at which Pinnacor's board of directors is reasonably expected to recommend a superior proposal to its stockholders.

Pinnacor may enter into an agreement for a superior proposal so long as it has given MarketWatch the notices described in the paragraph above, and if after that time, MarketWatch proposes to amend the terms of the merger agreement, the board of directors of Pinnacor considers MarketWatch's revised proposal and then provides MarketWatch with written notice, at least 24 hours before entering into an alternative transaction, reconfirming its view that the alternative transaction is a superior proposal to MarketWatch's amended proposal to the merger

agreement.

An alternative transaction means:

any transaction involving Pinnacor, where a third party seeks to acquire more than 15% of the outstanding equity securities of Pinnacor, whether from Pinnacor, pursuant to a tender offer or exchange offer, or otherwise;

any merger or other business combination where a third party would acquire more than 15% of the outstanding equity securities of Pinnacor or the resulting entity from such business combination;

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any other transaction where a third party acquires control of all or substantially all of the assets of Pinnacor;

the adoption by Pinnacor of a plan of liquidation, a declaration of an extraordinary dividend, a recapitalization or other type of transaction that would involve either a change in Pinnacor's outstanding capital stock or a distribution of assets of any kind to Pinnacor's stockholders; or

the repurchase by Pinnacor of shares of its capital stock representing at least 15% or more of the aggregate voting power of all voting securities of Pinnacor.

A superior proposal means an unsolicited bona fide written proposal made by a third party relating to an alternative transaction on terms that Pinnacor's board of directors believes, after consultation with and taking into account advice of its financial advisor and outside legal counsel, to be more favorable to Pinnacor's stockholders than the Pinnacor merger, and where:

any amount of financing, to the extent required, is then reasonably certain of being obtained on a timely basis;

there is no condition to closing such alternative transaction relating to the performance or completion of due diligence with respect to Pinnacor by such third party; and

the alternative transaction is for more than 50% of the voting power of Pinnacor's voting securities then outstanding, or all or substantially all of the assets of Pinnacor and its subsidiaries, taken as a whole.

*Recommendations of the Boards of Directors.* MarketWatch and Pinnacor have each agreed to include in this joint proxy statement-prospectus the recommendations of their boards of directors to their respective stockholders concerning the adoption of the merger agreement or approval of the issuance of stock pursuant to the merger agreement, as the case may be. Notwithstanding this, the parties have agreed that nothing in the merger agreement will prevent the board of directors of Pinnacor from withdrawing the recommendation after terminating the merger agreement in the case of a superior proposal if the board of directors of Pinnacor determines, after consultation with and taking into account advice from outside legal counsel, that it is necessary, in order to comply with the board's fiduciary duties under applicable law, to recommend the superior proposal to Pinnacor's stockholders.

*Access to Information.* MarketWatch and Pinnacor have each agreed to afford each other and their employees and representatives with reasonable access to their properties, books and records until the closing date.

*Consents and Antitrust Filings.* Each of MarketWatch and Pinnacor has agreed to use all commercially reasonable efforts to:

obtain all consents, waivers, approvals, authorizations or orders, including all rulings, decisions or approvals by governmental agencies required to be obtained or made in connection with the merger agreement and the consummation of the transactions contemplated in the merger agreement; and

make all necessary filings, including those required under the HSR Act, required in connection with the authorization, execution and delivery of the merger agreement and the consummation of the transactions contemplated in the merger agreement.

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In addition, MarketWatch and Pinnacor have agreed to take or omit to take such action as the other party reasonably requests to cause the parties to obtain any consents, waivers, approvals, authorizations or orders, agreeing to sell or otherwise dispose of assets, categories of assets or businesses of MarketWatch or Pinnacor or their respective subsidiaries, and to enter into agreements with the relevant governmental antitrust entity giving effect to those dispositions. However, neither party is obligated to take or omit to take any action (including the expenditure of funds or agreeing to sell assets):

that is to be effective prior to the closing of the merger; or

that would or could reasonably be expected to have, in the good faith opinion of the party affected, a material adverse effect on MarketWatch, Pinnacor, or their respective subsidiaries, taken as a whole, after the closing of the merger.



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*Notice of Certain Matters.* Each of MarketWatch and Pinnacor has agreed to promptly notify each other of:

the occurrence or non-occurrence of any event that would likely cause any representation or warranty in the merger agreement to be materially untrue or inaccurate; and

the failure by either of them to materially comply with or satisfy any covenant, condition or agreement in the merger agreement.

*Further Assurances; Tax Treatment.* Each of MarketWatch and Pinnacor has agreed to:

use all commercially reasonable efforts to take all actions and do all things necessary, proper or advisable to consummate the transactions contemplated by the merger agreement;

use commercially reasonable efforts to cause the MarketWatch merger and Pinnacor merger to qualify, and will not (both before and after consummation of the MarketWatch merger and Pinnacor merger) take any actions which could reasonably be expected to prevent the mergers from qualifying as exchanges with the meaning of Section 351 of the Internal Revenue Code and the MarketWatch merger qualifying as a reorganization under the provisions of Section 368 of the Internal Revenue Code; and

cooperate with each other in obtaining the opinions of Morrison & Foerster LLP and Skadden, Arps, Slate, Meagher & Flom LLP.

*Public Announcements.* Each of MarketWatch and Pinnacor has agreed to consult with each other before issuing any press release with respect to the merger or the merger agreement and has agreed not to issue such press release or make any public statement without the prior written consent of the other party.

*Financial Statements; Audit.* Each of MarketWatch and Pinnacor have agreed that:

prior to the closing of the merger, Pinnacor has agreed to deliver to MarketWatch as soon as practicable, for each successive monthly period ending after June 30, 2003, an unaudited consolidated monthly balance sheet and related monthly statements of income, stockholders' equity and changes in financial position of Pinnacor that are complete, accurate and correct and present fairly, in all material respects, the financial condition of Pinnacor, and which shall be in accordance with U.S. generally accepted accounting principles;

prior to the closing of the merger, Pinnacor has agreed to deliver to MarketWatch, as soon as practicable, for each successive monthly period after June 30, 2003, a true and correct summary of all accounts receivable of Pinnacor as at the end of such monthly period; and

upon request of MarketWatch, Pinnacor has agreed to use its commercially reasonable efforts to deliver to MarketWatch an audited balance sheet of Pinnacor as of September 30, 2003 accompanied by an audit report of Deloitte & Touche LLP as soon as is practicable, but in no event later than November 28, 2003.

*Listing of Shares of Holdco Common Stock.* Holdco will use reasonable best efforts to cause the shares of Holdco common stock to be issued in connection with the merger to be approved for listing on the Nasdaq National Market, subject to official notice of issuance, before the

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completion of the merger. The proposed ticker symbol for Holdco common stock is MKTW, the same ticker symbol currently used by MarketWatch.

*Form S-8.* Holdco will file a registration statement on Form S-8 for the shares of Holdco common stock issuable with respect to options under the stock option plans and purchase rights under the employee stock purchase plans of MarketWatch and Pinnacor and will use all commercially reasonable efforts to maintain the effectiveness of the Form S-8 prospectus for as long as any of the options under the stock option plans and rights to purchase stock under the purchase plans remain outstanding.

*Conveyance Taxes.* MarketWatch and Pinnacor have agreed to cooperate in the preparation, execution and filing of all returns, questionnaires, applications, or other documents regarding any real property transfer or

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gains, sales, use, transfer, value added, stock transfer and stamp taxes, any transfer, recording, registration and other fees, and any similar taxes which become payable relating to the transactions contemplated by the merger agreement that are required or permitted to be filed on or before the closing of the merger.

*Indemnification and Directors and Officers Insurance.* Holdco agreed to honor the obligations of Pinnacor pursuant to indemnification agreements between Pinnacor and its officers, directors and employees entered into before the completion of the Pinnacor merger. Holdco also agreed for five years after the completion of the Pinnacor merger to indemnify Pinnacor's officers, directors and employees before the closing to the extent of the indemnification provisions included in Pinnacor's current certificate of incorporation and bylaws. In addition, for five years after the completion of the Pinnacor merger, Holdco has agreed to maintain the same directors and officers' liability insurance maintained on the date of the merger agreement by Pinnacor covering those directors and officers of Pinnacor who had been covered by such insurance at the time the merger agreement was executed, or, in the alternative, Holdco has agreed to maintain run-off or tail policies or endorsement policies providing coverage on substantially the same terms and conditions, for claims arising out of acts or conduct occurring on or prior to the completion of the Pinnacor merger and asserted within five years after the completion of the Pinnacor merger. However, Holdco is not required to pay, on an annual basis, more than 150% of the current annual premium paid by Pinnacor for that insurance, and if such insurance would exceed more than 150% of the current premium paid by Pinnacor, Holdco is required to purchase the maximum coverage possible for such amount.

*Termination of Pinnacor Employee Benefit Plans.* Pinnacor agreed, immediately prior to the closing of the merger, to terminate any one or more of Pinnacor's employee plans, as specified by MarketWatch. To facilitate the transition of Pinnacor employees to MarketWatch's 401(k) plan, MarketWatch can direct Pinnacor to terminate its 401(k) plan prior to the closing of the merger.

*Employee Matters.* Holdco has agreed to provide compensation (including base salary, commission and incentive compensation opportunities), and employee benefits to Pinnacor employees (including severance benefits) that are no less favorable in the aggregate than those provided by Pinnacor immediately prior to the closing of the merger, from the closing of the merger through December 31, 2003. After that time the Pinnacor employees will receive compensation and employee benefits under Holdco's then-current policies, plans and programs. Eligible Pinnacor employees will receive a pro rata portion of his or her incentive bonus based on the achievement of specified corporate and individual performance targets based on the number of days during 2003 when such employee is employed by Pinnacor.

With respect to the Holdco employee benefit plans, Pinnacor employees will be credited with their prior employment service with Pinnacor except for purposes of determining eligibility and vesting under MarketWatch's 401(k) plan. Holdco (or an affiliate) has agreed to assume responsibility for making COBRA healthcare continuation coverage available to eligible current and former Pinnacor employees and their beneficiaries.

*Section 16 Matters.* The merger agreement also provides that MarketWatch and Pinnacor will take commercially reasonable efforts to approve in advance in accordance with the procedures set forth in Rule 16b-3 promulgated under the Exchange Act and the Skadden, Arps, Slate, Meagher & Flom LLP Securities Exchange Commission No-Action Letter (dated January 12, 1999) the transactions contemplated by the merger agreement with respect to each officer and director of MarketWatch and Pinnacor who is subject to Section 16 of the Exchange Act.

*Conditions to the Completion of the Merger.* The obligations of MarketWatch and Pinnacor to complete the merger are subject to the satisfaction or waiver of each of the following conditions before the completion of the merger:

the registration statement of which this joint proxy statement-prospectus forms a part is declared effective, no stop order suspending its effectiveness is issued by the Securities and Exchange



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Commission and no proceeding for suspension of its effectiveness is initiated by the Securities and Exchange Commission;

no order, injunction, statute, rule or regulation is issued, enacted or effective that has the effect of making the merger illegal or otherwise prohibiting the completion of the merger;

the tax opinions described in The Merger Material United States Federal Income Tax Consequences of the Merger are delivered by Skadden, Arps, Slate, Meagher & Flom LLP and Morrison & Foerster LLP to Pinnacor and MarketWatch, respectively;

the waiting period, and any extension thereof, applicable to the completion of the merger under the HSR Act or under any other foreign antitrust or combination law and any material filing, consent, approval or authorization legally required has expired, or was terminated or obtained, as applicable;

the merger agreement, the MarketWatch merger, the Pinnacor merger and the issuance of shares of Holdco common stock in the Pinnacor merger are approved by the requisite affirmative vote of the stockholders of Pinnacor and MarketWatch, as applicable; and

the Holdco common stock to be issued in the merger is authorized for quotation on the Nasdaq National Market.

MarketWatch's obligations to complete the MarketWatch merger and the issuance of shares of Holdco common stock in the Pinnacor merger are subject to the satisfaction or waiver of each of the following additional conditions before the completion of the merger:

Pinnacor's representations and warranties are true and correct as of the closing of the merger, except for those representations and warranties that address matters only as of a particular date which must be true and correct as of that date, and except to the extent that the failure of the representations and warranties to be so true and correct as of the closing of the merger would not have, individually or in the aggregate, a material adverse effect on Pinnacor and its subsidiaries;

Pinnacor has performed or complied in all material respects with all of its agreements and covenants required by the merger agreement to be performed or complied with by Pinnacor at or before the closing of the merger;

prior to the closing of the merger, Pinnacor has provided written notices to the holders of Pinnacor's warrants issued in connection with Pinnacor's acquisition of Stockpoint, Inc. so that Holdco is not required to assume those warrants; and

since the date of the merger agreement, there has been no material adverse effect on Pinnacor and its subsidiaries.

Pinnacor's obligations to complete the Pinnacor merger are subject to the satisfaction or waiver of each of the following additional conditions before the completion of the Pinnacor merger:

MarketWatch's representations and warranties are true and correct as of the closing of the merger, except for those representations and warranties that address matters only as of a particular date which must be true and correct as of that date, and except to the extent that the failure of the representations and warranties to be so true and correct as of the closing of the merger would not have, individually or in the aggregate, a material adverse effect on MarketWatch and its subsidiaries;

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MarketWatch has performed or complied in all material respects with all of its agreements and covenants required by the merger agreement to be performed or complied with by MarketWatch at or before the closing of the merger; and

since the date of the merger agreement, there has been no material adverse effect on MarketWatch and its subsidiaries.

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*Termination of the Merger Agreement.* The merger agreement may be terminated at any time prior to the completion of the merger, whether before or after the approval and adoption of the merger agreement, by the respective boards of Pinnacor and MarketWatch:

by mutual written consent of MarketWatch and Pinnacor;

by MarketWatch or Pinnacor, if the merger has not been completed on or before December 31, 2003, except that this right to terminate the merger agreement is not available to any party whose willful failure to fulfill its obligations under the merger agreement was the cause of the merger not being consummated on or before that date;

by MarketWatch or Pinnacor, if a court or governmental authority has issued any order, decree or ruling that is final and nonappealable preventing the consummation of the merger, except that this right to terminate the merger agreement is not available to any party that has failed to comply with its obligations to obtain the necessary consents and take the necessary actions to consummate the merger;

by MarketWatch or Pinnacor, if the merger agreement has failed to receive the requisite vote for adoption at Pinnacor's special meeting of stockholders; provided that this right to terminate is not available to Pinnacor where the failure to obtain the requisite vote was caused by or related to Pinnacor's willful breach of the merger agreement; or

by MarketWatch or Pinnacor, if the merger agreement and approval of the issuance of shares of Holdco common stock to the Pinnacor stockholders in the Pinnacor merger has failed to receive the requisite vote at MarketWatch's special meeting of stockholders; provided that this right to terminate the merger agreement is not available to MarketWatch where the failure to obtain such requisite vote shall have been caused by or related to MarketWatch's willful breach of the merger agreement.

Furthermore, MarketWatch may terminate the merger agreement if any of the following occurs:

Pinnacor's board of directors withholds, withdraws, modifies or changes its recommendation in a manner adverse to MarketWatch or resolves to do so;

Pinnacor's board of directors endorses, approves or recommends any alternative transaction to the merger agreement, or resolves to do so;

Pinnacor fails to include in this joint proxy statement-prospectus its recommendation of the Pinnacor merger;

a tender offer or exchange offer for 15% or more of the outstanding shares of Pinnacor common stock has commenced, and the board of directors of Pinnacor has not recommended rejection of the tender offer or exchange offer by its stockholders within ten business days of its commencement;

the registration statement of which this joint proxy statement-prospectus is a part is declared effective (and Pinnacor can give adequate notice for a special meeting of stockholders thereafter) and Pinnacor fails to hold its special meeting of stockholders to approve the Pinnacor merger before December 31, 2003; or

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upon a breach by Pinnacor of any of its representations, warranties or covenants in the merger agreement, or if any of Pinnacor's representations or warranties have become untrue, but only if the corresponding condition to the completion of the Pinnacor merger would not be met, and the breach cannot be cured or was not cured within 30 days of the breach.

Furthermore, Pinnacor may terminate the merger agreement if any of the following occurs:

the board of directors of Pinnacor authorizes Pinnacor to enter into a binding written agreement concerning a transaction that constitutes a superior proposal, and Pinnacor has complied with its obligations under the merger agreement with respect to a competing transaction; or

upon a breach by MarketWatch of any of its representations, warranties or covenants in the merger agreement, or if any of MarketWatch's representations or warranties have become untrue, but only if the



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corresponding condition to the completion of the merger would not be met, and the breach cannot be cured or was not cured within 30 days of the breach.

*Expenses.* Except as described below, each party has agreed to pay all expenses it incurs in connection with the merger, whether or not the transaction is completed.

Pinnacor is required to pay MarketWatch an amount equal to reasonable actual out-of-pocket costs and expenses in connection with the merger transaction up to \$1.5 million, within two business days after the termination of the merger agreement if the merger agreement is terminated:

by MarketWatch or Pinnacor, if the merger has not been completed on or before December 31, 2003 because Pinnacor's condition relating to its representations or warranties was not met as of that date;

by MarketWatch or Pinnacor, if the merger agreement has failed to receive the requisite vote for adoption at Pinnacor's special meeting of stockholders; provided that this right to terminate is not available to Pinnacor where the failure to obtain the requisite vote was caused by or related to Pinnacor's willful breach of the merger agreement;

by MarketWatch, if:

Pinnacor's board of directors withholds, withdraws, modifies or changes its recommendation in a manner adverse to MarketWatch or resolves to do so;

Pinnacor's board of directors endorses, approves or recommends any alternative transaction to the merger agreement, or resolves to do so;

Pinnacor fails to include in this joint proxy statement-prospectus its recommendation of the Pinnacor merger;

a tender offer or exchange offer for 15% or more of the outstanding shares of Pinnacor common stock has commenced, and Pinnacor's board of directors has not recommended rejection of the tender offer or exchange offer by its stockholders within ten business days of its commencement;

the registration statement of which this joint proxy statement-prospectus forms a part is declared effective (and Pinnacor can give adequate notice for a special meeting of stockholders thereafter) and Pinnacor fails to hold its special meeting of stockholders to approve the Pinnacor merger before December 31, 2003; or

upon a breach by Pinnacor of any of its representations, warranties or covenants in the merger agreement, or if any of Pinnacor's representations or warranties have become untrue, but only if the corresponding condition to the completion of the Pinnacor merger would not be met, and the breach cannot be cured or was not cured within 30 days after the breach.

by Pinnacor, if the board of directors of Pinnacor authorizes Pinnacor to enter into a binding written agreement concerning a transaction that constitutes a superior proposal, and Pinnacor has complied with its obligations under the merger agreement with respect to a competing transaction.

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MarketWatch is required to pay Pinnacor an amount equal to reasonable actual out-of-pocket costs and expenses in connection with the merger transaction up to \$1.5 million, within two business days after the termination of the merger agreement if the merger agreement is terminated:

by MarketWatch or Pinnacor, if the merger is not completed on or before December 31, 2003 because MarketWatch's condition relating to its representations or warranties was not met as of that date;

by MarketWatch or Pinnacor, if the adoption of the merger agreement and approval of the issuance of shares of Holdco common stock to the Pinnacor stockholders in the Pinnacor merger have failed to receive the requisite vote at MarketWatch's special meeting of stockholders; provided that this right to terminate the merger agreement is not available to MarketWatch where the failure to obtain such

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requisite vote shall have been caused by or related to MarketWatch's willful breach of the merger agreement; or

by Pinnacor, upon a breach by MarketWatch of any of its representations, warranties or covenants in the merger agreement or if any of MarketWatch's representations or warranties have become untrue, but only if the corresponding condition to the completion of the merger would not be met, and the breach cannot be cured or was not cured within 30 days after the breach.

*Termination Fee.* Pinnacor is also required to pay MarketWatch a termination fee in the amount of \$3.0 million if the merger agreement is terminated:

by MarketWatch or Pinnacor, if the merger agreement fails to receive the requisite vote for adoption at Pinnacor's special meeting of stockholders, and certain other conditions relating to a third-party alternative transaction to the merger described in this joint proxy statement-prospectus, as more fully described in the merger agreement, are met;

by MarketWatch, if any of the following has occurred:

Pinnacor's board of directors withholds, withdraws, modifies or changes its recommendation in a manner adverse to MarketWatch or resolves to do so;

Pinnacor's board of directors endorses, approves or recommends any alternative transaction to the merger agreement, or resolves to do so;

Pinnacor fails to include in this joint proxy statement-prospectus its recommendation of the Pinnacor merger;

a tender offer or exchange offer for 15% or more of the outstanding shares of Pinnacor common stock has commenced, and the board of directors of Pinnacor has not recommended rejection of the tender offer or exchange offer by its stockholders within ten business days of its commencement; or

the registration statement of which this joint proxy statement-prospectus forms a part is declared effective (and Pinnacor can give adequate notice for a special meeting of stockholders thereafter) and Pinnacor fails to hold its special meeting of stockholders to approve the Pinnacor merger before December 31, 2003; or

by Pinnacor, if the board of directors of Pinnacor authorizes Pinnacor to enter into a binding written agreement concerning a transaction that constitutes a superior proposal, and Pinnacor complies with its obligations under the merger agreement with respect to a competing transaction.

*Extension, Waiver and Amendment of the Merger Agreement.* Pinnacor and MarketWatch may amend the merger agreement at any time prior to the closing of the merger. However, after the adoption of the merger agreement by the Pinnacor stockholders, Pinnacor and MarketWatch may not amend the merger agreement if the amendment by law would require further approval by Pinnacor's stockholders.

At any time prior to the closing of the merger, Pinnacor or MarketWatch may extend the time for performance of any obligation or other act of the other party, waive any inaccuracy in the representations and warranties in the merger agreement or waive compliance by the other party with any agreement or condition contained in the merger agreement.



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**VOTING AGREEMENTS WITH PINNACOR STOCKHOLDERS**

In connection with the execution and delivery of the merger agreement, MarketWatch entered into voting agreements with certain significant stockholders, executive officers and directors of Pinnacor and their affiliates.

Prior to the expiration date of the voting agreements, at every meeting of Pinnacor's stockholders called with respect to any of the following, and at every postponement or adjournment of such meeting, and on every action or approval by written consent of Pinnacor's stockholders with respect to any of the following, the signatories to the voting agreements agree to vote his or its shares of Pinnacor common stock and, to the extent applicable, cause holders of record of such shares of Pinnacor common stock to vote:

in favor of approval of the merger agreement, the Pinnacor merger, the transactions contemplated by the Pinnacor merger and any matter that could reasonably be expected to facilitate the Pinnacor merger;

in favor of any alternative structure as may be agreed upon by MarketWatch and Pinnacor to effect the Pinnacor merger; provided that such alternative structure is on terms in the aggregate no less favorable to Pinnacor's stockholders than the terms of the Pinnacor merger set forth in the merger agreement; and

against the consummation of any alternative transaction (other than any alternative structure proposed in the second bullet point above).

Pursuant to the terms of the voting agreements, each signatory to the agreement agreed not to, among other things:

transfer, sell, assign, give, exchange or pledge, or otherwise dispose of or encumber the shares of Pinnacor common stock owned on the date the voting agreements were entered into or acquired after such date;

deposit any shares of Pinnacor common stock into a voting trust or enter into any other voting agreement or arrangement with respect to such stock or grant any other proxy or power of attorney with respect to such stock, in each case, in a manner that conflicts or may conflict with the signatory's obligations under the respective voting agreement; or

enter into any contract, option or other arrangement or undertaking with respect to the direct or indirect sale, assignment, transfer, exchange or other disposition or transfer of any interest in or the voting of any shares of Pinnacor common stock, in each case, in a manner that conflicts or may conflict with the signatory's obligations under the respective voting agreement.

In connection with the voting agreements, each signatory also delivered to MarketWatch an irrevocable proxy with respect to his or its shares of Pinnacor common stock subject to the respective voting agreement, allowing MarketWatch's Chief Executive Officer, Chief Financial Officer and/or General Counsel, or their substitutes, to vote in favor of the matters set forth above. The irrevocable proxies will automatically terminate upon the valid termination of the voting agreements.

The voting agreements terminate upon the earlier to occur of the completion of the merger and the termination of the merger agreement in accordance with its terms.

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The persons and entities that entered into the voting agreements are General Atlantic Partners 69, L.P., GAP Coinvestment Partners II, L.P., GapStar, LLC, RRE Ventures II L.P., RRE Ventures Fund II L.P., Kevin Clark, David Hodgson, Kirk Loevner, David Obstler, James D. Robinson and William Staib. Each of the voting agreements has the exact same terms and conditions except for the names of the parties to the agreements and the number of shares of Pinnacor common stock subject to the voting agreements.

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**VOTING AND WAIVER AGREEMENT WITH CBS AND PEARSON**

In connection with the execution and delivery of the merger agreement, Pinnacor, MarketWatch, CBS and Pearson entered into a voting and waiver agreement whereby each of CBS and Pearson agreed to, prior to the expiration of the voting and waiver agreement, at every meeting of MarketWatch's stockholders called with respect to any of the following, and at every postponement or adjournment of such meeting, and on every action or approval by written consent of MarketWatch's stockholders with respect to any of the following, vote their shares of MarketWatch common stock, and, to the extent applicable, cause holders of record of such shares of MarketWatch common stock to vote in favor of approval of the merger agreement, the MarketWatch merger and the issuance of shares of Holdco common stock in the Pinnacor merger. CBS and Pearson have reserved the right to transfer their shares to a non-affiliated party who would not be required to vote in favor of the merger.

The voting and waiver agreement terminates upon the earliest to occur of (i) the completion of the merger, (ii) the termination of the merger agreement in accordance with its terms, (iii) December 31, 2003, or (iv) with respect to any MarketWatch common stock held by either of CBS or Pearson sold, transferred or otherwise disposed of to any person or entity other than, with respect to CBS, a controlled affiliate of Viacom Inc., and with respect to Pearson, a controlled affiliate of Pearson plc, at the time of effectiveness of such sale, transfer or disposition.

In connection with the voting and waiver agreement, each of CBS and Pearson delivered to Pinnacor an irrevocable proxy with respect to its shares of MarketWatch common stock subject to the voting and waiver agreement, allowing Pinnacor's Chief Executive Officer and/or Chief Financial Officer, or their substitutes, to vote in favor of the matters set forth above. The irrevocable proxies will automatically terminate upon the valid termination of the voting and waiver agreement.

Furthermore, each of CBS and Pearson agreed that the transactions contemplated by the merger agreement will not trigger any of the participation rights they have in connection with a stockholders' agreement they previously entered into with MarketWatch and each of them irrevocably waived any participation rights pursuant to the stockholders' agreement. Each of CBS and Pearson also agreed that the conversion of MarketWatch common stock into shares of Holdco common stock in connection with the MarketWatch merger is not a transfer for purposes of, and shall not trigger any right of first refusal pursuant to, the stockholders' agreement.

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**AFFILIATE AGREEMENTS WITH PINNACOR STOCKHOLDERS**

In connection with the execution and delivery of the merger agreement, MarketWatch entered into affiliate agreements with certain significant stockholders, executive officers and directors of Pinnacor and their affiliates. Each of the affiliate agreements has the exact same terms and conditions except for the names of the parties to the agreements. Pursuant to the terms of the affiliate agreements, Holdco will be entitled to place appropriate legends on the certificates evidencing any Holdco common stock to be received by the signatories to the affiliate agreements in connection with the Pinnacor merger. Further, the signatories to the affiliate agreements also acknowledged the resale restrictions imposed by Rule 145 under the Securities Act of 1933, as amended, on shares of Holdco common stock to be received by them in the Pinnacor merger.

The persons and entities that entered into the affiliate agreements are General Atlantic Partners 69, L.P., GAP Coinvestment Partners II, L.P., GapStar, LLC, RRE Ventures II L.P., RRE Ventures Fund II L.P., Kevin Clark, James Davis, David Hodgson, Kirk Loevner, David Obstler, James D. Robinson, John Sculley and William Staib.



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**COMPARISON OF RIGHTS OF HOLDERS OF MARKETWATCH COMMON STOCK,  
PINNACOR COMMON STOCK AND HOLDCO COMMON STOCK**

*This section of the joint proxy statement-prospectus describes the material differences between the rights of holders of MarketWatch common stock, Pinnacor common stock and Holdco common stock to be issued in the merger. While each of MarketWatch and Pinnacor believes that the following chart covers the material differences with respect to the rights of holders of common stock of MarketWatch, Pinnacor and Holdco, this summary may not contain all of the information that is important to you. You should carefully read this entire document and the other documents to which we refer for a more complete understanding of the differences among the rights of a stockholder of MarketWatch, Pinnacor and Holdco.*

MarketWatch, Pinnacor and Holdco are each incorporated under the laws of the State of Delaware. The rights of their stockholders are governed by Delaware law and by their respective certificates of incorporation and bylaws. If the merger is completed, current Pinnacor stockholders and MarketWatch stockholders will become stockholders of Holdco, and their rights will be governed by Delaware law and the certificate of incorporation and bylaws of Holdco.

The Holdco certificate of incorporation and bylaws to be effective upon the completion of the merger are virtually identical to those currently in place for MarketWatch, and therefore the current rights of MarketWatch stockholders are as described in the table below for Holdco, except that the authorized capital shares of MarketWatch currently consist of 30,000,000 shares of common stock and 5,000,000 shares of preferred stock.

The following table summarizes the differences in the charter documents and other instruments of Holdco and Pinnacor that could materially affect the rights of the Pinnacor stockholders after the completion of the merger:

Holdco	Pinnacor
<b>Authorized Capital Shares</b>	
50,000,000 shares of common stock	100,000,000 shares of common stock
5,000,000 shares of preferred stock	20,000,000 shares of preferred stock
<b>Voting Rights</b>	
One vote for each share held.	One vote for each share held.
No cumulative voting rights.	No cumulative voting rights.
Except as otherwise required by law, matters other than the election of directors are decided by the affirmative vote of the holders of a majority of the total number of shares of capital stock entitled to vote present or represented by proxy.	Except as otherwise required by law, matters other than the election of directors are decided by the affirmative vote of the holders of a majority of the total number of shares of capital stock entitled to vote present or represented by proxy and entitled to vote on such question.

Business combinations with interested stockholders under certain circumstances require the affirmative vote of at least 80% of the total number of shares of capital stock entitled to vote.

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<b>Holdco</b>	<b>Pinnacor</b>
<b>Number and Election of Directors</b>	
<p>The board of directors shall consist of one or more directors and the initial number of directors shall be fixed at 12.</p> <p>The number of directors may be changed by resolution of the board of directors.</p> <p>Directors are elected by a plurality of the votes of the shares present or represented by proxy at an annual or special meeting of stockholders.</p> <p>The board of directors is not classified. Each director serves until his or her successor is elected at the next annual meeting of stockholders.</p>	<p>The number of directors shall not be less than 3 nor more than 13. The number of directors is currently fixed at 7.</p> <p>The number of directors may be changed by resolution of the board of directors.</p> <p>Directors are elected by a plurality of the votes of the shares present or represented by proxy at an annual or special meeting of stockholders.</p> <p>The board of directors is classified into three classes, each as nearly equal in size as possible, with one class being elected each year. The directors of each class serve a 3 year term and hold office until his or her successor is elected at the annual meeting in the year in which his or her term expires.</p>
<b>Vacancies on the Board of Directors and Removal of Directors</b>	
<p>Vacancies and newly created directorships resulting from an increase in the authorized number of directors may be filled by the stockholders, by a majority of directors then in office, though less than a quorum, or by a sole remaining director.</p> <p>Directors may resign at any time by giving written notice.</p> <p>Directors may be removed from office at any time, with or without cause, and only by the affirmative vote of a majority of the shares entitled to vote in the election of directors.</p>	<p>A vacancy that results from an increase in the number of directors may be filled by a majority of directors then in office, provided that a quorum is present, and any other vacancy may be filled by a majority of directors then in office, even if less than a quorum.</p> <p>Directors may resign at any time by giving written notice.</p> <p>Directors may be removed from office at any time, but only for cause, and only by the affirmative vote of the holders of a majority of the voting power of the issued and outstanding capital stock entitled to vote in the election of directors.</p>

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Holdco	Pinnacor
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**Amendments to the Certificate of Incorporation**

Generally, under Delaware law, an amendment to a corporation's certificate of incorporation requires the approval of the board of directors and the approval of holders of a majority of the outstanding stock entitled to vote on the amendment. The holders of the outstanding shares of a class are entitled to vote as a separate class on a proposed amendment that would increase or decrease the aggregate number of authorized shares of their class, increase or decrease the par value of the shares of their class, or alter or change the powers, preferences or special rights of the shares of their class in a way that affects them adversely.

Holdco reserves the right to amend, alter, change or repeal any provision contained in its certificate of incorporation as provided by Delaware law.

Pinnacor reserves the right to amend, alter, change or repeal any provision contained in its certificate of incorporation as provided by Delaware law.

However, the affirmative vote of 80% of the outstanding power of the shares of capital stock entitled to vote at an election of directors is necessary to amend the following specific provisions of the certificate of incorporation: Article 5 (number of directors, classification of the board, term of directors, vacancy and removal of directors), Article 8 (requiring the affirmative vote of 80% of stockholders for the approval of business combinations with interested stockholders under certain circumstances), Article 9 (requirements for calling special meetings of stockholders), Article 10 (prohibition of action by written consent of the stockholders), Article 12 (amendments to bylaws) and Article 13 (amendments to the certificate of incorporation).

**Amendments to Bylaws**

Holdco's bylaws may be adopted, amended, or repealed by the board of directors or by the affirmative vote of a majority of outstanding shares of capital stock entitled to vote.

Pinnacor's board of directors has the power to adopt, amend, alter or repeal Pinnacor's bylaws by the affirmative vote of at least a majority of the entire board of directors.

Pinnacor's bylaws also may be adopted, amended, altered or repealed by the affirmative vote of the holders of at least 80% of the voting power of shares of capital stock entitled to vote at an election of directors.

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Holdco	Pinnacor
<b>Action by Written Consent of Stockholders</b>	
<p>Under Delaware law, unless stated otherwise in the certificate of incorporation, any action which may be taken at an annual meeting or special meeting of stockholders may be taken without a meeting, if a consent in writing is signed by the holders of the outstanding stock having the minimum number of votes necessary to authorize the action at a meeting of stockholders.</p> <p>Holdco's certificate of incorporation includes no restrictions on action by written consent of stockholders.</p>	<p>The right of stockholders to take action by written consent is specifically denied by Pinnacor's certificate of incorporation.</p>
<b>Ability to Call Special Meetings of Stockholders</b>	
<p>Under Delaware law, a special meeting of stockholders may be called by the board of directors or by any other person authorized to do so in a corporation's certificate of incorporation or bylaws.</p> <p>Holdco's bylaws provide that special meetings of stockholders may be called by chairman of the board, a majority of the members of the board of directors, the chief executive officer or by any holder of at least 25% of the Holdco common stock.</p>	<p>Pinnacor's certificate of incorporation and bylaws provide that special meetings of stockholders may be called by the chairman of the board, the chief executive officer or the board of directors. Pinnacor stockholders may not call a special meeting.</p>
<b>Notice of Stockholder Action, Nomination of Directors</b>	
<p>A stockholder may nominate a director or bring business before an annual meeting of stockholders only after providing notice to the Secretary of Holdco. With certain limited exceptions, such notice must be provided between 60 and 90 days prior to the anniversary of the prior annual meeting.</p> <p>Business may only be brought before special meetings of stockholders pursuant to Holdco's notice of such a meeting.</p> <p>A stockholder may nominate a director at a special meeting of the stockholders only if notice is first provided to the Secretary of Holdco. Such notice must be provided between 60 days (or, if later, 10 days after notice of the special meeting) and 90 days prior to the special meeting.</p>	<p>A stockholder may only bring business before an annual meeting of stockholders after providing notice to the Secretary of Pinnacor. With certain limited exceptions, such notice must be provided between 60 and 90 days prior to the anniversary of the prior annual meeting.</p> <p>Business may only be brought before special meetings of stockholders if it has been specified in the notice of the meeting given by or at the direction of the board of directors.</p> <p>Nominations of directors at any annual meeting of stockholders, or at any special meeting of stockholders called for the purpose of electing directors, may be made by the board of directors or by a stockholder after providing notice to the Secretary of Pinnacor. With</p>

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<b>Holdco</b>	<b>Pinnacor</b>
<p>A stockholder who holds at least 25% or more of the Holdco common stock may nominate a director or bring business before an annual or special meeting of the stockholders without first providing the notice described above to the Secretary of Holdco.</p>	<p>certain limited exceptions, such notice must be provided between 60 and 90 days prior to the anniversary of the prior annual meeting or, if the nomination is for the election of a director at a special meeting, no later than 10 days after notice of such special meeting was mailed or public disclosure of the special meeting was made, whichever occurs first.</p>
<b>Limitation of Personal Liability of Directors and Officers</b>	
<p>Holdco's certificate of incorporation provides that, to the fullest extent permitted by Delaware law, a director or officer of the corporation shall not be personally liable for monetary damages for breach of fiduciary duty as a director or officer.</p>	<p>Pinnacor's certificate of incorporation contains a substantially identical provision.</p>
<b>Indemnification of Directors and Officers</b>	
<p>Holdco's certificate of incorporation indemnifies its agents to the fullest extent permissible under Delaware law.</p>	<p>Pinnacor's certificate of incorporation indemnifies its directors and officers to the fullest extent permissible under Delaware law. This indemnity includes the right to be paid by the corporation the expenses incurred in defending or otherwise participating in any proceeding in advance of its final disposition.</p>
<p>Holdco's bylaws authorize it to provide insurance for its directors, officers or agents against any expense, liability or loss, whether or not Holdco would have the power to indemnify such a person against such expense, liability or loss under Delaware law.</p>	<p>Pinnacor's bylaws authorize it to provide insurance for its directors, officers or agents against any expense, liability or loss, whether or not Pinnacor would have the power to indemnify such a person against such expense, liability or loss under Delaware law.</p>

**State Anti-Takeover Statutes**

Under the business combination statute of Delaware law, a corporation is prohibited from engaging in any business combination with an interested stockholder who, together with its affiliates or associates, owns, or who is an affiliate or associate of the corporation and within a three-year period did own, 15% or more of the corporation's voting stock for a three year period following the time the stockholder became an interested stockholder, unless:

prior to the time the stockholder became an interested stockholder, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;

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the interested stockholder owned at least 85% of the voting stock of the corporation, excluding specified shares, upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder; or

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at or subsequent to the time the stockholder became an interested stockholder, the business combination is approved by the board of directors of the corporation and authorized by the affirmative vote, at an annual or special meeting and not by written consent, of at least 66 <sup>2</sup>/<sub>3</sub>% of the outstanding voting shares of the corporation, excluding shares held by that interested stockholder.

A business combination generally includes:

mergers, consolidations and sales or other dispositions of 10% or more of the assets of a corporation to or with an interested stockholder;

specified transactions resulting in the issuance or transfer to an interested stockholder of any capital stock of the corporation or its subsidiaries; and

other transactions resulting in a disproportionate financial benefit to an interested stockholder.

The provisions of the Delaware business combination statute do not apply to a corporation if, subject to certain requirements, the certificate of incorporation or bylaws of the corporation contain a provision expressly electing not to be governed by the provisions of the statute or the corporation does not have voting stock listed on a national securities exchange, authorized for quotation on an inter-dealer quotation system of a registered national securities association or held of record by more than 2,000 stockholders.

Neither MarketWatch nor Pinnacor has adopted any provision in their respective certificate of incorporation to opt-out of the Delaware business combination statute. The statute is therefore applicable to business combinations involving either of MarketWatch or Pinnacor. Similarly, Holdco's certificate of incorporation will not include any provision to opt-out of the Delaware business combination statute, and as a result the statute will apply to business combinations involving Holdco.

## **Commission Position on Indemnification for Securities Act Liabilities**

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling Holdco pursuant to the provisions described in the above section captioned Comparison of Rights of Holders of MarketWatch Common Stock, Pinnacor Common Stock and Holdco Common Stock under the subsections captioned Limitation of Personal Liability of Directors and Officers and Indemnification of Directors and Officers, Holdco has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is therefore unenforceable.



**Table of Contents****MANAGEMENT OF THE COMBINED COMPANY AFTER THE MERGER****Board of Directors of the Combined Company**

Upon the completion of the merger, the board of directors of the combined company will be comprised of 12 individuals, three of whom will be nominated by CBS, three of whom will be nominated by Pearson and two of whom will be nominated by Pinnacor. Lawrence S. Kramer is the current Chairman of the board of directors of Holdco.

The following individuals are currently designated as members of the board of directors of the combined company:

<b>Holdco Board of Directors</b>	<b>Age</b>	<b>Current Directorship</b>
Lawrence S. Kramer	53	Chairman of the Board of Directors of MarketWatch
Peter Glusker	41	MarketWatch Director
Christie Hefner	50	MarketWatch Director
Andrew Heyward	52	MarketWatch Director
Philip Hoffman	45	MarketWatch Director
Robert H. Lessin	48	MarketWatch Director
Russell I. Pillar	38	MarketWatch Director
Jeffrey F. Rayport	43	MarketWatch Director

Pearson will nominate two additional directors prior to the completion of the merger. Also pursuant to the merger agreement, Pinnacor will nominate two members to the board of directors of the combined company prior to the completion of the merger.

*Mr. Kramer* has served as Chief Executive Officer and a member of MarketWatch's board of directors since October 1997, and is the founder of MarketWatch.com, Inc. On November 15, 1999, Mr. Kramer was elected Chairman of the Board of MarketWatch. From February 1994 until October 1997, Mr. Kramer served as Vice President for News and Sports of Data Broadcasting Corporation. Mr. Kramer has spent more than twenty years in journalism, including serving as a financial reporter, Metro Editor and Assistant Managing Editor of The Washington Post, and most recently serving as Executive Editor of the San Francisco Examiner. He has been a recipient of National Press Club, Gerald E. Loeb and Associated Press Awards. During Mr. Kramer's tenures at The Washington Post and the San Francisco Examiner, his staffs at each paper won a Pulitzer Prize. Mr. Kramer holds a B.S. degree in Journalism from Syracuse University and an M.B.A. degree from Harvard Business School. Mr. Kramer is a founding board member of the Online Publishers Association.

*Mr. Glusker* has served as a member of MarketWatch's board of directors since April 2000. He has served as Senior Vice President of Viacom Interactive Ventures, a division of Viacom Inc. and formerly CBS Internet Group, since February 2000. Prior to this, from November 1999 through February 2000, Mr. Glusker was Managing Partner of The Accelerator Group, LLC. From September 1998 to November 1999, Mr. Glusker was a self-employed consultant. Mr. Glusker holds a B.A. degree from Wesleyan University and an M.B.A. degree from Stanford University.

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*Ms. Hefner* has served as a member of MarketWatch's board of directors since April 2001. She has served as Chairman of the Board and Chief Executive Officer of Playboy Enterprises, Inc. since November 1988. Ms. Hefner is also Chairman of the Board of Playboy.com. Ms. Hefner serves on the board of directors of the Magazine Publishers Association and Canyon Ranch Health Resorts. Ms. Hefner graduated with a B.A. degree in English and American Literature from Brandeis University.

*Mr. Heyward* has served as a member of MarketWatch's board of directors since March 1998. He has served as President of CBS News, a division of CBS Broadcasting Inc., since January 1996. Mr. Heyward holds a B.A. degree in history and literature from Harvard University.

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*Mr. Hoffman* has served as a member of MarketWatch's board of directors since January 2003. He has served as Pearson's Executive Vice President and Director of Corporate Finance since January 2002. From May 2000 to December 2001, Mr. Hoffman was Chief Executive Officer of Learning Network Inc., Pearson's Internet based education business. From January 1999 through December 2000, Mr. Hoffman was President of Pearson Inc. From January 1997 through December 1998, Mr. Hoffman was Executive Vice President and Chief Administrative and Financial Officer of Penguin Group. Mr. Hoffman also serves on the board of Interactive Data Corporation. Mr. Hoffman is a Certified Public Accountant and licensed attorney in New York and Connecticut and holds J.D. and M.S. degrees from Pace University and a B.S. degree from Fairfield University.

*Mr. Lessin* has served as a member of MarketWatch's board of directors since February 1999. He has served as Vice Chairman of Jefferies & Company since October 2002. From October 2001 to October 2002, Mr. Lessin served as Chairman of SoundView Ventures and has served as a consultant to SoundView Ventures since October 2002. Mr. Lessin served as Chairman of SoundView Technology Group, Inc. from April 1998 through October 2001. Mr. Lessin also served as Chief Executive Officer of SoundView Technology Group, Inc. from April 1998 through February 2001. Mr. Lessin serves on the board of iParty Corp. and is the Chairman of the Board of Dawntreader Fund I and Dawntreader Fund II. Mr. Lessin holds a B.A. degree in applied physics and economics from Harvard College and an M.B.A. degree from the Harvard Business School.

*Mr. Pillar* has served as a member of MarketWatch's board of directors since February 2000. He has served as President of the Viacom Digital Media Group, a division of Viacom Inc., since January 2000. Mr. Pillar also has served as Managing Partner of Critical Mass Ventures LLC since October 1991. From November 1998 to January 2000, Mr. Pillar served as President, Chief Executive Officer and a director of Richard Branson's Virgin Entertainment Group, Inc. From September 1997 to August 1998, Mr. Pillar served as President and Chief Executive Officer of Prodigy Internet and served as a member of Prodigy Inc.'s board of directors, including serving as its Vice Chairman, from October 1996 to February 2000. In addition, he serves on the boards of SportsLine.com, Inc. and Playboy Enterprises, Inc., as well as on the boards of several private companies. Mr. Pillar, a Crown Fellow at the Aspen Institute, graduated Phi Beta Kappa, *cum laude* with an A.B. in East Asian Studies from Brown University.

*Dr. Rayport* has served as a member of MarketWatch's board of directors since June 2001. He has served as Chief Executive Officer of Marketspace LLC (a Monitor Group company) since May 1999. Prior to this, Dr. Rayport was a faculty member in the Service Management Unit at Harvard Business School; he joined the School's faculty in the Marketing Unit in September 1991. Dr. Rayport took a leave of absence from Harvard Business School in September 1998. Dr. Rayport serves on the boards of directors of ValueClick, Inc., a provider of Internet advertising solutions, and GSI Commerce, Inc., a developer and operator of online retailing and direct response marketing businesses, as well as on the boards of several private companies. Dr. Rayport earned an A.B. from Harvard College, an M.Phil. in International Relations at the University of Cambridge, an A.M. in the History of American Civilization and a Ph.D. in Business History at Harvard University.

**Committees of the Board of Directors of the Combined Company**

Upon the completion of the merger, the board of directors of the combined company initially will have the same committees as MarketWatch currently has, including:

an audit committee, which will initially be comprised of the current members of the audit committee of the board of directors of MarketWatch; and

a compensation committee, which will initially be comprised of the current members of the compensation committee of the board of directors of MarketWatch.

**Compensation for Members of the Board of Directors of the Combined Company**

In accordance with the existing practice of MarketWatch, it is expected that the directors of the combined company who are also full-time employees of the combined company, or its operating subsidiaries, MarketWatch

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or Pinnacor after the merger, and the directors of the combined company who are affiliates, will receive no additional compensation for their services as directors. Each non-employee and independent director of the combined company will receive compensation for service on the combined company's board of directors as to be determined by the board of the combined company.

### **Compensation of MarketWatch Directors**

The following is a brief description of the current compensation arrangement with MarketWatch directors:

*Cash Compensation.* Each of MarketWatch's independent directors is entitled to receive an annual fee of \$10,000, paid quarterly, for his or her services on the board. Each member of the audit committee who is an independent director receives an additional annual fee of \$10,000, paid quarterly, for his or her services on the audit committee. Each member of the compensation committee and mergers and acquisitions committee who is a non-employee and independent director receives an additional annual fee of \$5,000, paid quarterly, for his or her services on each respective committee. Each member of any committee hereinafter authorized and established by MarketWatch's board of directors and who is an independent director receives an additional annual fee of \$2,500, paid quarterly, for his or her services on such a committee. MarketWatch's directors are entitled to reimbursement of all reasonable out-of-pocket expenses incurred in connection with their attendance at board and board committee meetings.

*1998 Directors Stock Option Plan.* Members of MarketWatch's board who are not employees of, or employees of any company affiliated with, MarketWatch are eligible to participate in MarketWatch's 1998 directors stock option plan. Option grants under the directors plan are automatic and nondiscretionary. The exercise price of these options is the fair market value of the MarketWatch common stock on the date of grant. Each eligible director who becomes a member of MarketWatch's board is automatically granted an option to purchase 10,000 shares. At each annual meeting of stockholders, each eligible director is automatically granted an additional option to purchase 2,000 shares if he or she has served continuously as a member of the board since the date of his or her initial grant. The options have a term of 10 years. The options will terminate seven months after the date the director ceases to be a director or a consultant, or 12 months after a termination of service due to death or disability. All options granted under the directors plan vest as to one-third of the total shares subject to the option on each of the first three anniversaries of the grant date. Additionally, immediately prior to MarketWatch's dissolution or liquidation or entering into a change in control transaction, the vesting of these options will accelerate, and the options will be exercisable in full for a period of up to seven months following the transaction. After that time, any unexercised options will expire.

In May 2003, MarketWatch granted an option under its 1998 directors stock option plan to each of Ms. Hefner and Messrs. Lessin and Rayport to purchase 2,000 shares of MarketWatch common stock at \$7.97 per share, the fair market value of the MarketWatch common stock on the date of grant.

### **Compensation of Pinnacor Directors**

The following is a brief description of the current compensation arrangement with Pinnacor directors:

*Cash Compensation.* Pinnacor does not currently pay cash fees to its directors for attending board or committee meetings, but it reimburses non-employee directors for their reasonable expenses incurred in connection with attending these meetings.

*Option Grants.* Pinnacor currently grants options only to new non-employee and independent members of its board of directors upon his or her election to the board of directors.

**Table of Contents****Executive Officers of the Combined Company**

The following individuals have been initially designated as the executive officers of the combined company:

<b><u>Name of Officer</u></b>	<b><u>Age</u></b>	<b><u>Position</u></b>
Lawrence S. Kramer	53	Chief Executive Officer and Chairman of the Board of Directors
Kathleen Yates	49	President and Chief Operating Officer
Joan P. Platt	49	Chief Financial Officer
Douglas S. Appleton	39	General Counsel and Secretary
William Bishop	34	Executive Vice President and General Manager
Jamie Thingelstad	31	Chief Technology Officer
Scott Kinney	41	Executive Vice President, Licensing
Scot McLernon	45	Executive Vice President, Advertising Sales and Marketing
Dave Callaway	39	Editor-in-Chief

*Mr. Kramer.* See the description above.

*Ms. Yates* was named President and Chief Operating Officer of MarketWatch in December 2001. She is a veteran Internet media executive, having started or lead several Internet ventures since 1995. Her roles have included founder and Vice President/Business Development for Knight Ridder Digital, founding Board Member of CareerPath (now CareerBuilder) and Classified Ventures (parent company of HomeHunter.com, Cars.com and NewHomes.com), and Vice President/Product Development for Women.com. Prior to founding Knight Ridder Digital, Ms. Yates spent 13 years in executive positions with the San Jose Mercury News and its parent, Knight Ridder, Inc. She began as Assistant to the Publisher of the Mercury News in 1981, was promoted to Chief Financial Officer in 1982 and served as Senior Vice President and General Manager from 1988 to 1994. Ms. Yates earned an M.B.A. from Stanford University Graduate School of Business and graduated from Trinity College with a degree in Economics.

*Ms. Platt* has served as Chief Financial Officer of MarketWatch since December 1999. From May 1999 through November 1999, Ms. Platt was Chief Financial Officer of Indus International, a provider of enterprise asset management software. From April 1996 to April 1999, Ms. Platt served as Chief Financial Officer for Splash Technologies Holdings, Inc., a Sunnyvale-based international supplier of color servers. Previously, Ms. Platt served a 20-year tenure at Coopers & Lybrand, including 10 years as a partner, where she specialized in high technology companies. Ms. Platt is a Certified Public Accountant and holds a B.S. in business administration from The Pennsylvania State University.

*Mr. Appleton* has served as MarketWatch's General Counsel and Secretary since March 2003. Prior to joining MarketWatch in March 2003, Mr. Appleton was the Associate General Counsel at Handspring, Inc., an innovator and manufacturer of handheld computer and wireless communicator products, and as General Counsel for SecuGen Corporation, a privately-held technology company that manufactures and develops fingerprint biometric devices. Mr. Appleton has also been a corporate lawyer with several leading corporate law firms, including Morrison & Foerster LLP in Palo Alto, California. Mr. Appleton holds a Bachelor of Arts degree from Brown University, and a law degree from the University of Maryland.

*Mr. Bishop* has served as Executive Vice President and General Manager of MarketWatch since June 2001. From October 2000 until June 2001, Mr. Bishop served as Executive Vice President of Business and Product Development. He served as Executive Vice President of Business Development from February 2000 until October 2000, and was Vice President of Business Development of MarketWatch from its formation in

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October 1997 until February 2000. Mr. Bishop holds a B.A. degree in East Asian Studies from Middlebury College and an M.A. degree in International Economics from Johns Hopkins University.

*Mr. Thingelstad* has served as Chief Technology Officer of MarketWatch since February 2002, and also served in that capacity from June 1999 until February 2001. From February 2001 to February 2002, he was



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self-employed as an Internet industry consultant. From June 1996 to June 1999, Mr. Thingelstad served as Chief Technology Officer and a Director of BigCharts, Inc. Mr. Thingelstad attended the University of Minnesota's Institute of Technology.

*Mr. Kinney* has served as Vice President of Licensing of MarketWatch since June 1999 and Executive Vice President of Licensing since February 2000. From May 1998 through June 1999, Mr. Kinney was the Chief Operating Officer and Chief Financial Officer for BigCharts, Inc. Mr. Kinney holds an undergraduate degree from Dartmouth College and an M.B.A. from Stanford University Graduate School of Business.

*Mr. McLernon* has served as Vice President of Advertising Sales of MarketWatch since January 1998 and Executive Vice President of Advertising Sales and Marketing since February 2000. From March 1997 until December 1997, he served as National Director of Advertising Sales with Quote.com, Inc., a financial news Web site operator. Mr. McLernon was also the National Director of Internet Strategy with Softbank Interactive Marketing, a subsidiary of Softbank Corp., a distributor and wholesaler of software and peripheral equipment for PCs, from March 1996 until March 1997. From June 1994 until March 1996, he served as Account Manager with Interactive Marketing Inc.

*Mr. Callaway* was named editor-in-chief of MarketWatch in March of 2003 after serving three years as executive editor and one year as managing editor. He has been a vice president in charge of all news operations since March 2000. Mr. Callaway has more than 15 years of journalism experience, including five years as a London correspondent for Bloomberg News and six years as a reporter and financial columnist for The Boston Herald. In 2001, Mr. Callaway was named one of the 100 most influential business journalists in the U.S. by The Journal of Financial Reporters. Mr. Callaway holds a B.A. and M.A. degree in journalism from the Medill School of Journalism at Northwestern University.

**Table of Contents****Compensation of the Executive Officers of the Combined Company**

The form and amount of compensation to be paid to each of the combined company's executive officers, other than agreements with MarketWatch or Pinnacor existing on the closing date of the merger, will be determined by the compensation committee of its board of directors.

The following is a brief description of the compensation arrangements with certain of MarketWatch's executive officers who will also become executive officers of the combined company.

**Summary Compensation Table**

*The following table presents information concerning the compensation earned for services rendered to MarketWatch during each of fiscal 2002, 2001 and 2000 by MarketWatch's Chief Executive Officer and its four other most highly compensated executive officers who were serving as executive officers at the end of fiscal 2002 (collectively, the "MKTW Named Executive Officers").*

Name and Principal Position	Fiscal Year	Annual Compensation		Long Term Compensation	
		Salary (1)	Bonus (2)	Awards	Other
				Securities	Other
				Underlying	Compensation
				Options	(3)
Lawrence S. Kramer					\$ 10,796
Chairman and Chief Executive Officer	2002	\$ 315,000	\$ 219,375	100,000	9,686
	2001	300,683	150,000	200,000	
	2000	274,992	137,500	40,000	9,555
Kathleen Yates (4)			137,500		6,821
		275,016		50,000	
President and Chief Operating Officer	2002	22,918		200,000	324
	2001				
	2000				
Joan P. Platt				162,500	6,521
Chief Financial Officer	2002	275,016	103,125		5,786
	2001	261,949	97,500		
	2000	250,841	75,000	25,000	5,261
Jamie Thingelstad (5)			86,000	70,000	5,944
Chief Technology Officer	2002	192,260			1,284
	2001	13,092			
	2000	200,000	30,500	100,000	3,217

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Scott Kinney (6)				75,161	9,914
Executive Vice President of Licensing	2002	234,656	45,937		8,768
	2001	239,110	45,938		
	2000	155,400	77,500	25,000	3,926

- (1) The salaries include a nominal parking allowance.
- (2) Bonuses are reported in the fiscal year in which they are earned.
- (3) Other compensation consists of 401(k) matching contributions, health insurance premiums and group term life insurance premiums.
- (4) Ms. Yates became MarketWatch's President and Chief Operating Officer in December 2001.
- (5) Mr. Thingelstad has served as MarketWatch's Chief Technical Officer since February 2002 and also served in that capacity from July 1999 through February 2001.
- (6) Mr. Kinney's salary for 2002 and 2001 includes a commission that approximates 35% of his base salary and is based on Mr. Kinney meeting certain sales goals for the year.

No compensation intended to serve as incentive for performance to occur over a period longer than one year was paid pursuant to a long-term incentive plan during 2002 to a MKTW Named Executive Officer. MarketWatch does not have any defined benefit or actuarial plan under which benefits are determined primarily by final compensation and years of service of the MKTW Named Executive Officers.

**Table of Contents****Stock Option Grants in Fiscal 2002**

The following table presents information regarding the grant of stock options under MarketWatch's 1998 equity incentive plan during fiscal 2002 to each of the MKTW Named Executive Officers. Generally, the options become exercisable with respect to one-third of the total shares subject to the option on each of the first three anniversaries of the grant date. The grants to Ms. Platt and Mr. Kinney of 112,500 shares and 25,161 shares, respectively, become exercisable with respect to one-third of the total shares subject to the option approximately six months after the grant date and become exercisable with respect to one-third of the remaining shares subject to the option approximately one and one-half years and two and one-half years after the grant date, respectively. The options have a term of 10 years.

Potential realizable value is based on the assumption that the MarketWatch common stock appreciates at the annual rate shown, compounded annually, from the date of grant until the expiration of the ten-year term. These numbers are calculated based on Securities and Exchange Commission requirements and do not reflect MarketWatch's projection or estimate of future stock price growth. Actual gains, if any, on stock option exercises will be dependent on the future performance of MarketWatch common stock (and subject to the completion of the merger, the future performance of Holdco common stock). Potential realizable values are computed by (A) multiplying the number of shares of common stock subject to a given option by the market price per share of MarketWatch common stock on the date of grant; (B) assuming that the aggregate stock value derived from that calculation compounds at the annual 5% or 10% rate shown in the table for the entire 10 year term of the option; and (C) subtracting from that result the aggregate option exercise price.

MarketWatch granted options to purchase an aggregate of 1,617,318 shares of common stock to all employees during 2002. Options are granted at an exercise price equal to the fair market value of MarketWatch common stock at the time of grant.

Name	Individual Grants				Potential Realizable Value at	
	Number of	Percent of	Exercise	Expiration	Assumed Annual Rates of	
	Securities	Total Options			Stock Price Appreciation for	
	Underlying	Granted to	Price Per	Option Term	5%	10%
Options	Employees In	Share	Date			
	Granted	Fiscal 2001				
Lawrence S. Kramer	100,000	6.2%	\$ 4.100	9/23/2012	\$ 257,847	\$ 653,434
Kathleen Yates	50,000	3.1	3.912	8/23/2012	123,012	311,736
Joan P. Platt	112,500	7.0	4.030	1/22/2012	285,125	722,563
	50,000	3.1	3.912	8/23/2012	123,012	311,736
Jamie Thingelstad	20,000	1.2	4.150	2/11/2012	52,198	132,281
	50,000	3.1	3.912	8/23/2012	123,012	311,736
Scott Kinney	25,161	1.6	4.030	1/22/2012	63,769	161,604
	50,000	3.1	3.912	8/23/2012	123,012	311,736

**Aggregated Option Exercises in Fiscal 2002 and Option Values at December 31, 2002**

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The following table presents certain information concerning the exercise of stock options during fiscal 2002 by each of the MKTW Named Executive Officers, and the number and value at December 31, 2002 of unexercised options held by said individuals. The value of in-the-money options shown in the table below reflects the positive difference between the exercise price of each outstanding stock option and \$4.891, the closing sale price per share of the MarketWatch common stock on December 31, 2002 as reported on the Nasdaq National Market.

<u>Name</u>	Number of		Number of Securities		Value of Unexercised	
	Shares		Underlying Unexercised		In-the-Money Options at	
	Acquired	Value	Options at December 31, 2002		December 31, 2002	
	<u>on Exercise</u>	<u>Realized</u>	<u>Vested</u>	<u>Unvested</u>	<u>Vested</u>	<u>Unvested</u>
Lawrence S. Kramer	10,000	\$ 7,800	323,332	246,668	\$ 289,489	\$ 392,033
Kathleen Yates			66,666	183,334	104,066	257,084
Joan P. Platt			54,166	133,334	46,617	120,691
Jamie Thingelstad				70,000		63,770
Scott Kinney			73,370	75,108	21,554	70,560

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**Table of Contents***Employment Agreements with MarketWatch*

*Lawrence S. Kramer.* Mr. Kramer's employment agreement, effective as of July 1, 2001, provides for a base salary of \$315,000 from January 1, 2002 through June 30, 2004. Mr. Kramer is also eligible to receive an annual bonus of up to 100% of his annual base salary. The employment agreement has a term of three years. If Mr. Kramer's employment is terminated without cause (as defined in his employment agreement), or he resigns because of a constructive termination (as defined in his employment agreement), he will be entitled to (A) receive an amount payable in equal monthly installments equal to the greater of (1) his then applicable base salary for a period of twelve months plus the target bonus for the year in which the termination occurs; or (2) his then applicable base salary and target bonus for the remainder of the term of the agreement; and (B) acceleration of vesting for all shares subject to the options held by him; such options will remain exercisable for the remainder of the periods specified in the respective option agreements. If Mr. Kramer's employment is terminated because of a change in control (as defined in his employment agreement), he will be entitled to receive an acceleration of all of the shares subject to the options held by him; such options will remain exercisable for the remainder of the periods specified in the respective option agreements.

*Kathleen Yates.* Ms. Yates' employment agreement, effective as of December 1, 2001, provides for a base salary of \$285,000 through December 31, 2004. Ms. Yates is also eligible to receive an annual bonus of up to 50% of her annual base salary. The employment agreement has a term of three years. If Ms. Yates' employment is terminated without cause (as defined in her employment agreement) or she resigns for good reason (as defined in her employment agreement), she will be entitled to receive (A) an amount equal to her then-current base salary, payable in twelve monthly installments plus the target bonus for the year in which such termination occurs; and (B) acceleration of vesting for all shares subject to the options held by her; such options will remain exercisable for the remainder of the periods specified in the respective option agreements.

*Joan P. Platt.* Ms. Platt's employment agreement, effective as of March 15, 2003, provides for a base salary of \$285,000 through December 31, 2005. Ms. Platt is also eligible to receive an annual bonus of up to 50% of her annual base salary. The employment agreement is effective through December 31, 2005. If Ms. Platt's employment is terminated without cause (as defined in her employment agreement) or she resigns for good reason (as defined in her employment agreement), she will be entitled to receive (A) an amount equal to her then-current base salary, payable in twelve monthly installments plus the target bonus for the year in which such termination occurs; and (B) acceleration of vesting for all shares subject to the options held by her; such options will remain exercisable for the remainder of the periods specified in the respective option agreements.

*Jamie Thingelstad.* Mr. Thingelstad's employment agreement, effective as of January 1, 2002, provides for a base salary of \$222,500 through December 31, 2004. Mr. Thingelstad is also eligible to receive an annual bonus of up to 40% of his annual base salary. The employment agreement has a term of three years. If Mr. Thingelstad's employment is terminated without cause (as defined in his employment agreement) or he resigns for good reason (as defined in his employment agreement), he will be entitled to receive (A) an amount equal to his then-current base salary, payable in twelve monthly installments; and (B) acceleration of vesting for all shares subject to the options held by him; such options will remain exercisable for the remainder of the periods specified in the respective option agreements.

*Scott Kinney.* In connection with MarketWatch's acquisition of BigCharts Inc. in June 1999, Mr. Scott Kinney entered into an employment agreement with BigCharts, effective as of June 9, 1999. Mr. Kinney's annual base salary of \$180,000 per year, with an increase of five percent in each successive year, a target commission of up to 35% of his base salary and a bonus of up to 35% of his base salary. The original term of this agreement was five years. If Mr. Kinney is terminated without cause (as defined in his employment agreement) or he voluntarily terminates his employment for good reason (as defined in his employment agreement), Mr. Kinney will be entitled to receive (1) six months additional salary, payable in six equal installments; and (2) acceleration of vesting for the shares subject to the options held by him, such options will remain exercisable for the remainder of the periods specified in the respective option agreements. If Mr. Kinney is terminated for other cause (as



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defined in his employment agreement), he will be entitled to receive acceleration of all of the shares subject to the options held by him; such options will remain exercisable for the remainder of the periods specified in the respective option agreements. Within six months after a change in control (as defined in his employment agreement), if Mr. Kinney terminates his employment for good reason or is terminated without cause, he will be entitled to receive (A) a lump sum equal to one year's salary and bonus; and (B) acceleration of vesting for all of the shares subject to the options held by him, such options will remain exercisable for the remainder of the periods specified in the respective option agreements.

**Certain Relationships and Related Transactions with Respect to MarketWatch**

*Amended and Restated License Agreement with CBS*

MarketWatch entered into an amended and restated license agreement with CBS in January 1999 under which CBS grants MarketWatch a non-exclusive license to utilize the CBS marks CBS and the CBS eye design for use in connection with the operation of the CBS.MarketWatch.com Web site. CBS also granted MarketWatch a license to use current CBS Television News content related to business and financial news on the CBS.MarketWatch.com Web site. The amended and restated license agreement will expire on October 29, 2005.

Under the agreement, MarketWatch will pay CBS through October 29, 2005, a royalty based on (A) 8% of gross revenues up to and including \$50.0 million; and (B) 6% of gross revenues in excess of \$50.0 million. Gross revenues means gross operating revenues that are derived from an Internet service or Web site that (i) provides information or services of a financial nature; or (ii) uses the CBS trademarks licensed to MarketWatch. Gross revenue exclude revenues from Interactive Data Corporation, or IDC, a subsidiary of Pearson, an amount equal to certain commissions paid to sales representatives, revenues received from CBS affiliates and an amount equal to certain revenues attributable to an acquired company's results of operations for the 12 months prior to the acquisition. Under MarketWatch's amended and restated license agreement, MarketWatch expensed approximately \$2.8 million and \$1.2 million in the 2002 fiscal year and the six months ended June 30, 2003, respectively, related to licensing of CBS news content and trademarks.

Under the amended and restated license agreement, CBS retains significant editorial control over the use and presentation of CBS Television News content and the CBS logo. As a result of these provisions, CBS will have the ability to prevent MarketWatch from displaying content on the CBS.MarketWatch.com Web site which it deems inappropriate, and from producing materials, such as marketing materials, which it does not approve. This control by CBS could prevent MarketWatch from engaging in desired marketing activities or from being perceived as an independent news organization, either of which could adversely affect MarketWatch's brand awareness and brand name.

CBS is able to terminate MarketWatch's right to use the CBS name, logo and news content or terminate the amended and restated license agreement in the event that a competitor of CBS directly or indirectly beneficially owns 15% or more of MarketWatch's outstanding common stock or total voting power, or if MarketWatch:

issues to a CBS competitor a number of voting securities or actively participates in the acquisition by a CBS competitor, such that after the issuance or acquisition, such CBS competitor beneficially owns 9% or more of MarketWatch's outstanding common stock or total voting power;

breaches a material term or condition of the amended and restated license agreement;



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becomes insolvent or subject to bankruptcy or similar proceedings; or

discontinues using the MarketWatch mark and does not establish a substitute mark acceptable to CBS in its sole discretion.

Under the terms of the amended and restated license agreement, CBS is not permitted to license, or authorize another to license, the use of the CBS logo or name to others in connection with promoting any other

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Internet service or Web site in the U.S. that has as its primary function and its principal theme and format the delivery of comprehensive real-time or delayed stock market quotations and financial news in the English language to consumers, which MarketWatch refers to as a Business Site. However, the following activities by CBS would not be prohibited:

licensing its logo or name to a Web site or Internet service that delivers general news, sports or entertainment, with a financial news segment or portion included;

licensing its name or logo to a Web site or Internet service outside the U.S.;

licensing its name or logo to Web sites that provide stock price ticker displays on the site;

any activity conducted by CBS and/or its affiliates prior to CBS's signing of the amended and restated license agreement;

any activities of non-CBS owned television and radio station affiliates;

any Internet service in which CBS has an interest prior to signing the amended and restated license agreement;

any activity of Westwood One, Inc., if such activity does not produce a substantial portion of its revenues from a business site (as defined in the amended and restated license agreement); or

any transmissions of any signal of any type by and through CBS's cable television operations.

*Amended and Restated Services Agreement with Pearson*

MarketWatch entered into an amended and restated services agreement with Pearson, in January 1999, under which Pearson provided MarketWatch with a variety of support and hosting services. MarketWatch no longer uses any of Pearson's support and hosting services. Under the original agreement, Pearson also agreed to make subscriber payments on a per subscriber basis for users of Pearson's PC-based and Quotrek real-time quotes and to pay MarketWatch a fee based upon net revenues from subscriptions to MarketWatch RT and MarketWatch LIVE.

MarketWatch received \$102,000 and \$33,000 in revenue from Pearson for the 2002 fiscal year and the six months ended June 30, 2003, respectively, for per-subscriber payments for users of Pearson's PC-based and Quotrek real-time quotes under the amended and restated services agreement.

The amended and restated services agreement does not contain any exclusivity provisions or non-competition provisions. For example, Pearson could:

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provide content or data to other Web sites including MarketWatch RT and MarketWatch LIVE; or

sell its services through other Web sites.

### *Stock Purchase Agreement with CBS*

Under the terms of a stock purchase agreement that MarketWatch entered into with CBS in March 2000, CBS agreed to provide an additional \$30.0 million in advertising during the period from March 1, 2000 through May 5, 2002. In March 2002, \$460,000 of the remaining advertising was extended to December 31, 2002. MarketWatch recorded \$9.8 million and \$56,000 in advertising expense for the 2002 fiscal year and the six months ended June 30, 2003, respectively, for advertising and promotion provided by CBS under this agreement. The \$30.0 million contribution was delivered in full by June 30, 2003.

### *Stockholders Agreement with CBS and Pearson*

MarketWatch entered into a stockholders agreement with CBS and Pearson in January 1999.

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*Board Members.* The stockholders' agreement provides that CBS and Pearson each has the right to nominate a number of candidates to MarketWatch's board of directors based upon the percentage of MarketWatch's outstanding voting securities then held by them, rounded up to the nearest whole number. So long as the amended and restated license agreement is in effect, CBS has the right to appoint at least one member to MarketWatch's board of directors, regardless of its percentage ownership of MarketWatch common stock.

*Right of First Refusal.* The stockholders' agreement provides that CBS and Pearson each has a right of first refusal in the event that either party desires to sell any of MarketWatch's securities held by it to a third party. In addition, each of CBS and Pearson has the right to purchase from MarketWatch additional shares of MarketWatch's common stock, or MarketWatch's other voting securities or securities convertible into or exchangeable for common stock, if MarketWatch proposes to issue additional securities. In such a case, they would be able to purchase an amount, subject to certain limitations, necessary to maintain their then current percentage ownership, not to exceed their percentage ownership interest immediately after the closing of MarketWatch's initial public offering, which was 38.3%.

If a competitor of CBS directly or indirectly acquires more than 30% of the voting power of Pearson or substantially all of Pearson's assets at a time when Pearson beneficially owns at least 10% of MarketWatch's outstanding common stock, CBS may within 45 days either:

purchase all of MarketWatch's securities held by Pearson; or

require Pearson to place these securities in a trust, which would then dispose of the securities with a view to maximizing the sale price while disposing of such shares as promptly as reasonably practicable.

Pearson would forfeit its board representation in either event. MarketWatch cannot predict which option, if any, CBS would elect in such an event.

*Non-Competition Provisions for Pearson.* Pearson has agreed that until October 29, 2005 and subject to certain exceptions:

it will not, nor will it authorize or permit another to, sell advertising on any other Web site that has as its primary function and its principal theme and format the delivering of comprehensive real-time or delayed stock quotations and financial news in the English language to consumers; and

it will not use the Internet to sell real-time stock quotes in "snapshot" form.

Therefore, Pearson would be permitted to:

sell advertising on a general news, sports or entertainment Web site with a financial news segment;

provide data or content to any other Web site, regardless of its theme, so long as it was not selling data and content that was real-time snap, or user-requested, quotes;

host any other Web site; or

invest in any other Web site so long as it held less than 5% of any stock or less than 10% of the indebtedness of that company.

*MarketWatch's Non-Competition Obligations.* In addition, MarketWatch has agreed, except through Pearson, not to sell any product or service that offers streaming real-time stock price quotes. This obligation expires on October 29, 2005 or, at such earlier time (i) as the amended and restated services agreement is terminated; (ii) upon the occurrence of a change of control of Pearson, as defined in the stockholders agreement; or (iii) at such time as Pearson shall hold less than 10% of MarketWatch's then-outstanding voting securities.

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### *Registration Rights Agreement with CBS and Pearson*

MarketWatch entered into a registration rights agreement with CBS and Pearson in January 1999. Either CBS or Pearson may demand that MarketWatch file a registration statement under the Securities Act covering all or a portion of the shares of MarketWatch's common stock held by either of them, their affiliates or certain transferees. However, the securities to be registered must have a reasonably anticipated aggregate public offering price of at least \$3.0 million. CBS and Pearson may each effect two such demand registrations. CBS and Pearson may also request that MarketWatch file a registration statement on Form S-3, provided that the aggregate public offering price is at least \$1.0 million. CBS and Pearson can each request one Form S-3 registration per year, subject to MarketWatch's right to delay the filing under specified circumstances. In addition, CBS and Pearson will have certain "piggyback" registration rights. However, the managing underwriter, if any, of any such offering has certain rights to limit the number of securities proposed to be included in such registration.

MarketWatch would bear all registration expenses incurred in connection with these registrations. Each of CBS and Pearson would pay all underwriting discounts, selling commissions and stock transfer taxes applicable to the sale of its securities.

The registration rights of CBS and Pearson, as the case may be, under the registration rights agreement will terminate when either CBS or Pearson, as the case may be, may sell all of its shares in a three-month period under Rule 144 promulgated under the Securities Act.

### *Other Relationships with CBS*

In the 2002 fiscal year and the six months ended June 30, 2003, MarketWatch recognized revenue of \$2.2 million and \$1.2 million, respectively, from CBS for television and radio programming on CBS stations, and incurred expenses of \$1.6 million and \$586,000, respectively, for the production and distribution of television and radio programming provided by CBS.

MarketWatch leases certain facilities from CBS in San Francisco and New York under leases that expire in March 2008 and June 2010, respectively. For the 2002 fiscal year and the six months ended June 30, 2003, MarketWatch paid CBS approximately \$1.1 million and \$629,000, respectively, in rent payments.

### *Other Relationships with Pearson*

For the 2002 fiscal year and the six months ended June 30, 2003, MarketWatch recognized revenue of \$1.8 million and \$794,000, respectively, related to the license of its data and tools to FT.com and Financial Times, subsidiaries of Pearson.

In the 2002 fiscal year and the six months ended June 30, 2003, MarketWatch recognized costs to Pearson of \$641,000 and \$397,000, respectively, related to data feeds.

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MarketWatch received \$1.0 million and \$0 in licensing revenue from Pearson for the 2002 fiscal year and the six months ended June 30, 2003, respectively, for data provided to users of Pearson's PC-based and Quotrek real-time quotes under the amended and restated services agreement.

### *Indemnification Agreements with Directors and Executive Officers*

MarketWatch has entered into indemnification agreements with certain of its directors and executive officers. The agreements require MarketWatch to indemnify such individuals under the circumstances set forth in the agreements and to the fullest extent permitted by Delaware law.

MarketWatch believes that all of the transactions set forth above were made on terms no less favorable to MarketWatch than could have been obtained from unaffiliated third parties. All transactions with officers, directors and principal stockholders and their affiliates will continue to be approved by a majority of MarketWatch's board of

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directors, including a majority of the independent and disinterested directors of its board, and will be on terms no less favorable to MarketWatch than could be obtained from unaffiliated third parties.

**Certain Relationships and Related Transactions With Respect to Pinnacor**

*Kirk Loevner Employment Agreement.* Kirk Loevner's employment agreement with Pinnacor, dated as of January 10, 2002, has an initial term of three years and provides for automatic one-year renewals thereafter. Pursuant to the agreement, Mr. Loevner serves as Pinnacor's President and Chief Executive Officer. Mr. Loevner's agreement provides for an initial annual salary of \$250,000 (as of January 1, 2003, Mr. Loevner's base salary was raised to \$300,000 upon approval of the Pinnacor compensation committee and the Pinnacor board of directors), an annual bonus of up to 50% of annual salary (such bonus is contingent on certain performance objectives), participation at the highest level in all Pinnacor employee benefit plans and fringe benefit arrangements, an initial relocation allowance, and reimbursement for legal fees incurred by Mr. Loevner in connection with the preparation of the agreement. In addition, Mr. Loevner was granted an initial option under Pinnacor's option plans to purchase 1,271,260 shares of Pinnacor common stock at an exercise price of \$2.19 per share. If Mr. Loevner's employment is terminated without cause, or he terminates his employment for good reason (each term, as defined in the agreement), then, during the twelve-month period following such termination, he will continue to receive his then-current compensation at a rate equal to the sum of (i) his then-current base salary plus (ii) 35% of his then-current target bonus in effect, as well as medical and other insurance benefits and a pro-rata portion of his bonus for the year in which the termination occurs. In addition, all options held by Mr. Loevner that would have vested within one year after termination, had he been employed during that period, will automatically vest on the date of his termination and will remain exercisable for a period of twelve months following such termination. In addition, if, during the twelve-month period following a change in control, Mr. Loevner is no longer President and Chief Executive Officer or Pinnacor terminates Mr. Loevner's employment for any reason, all options held by Mr. Loevner will automatically vest on the date of his termination. Following his termination of employment for any reason, Mr. Loevner is subject to a six-month post-termination non-solicitation covenant, and, in the event Pinnacor or a successor company terminates Mr. Loevner's employment for cause or Mr. Loevner terminates his employment without good reason, he is also subject to a six-month post-termination non-competition covenant. Pursuant to an amendment to the employment agreement, dated February 24, 2003, Pinnacor is obligated to pay to Mr. Loevner an additional payment to reimburse him for any excise tax imposed by Section 4999 of the Internal Revenue Code (or any similar excise tax) on any payment, including any excise tax payable in respect of such gross up payments, made to Mr. Loevner, whether under this agreement or otherwise.

*David Obstler Employment Agreement.* Pinnacor is a party to a three-year employment agreement with one-year automatic renewals thereafter with David Obstler, dated March 8, 2000, and amended in April 2002. Pursuant to this agreement, Mr. Obstler serves as Pinnacor's Chief Financial Officer, Executive Vice President and Treasurer and currently receives an annual salary of \$275,000 and a minimum annual bonus of \$50,000. Furthermore, Mr. Obstler is eligible to participate in any bonus plans Pinnacor has for its senior executives on a level and on terms no less favorable than Pinnacor's other senior executives, and participates at the highest level in all of Pinnacor's benefit plans and fringe benefit arrangements. Under the agreement, Pinnacor is obligated to pay Mr. Obstler an additional payment to reimburse him for any excise tax imposed by Section 4999 of the Internal Revenue Code (or any similar excise tax) on any payment, including any excise tax payable in respect of such gross up payments, made to Mr. Obstler, whether under this agreement or otherwise. If Mr. Obstler's employment is terminated without cause, or he terminates his employment for good reason, he will receive salary and continued insurance coverage for twelve months, and a guaranteed minimum bonus of \$50,000 (as defined in his employment agreement), a prorated merit bonus for the year in which termination occurs and all equity awards that Pinnacor has granted to him (under the agreement or otherwise) will become vested to the extent that they would otherwise have vested within the year after termination and Mr. Obstler will be able to exercise his vested stock options for a period of twelve months after such termination or resignation date. Notwithstanding the foregoing, if Mr. Obstler is no longer the Chief Financial Officer of Pinnacor or his employment is terminated



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for any reason within twelve months of a change in control, all equity awards that Pinnacor has granted to him will become immediately vested and Mr. Obstler will be able to exercise his vested stock options for a period of twelve months after such termination. Mr. Obstler is subject to six-month post-termination non-competition and non-solicitation covenants.

*William Staib Employment Agreement.* Pinnacor is a party to a three-year employment agreement with William Staib, dated August 16, 2001. Pursuant to the agreement, Mr. Staib serves as Pinnacor's Executive Vice President of Technology and Products. In addition to providing for an annual salary of \$215,000, participation at the highest level in all of Pinnacor's employee benefit plans and fringe benefit arrangements, and an initial relocation allowance, Mr. Staib was granted an option to purchase 241,667 shares of Pinnacor's common stock at an exercise price of \$2.35 per share. If Mr. Staib's employment is terminated without cause, or he terminates his employment for good reason (each term, as defined in the agreement), he will receive his base salary, medical and other insurance benefits for six months following termination. In addition, all options held by Mr. Staib that would have vested within one year after termination, had he been employed during that period, will automatically vest on the date of his termination. Following his termination of employment for any reason Mr. Staib is subject to a six-month post-termination non-solicitation covenant, and, in the event Pinnacor terminates Mr. Staib's employment for cause or Mr. Staib terminates his employment without good reason, he is also subject to a six-month post-termination non-competition covenant. Pursuant to an amendment to the employment agreement, dated February 24, 2003, Pinnacor is obligated to pay to Mr. Staib an additional payment to reimburse him for any excise tax imposed by Section 4999 of the Internal Revenue Code (or any similar excise tax) on any payment, including any excise tax payable in respect of such gross up payments, made to Mr. Staib, whether under this agreement or otherwise.

*Post-Fiscal Year End Developments.* On December 20, 2002, the Pinnacor board of directors approved various recommendations of its compensation committee regarding executive compensation matters to be effective in fiscal year 2003. Pursuant to such recommendations on January 1, 2003, Messrs. Loevner, Obstler and Staib were granted options to acquire 500,000, 100,000 and 100,000 shares of Pinnacor common stock and 100,000, 50,000 and 50,000 shares of restricted stock, respectively. In March 2003, the Pinnacor board of directors approved grants of options to acquire 400,000 and 300,000 shares of Pinnacor common stock to Messrs. Loevner and Obstler, respectively. All of the above-mentioned stock options have an exercise price equal to the fair market value of the Pinnacor common stock on the date of grant, as determined by the closing price of the Pinnacor common stock on the Nasdaq National Market. In June 2003, the Pinnacor board of directors approved an increase in Mr. Obstler's annual salary to \$275,000, and a \$300,000 bonus for each of Messrs. Loevner and Obstler upon the completion of the merger and the termination or constructive termination of their employment.

**Table of Contents****Security Ownership of Certain Beneficial Owners and Management of MarketWatch**

The following table presents information with respect to the beneficial ownership of MarketWatch common stock as of August 4, 2003 by (A) each stockholder who is known by MarketWatch to be the beneficial owner of more than 5% of MarketWatch common stock; (B) MarketWatch's Chief Executive Officer and four other most highly compensated executive officers who were serving as executive officers at the end of 2002; (C) each of the current directors of MarketWatch; and (D) the directors and executive officers of MarketWatch as a group.

The percentage ownership is based on 17,358,307 shares of MarketWatch common stock outstanding at August 4, 2003. Shares of common stock that are subject to options currently exercisable or exercisable within 60 days after August 4, 2003, are deemed outstanding for the purpose of computing the percentage ownership of the person holding these options, but are not deemed outstanding for computing the percentage ownership of any other person. Beneficial ownership is determined under the rules of the Securities and Exchange Commission, and generally includes voting or investment power with respect to the securities. Unless indicated below, the persons and entities named in the table have sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable. The address for each director and executive officer listed below is c/o MarketWatch.com, Inc., 825 Battery Street, San Francisco, California 94111.

Name of Beneficial Owner	Shares Beneficially Owned	
	Number of Shares	Percent
<b>5% Stockholders:</b>		
CBS Broadcasting Inc. (1)	5,636,814	32.5%
Westinghouse CBS Holding Company, Inc. (1)		
Viacom Inc. (1)		
NAIRI, Inc. (2)		
National Amusements, Inc. (2)		
Sumner M. Redstone (2) (3)		
Pearson International Finance Ltd.	5,636,814	32.5%
80 Strand		
London, WC2R 0RL		
England		
<b>Directors and Executive Officers:</b>		
Lawrence S. Kramer (4)	474,142	2.7%
Joan P. Platt (5)	114,789	*
Kathleen Yates (6)	99,478	*
Scott Kinney (7)	98,423	*
Jamie Thingelstad (8)	26,017	*
Christie Hefner (9)	8,665	*
Jeffrey F. Rayport (10)	7,332	*
Robert H. Lessin (11)	6,666	*
Peter Glusker		

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Andrew Heyward

Philip Hoffman

Russell I. Pillar

All 16 directors and executive officers as a group (12)	1,194,159	6.5%
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\* Less than one percent.

- (1) The address for CBS Broadcasting Inc. ( CBSBI ), Westinghouse CBS Holding Company, Inc. ( W/ CBS HCI ) and Viacom Inc. ( Viacom ) is 1515 Broadway, New York, New York 10036.
- (2) The address for NAIRI, Inc. ( NAIRI ), National Amusements, Inc. ( NAI ) and Sumner M. Redstone is 200 Elm Street, Dedham, Massachusetts 02026.

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- (3) This information is based on a Schedule 13D, filed with the Securities and Exchange Commission on July 25, 2003, which was jointly filed by CBSBI, W/ CBS HCI, Viacom, NAIRI, NAI and Mr. Redstone. The shares are indirectly held by W/ CBS HCI through its ownership of 100% of the outstanding stock of CBSBI and are indirectly held by Viacom through its ownership of 100% of the outstanding stock of W/ CBS HCI. Approximately 68% of Viacom's voting stock is owned by NAIRI, which in turn is a wholly-owned subsidiary of NAI. Beneficial ownership is attributed to Mr. Redstone as Mr. Redstone is the Chairman of the Board and the beneficial owner of a controlling interest in NAI.
- (4) Includes options to purchase 413,332 shares of MarketWatch common stock.
- (5) Includes options to purchase 108,332 shares of MarketWatch common stock.
- (6) Includes options to purchase 83,332 shares of MarketWatch common stock.
- (7) Represents options to purchase 98,423 shares of MarketWatch common stock.
- (8) Includes options to purchase 23,332 shares of MarketWatch common stock.
- (9) Includes options to purchase 5,332 shares of MarketWatch common stock.
- (10) Represents options to purchase 7,332 shares of MarketWatch common stock.
- (11) Represents options to purchase 6,666 shares of MarketWatch common stock.
- (12) Includes options to purchase 1,084,577 shares of MarketWatch common stock.

**Table of Contents****Security Ownership of Certain Beneficial Owners and Management of Pinnacor**

The following table sets forth information regarding the beneficial ownership of Pinnacor common stock as of August 4, 2003 by (A) each stockholder who is known by Pinnacor to be the beneficial owner of more than 5% of Pinnacor common stock; (B) Pinnacor's Chief Executive Officer and two next most highly compensation executive officers of Pinnacor who were serving as executive officers at the end of 2002; (C) each of the current directors of Pinnacor; and (D) the directors and executive officers of Pinnacor as a group:

The percentage ownership is based on 40,826,156 shares of Pinnacor common stock outstanding at August 4, 2003. Shares of common stock that are subject to options currently exercisable or exercisable within 60 days after August 4, 2003, are deemed outstanding for the purpose of computing the percentage ownership of the person holding these options, but are not deemed outstanding for computing the percentage ownership of any other person. Beneficial ownership is determined under the rules of the Securities and Exchange Commission, and generally includes voting or investment power with respect to the securities. Unless indicated below, the persons and entities named in the table have sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable. The address for each director and executive officer listed below is c/o Pinnacor Inc., 601 West 26th Street, 13th Floor, New York, NY 10001.

Name of Beneficial Owner	Shares Beneficially Owned	
	Number of Shares	Percent
<b>5% Stockholders:</b>		
Alan S. Ellman	2,540,748	6.2%
Entities affiliated with General Atlantic Partners, LLC (1)	7,190,448	17.6%
<b>Directors and Executive Officers:</b>		
Kevin Clark (2)	1,850,774	4.3%
James Davis		
David Hodgson (1)	7,195,448	17.6%
Kirk Loevner (3)	1,093,676	2.6%
David Obstler (4)	689,574	1.6%
Kevin O Connor (5)	139,921	*
James D. Robinson III (6)	2,883,106	7.1%
John Sculley (7)	80,000	*
William Staib (8)	433,765	1.0%
All 9 directors and executive officers as a group	14,083,460	32.7%

\* Less than one percent.

- (1) GAP LLC is the general partner of General Atlantic Partners 69, L.P. ( GAP 69 ) and the sole member of GapStar, LLC ( GapStar ). The managing members of GAP LLC (other than Klaus Esser) are also the general partners of GAP Coinvestment Partners II, L.P. ( GAPCO II ), GAP LLC. GAP 69, GapStar and GAPCO II (collectively General Atlantic ) are a group within the meaning of Rule 13d-5 of the Securities Exchange Act of 1934, as amended. Mr. Hodgson is a managing member of GAP LLC and a general partner of GAPCO II. Mr. Hodgson disclaims beneficial ownership of all of such securities except to the extent of his pecuniary interest therein. The address of Mr. Hodgson and General Atlantic is c/o General Atlantic Service Corporation, 3 Pickwick Plaza, Greenwich, CT 06830. In addition, Mr. Hodgson owns directly 5,000 shares of Pinnacor common stock.
- (2) Includes options to purchase 1,474,836 shares of Pinnacor common stock.
- (3) Includes options to purchase 656,176 shares of Pinnacor common stock and 100,000 shares of restricted Pinnacor common stock.
- (4) Includes options to purchase 632,065 shares of Common Stock and 50,000 shares of restricted Pinnacor common stock.
- (5) Includes options to purchase 35,000 shares of Pinnacor common stock.

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- (6) Includes 32,364 shares owned by Mr. Robinson's wife, Linda Robinson. Mr. Robinson disclaims beneficial ownership of these shares. This number also includes 497,459 shares of Pinnacor common stock held by RRE Ventures II L.P. and 87,022 shares of Pinnacor common stock held by RRE Ventures Fund II, L.P. Mr. Robinson is a member of RRE Ventures GP II, LLC, which indirectly exercises exclusive control over RRE Ventures II, L.P. and RRE Ventures Fund II, L.P. Mr. Robinson disclaims beneficial ownership of the shares held by RRE Ventures II, L.P. and RRE Ventures Fund II, L.P.
- (7) Includes options to purchase 50,000 shares of Pinnacor common stock.
- (8) Includes options to purchase 249,475 shares of Pinnacor common stock and 50,000 shares of restricted stock.

**Equity Compensation Plan Information Relating to MarketWatch**

All stock option plans under which the MarketWatch common stock is reserved for issuance have previously been approved by its stockholders. The following table provides summary information as of December 31, 2002 for all of MarketWatch's stock option plans:

	<b>Number of Shares of Common Stock to be Issued Upon Exercise of Outstanding Options</b>	<b>Weighted Average Exercise Price of Outstanding Options</b>
Stock Option Plans Approved by the MarketWatch Stockholders	3,281,723	\$ 6.17

**Equity Compensation Plan Information Relating to Pinnacor**

All stock option plans under which the Pinnacor common stock is reserved for issuance have previously been approved by its stockholders. The following table provides summary information as of December 31, 2002 for all of Pinnacor's stock option plans:

	<b>Number of Shares of Common Stock to be Issued Upon Exercise of Outstanding Options</b>	<b>Weighted Average Exercise Price of Outstanding Options</b>
Stock Option Plans Approved by the Pinnacor Stockholders	6,948,957	\$ 2.70

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**BUSINESS OF MARKETWATCH**

MarketWatch is a leading financial media company providing Web-based comprehensive, real-time business news, financial programming and analytic tools through its Web sites, CBS.MarketWatch.com and BigCharts.com, and licensing a wide array of content and tools in custom-designed formats for brokerages and other online businesses. MarketWatch also sells subscription-based content for evaluating investment newsletters. MarketWatch produces the syndicated CBS MarketWatch Weekend television program, airs financial reports over the CBS Television Network, and provides business and financial news updates every 30 minutes on the MarketWatch Radio Network. MarketWatch has important strategic relationships with its principal stockholders, CBS and Pearson.

**MarketWatch.com Web Properties**

MarketWatch's Web properties provide comprehensive business and financial news, financial programming and analytic tools, including historic charting capabilities from its BigCharts.com Web site, which MarketWatch acquired in June 1999. MarketWatch's staff of approximately 80 professional journalists, including freelance journalists, offers real-time coverage of business and financial news and in-depth commentary on market-moving trends and events, all provided to its users free of charge. MarketWatch's CBS.MarketWatch.com Web site also offers personal finance commentary and data, community features and other services designed to provide a one-stop-shop for its audience's financial information needs. MarketWatch believes that offering comprehensive business news, financial programming and analytic tools is critical to its success as it enables the company to increase audience loyalty and sense of community, average usage time and repeat visits.

**News and Editorial Content**

The CBS.MarketWatch.com front page is carefully designed and frequently updated throughout the trading day by its journalists and editors in New York, Washington D.C., Chicago, San Francisco, Tokyo and London to inform its audience of the latest news as the news breaks. Unlike some of its Web-based competitors, MarketWatch does not rely exclusively on automatic editing and display systems. MarketWatch instead leverages its journalistic expertise to add a strong editorial framework to its content. From the CBS.MarketWatch.com Web site's front page, users can access news stories, columns and headlines written by its reporters and by third parties, such as Reuters, Associated Press, Financial Times and PR Newswire, as well as stock quotes and other business and financial data and analytic tools. MarketWatch also has devoted staff to cover special areas of interest, including initial public offerings, investment conferences, the fixed income markets, mutual funds, mortgages, micro-cap stocks, futures and options and technology stocks.

MarketWatch works with CBS News' global operations and presence to expand its coverage of international business and financial news. In addition to providing news coverage for the CBS.MarketWatch.com Web site, MarketWatch's journalists provide financial news to CBS News and CBS Radio News programming. MarketWatch believes that providing news reports for CBS and working with CBS News journalists will create an opportunity to enhance its reputation and audience reach.

MarketWatch creates and publishes on the CBS.MarketWatch.com Web site real-time commentary and analysis of business and financial news and a number of regular columns by its experienced editorial staff. News features include real-time headlines, stock market news and updates and coverage of technology stocks, bond markets, initial public offerings and other areas of interest to its audience.

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The CBS.MarketWatch.com Web site also offers selected audio and video clips of news reports recently broadcast on its CBS MarketWatch Weekend television show, the CBS Television Network, CBS Radio Network and its MarketWatch Radio Network. Users can also search a historical database of news stories by company name and ticker symbol.



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### **Data and Analytic Tools**

MarketWatch offers a variety of data and analytic tools which, together with its other real-time news and programming, are designed to provide a one-stop-shop for the financial and business needs of its audience. These include providing stock quotes from all major United States stock markets. These quotes are offered on varying delayed bases in accordance with respective exchange and foreign market rules, and links to other valuable information about a particular company, including related CBS.MarketWatch.com news stories, stories from other news services, summaries of filings and annual reports filed with the Securities and Exchange Commission, summaries of analysts' reports and a variety of fundamental and technical information about a company's stock. The CBS.MarketWatch.com Web site also provides information on various market and industry indices, commodity contracts and currency exchange rates.

In addition, MarketWatch's BigCharts.com destination site is a leader in intra-day and historical stock price charting. The charting technology is also incorporated in the CBS.MarketWatch.com Web site to complement securities price quotes and is often used in the design of MarketWatch's editorial content.

The CBS.MarketWatch.com Web site also has a sophisticated portfolio tracking service that offers a variety of features, including the ability to track up to 200 ticker symbols in multiple portfolios; track options, mutual funds and stocks on all major U.S. and select international exchanges; and download portfolio reports for use in spreadsheets, providing a wider set of choices for record keeping.

### **Online Advertising Sales**

MarketWatch is focused on providing its advertisers with a large, demographically desirable audience. Over the last several years, MarketWatch increased the number of advertisers from industries other than financial services. MarketWatch believes that its Web sites attract users who as a group are more affluent and better educated than users of many other Web sites and, therefore, represent an attractive medium for companies that advertise and engage in commerce over the Internet. Advertisements are displayed throughout MarketWatch's Web sites, including when a user enters the service, reviews a news story or accesses a quote, portfolio or chart.

MarketWatch currently derives, and expects to continue to derive significant revenue from online advertising sales. Its sales force seeks to provide advertisers unique advertising positions with creative and innovative advertising solutions. MarketWatch offers a variety of advertising options that may be purchased individually or in packages. MarketWatch's portfolio of Web properties offers advertisers a strong, consistent brand with the opportunity to target their campaigns on the site of their choice or run a campaign across MarketWatch's Web sites.

### **Content Licensing**

MarketWatch's licensing business focuses on business-to-business relationships with partners of all sizes to generate fee revenue. MarketWatch licenses interactive stock research tools such as charting, screeners, portfolios and alerts, along with news and editorial content from the CBS.MarketWatch.com newsroom and third-party news providers. MarketWatch's clients include a wide variety of Internet Web site operators, with a particular focus on companies in the banking, brokerage, publishing and financial services industries.

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MarketWatch's licensing sales and development group works to provide customized solutions for businesses that want to seamlessly integrate financial charting, analytic tools and other financial content into their Web sites. MarketWatch's clients may choose to purchase individual products or to work with MarketWatch's designers and developers to create Web content that incorporates multiple products throughout their site. MarketWatch believes its investment in creating broad content relationships with industry-leading financial organizations, such as The Wall Street Journal Interactive, E\*TRADE, Fidelity, Ameritrade, Merrill Lynch Online, Morgan Stanley and Charles Schwab, provides it with a unique opportunity to leverage MarketWatch's

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financial content and technical infrastructure to deliver multiple revenue streams. MarketWatch's content is generally copyrighted as its own on all of its licensing partners' Web sites.

### **Subscription and Other Services**

Increasingly, in addition to offering free content, subsidized by advertising on the CBS.MarketWatch.com Web site, MarketWatch is developing and selling subscription products, including the Hulbert Financial Digest, a publication devoted to tracking and analyzing investment newsletters, and the Calandra Report, a newsletter with real world profit-seeking strategies. The Web site newsletters are offered by paid subscription. In addition, CBS.MarketWatch.com launched a new online newsletter center featuring the Hulbert Financial Digest that also includes free content including a directory of financial newsletters as well as commentary about the financial newsletter industry, including features from and about top newsletter editors and their strategies.

The CBS.MarketWatch.com Web site offers, for a fee, third-party financial data and other services through integration with third-party Web sites, such as Hoover's, Inc., which provides company profiles, or Baseline, which provides company research reports. MarketWatch receives a portion of the revenue from the sale of these products or services through the CBS.MarketWatch.com Web site.

The CBS.MarketWatch.com site also has free membership services available with personalized features and settings such as access to news alerts, links to members' broker Web sites, personalized portfolios and charting, e-newsletters, archived content and other free offers.

### **Strategic Relationships**

MarketWatch believes that its strategic relationships with its principal stockholders, CBS and Pearson, allow MarketWatch to differentiate the CBS.MarketWatch.com Web site as the pre-eminent brand for real-time business news and financial programming on the Web.

#### *CBS*

*CBS Name and Logo.* In connection with its formation in 1997, MarketWatch entered into a license agreement, which was subsequently amended and restated, under which its Web site was renamed CBS.MarketWatch.com and MarketWatch was granted the right to use the CBS name and logo, as well as CBS Television Network news content in connection with the operation of the CBS.MarketWatch.com Web site. Under the terms of the amended and restated license agreement, MarketWatch pays CBS a percentage of its gross revenues, excluding certain revenue. The agreement is subject to termination if competitors of CBS acquire specified amounts of MarketWatch's common stock or in other specific circumstances. MarketWatch's license agreement with CBS will expire on October 29, 2005.

*Reporting.* MarketWatch believes MarketWatch has increased and will continue to expand its brand awareness by providing financial news reports for CBS News and Infinity Broadcasting Radio. MarketWatch's New York City-based bureau is located in CBS facilities and frequently works with CBS News staff to generate stories for distribution over the CBS broadcast network. MarketWatch files three market reports each day on CBS Newspath. MarketWatch's correspondents also file customized daily reports to major CBS affiliates via satellite links, and produce

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periodic reports for the CBS Evening News weekend broadcasts and The Early Show on the CBS network. MarketWatch does not receive any cash payments from CBS for this reporting. However, MarketWatch believes such contributions help to strengthen its brand awareness.

*Pearson/DBC*

*Initial Contribution by DBC.* At MarketWatch's formation, Data Broadcasting Corporation, or DBC, contributed to MarketWatch certain assets related to its DBC Online/News Business that had been operating as departments within DBC since October 1995. In addition, DBC assigned to MarketWatch agreements for

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advertising and content, portions of its award-winning Web site, [dbc.com](http://dbc.com), and its related trademarks, including MarketWatch and the MarketWatch Internet domain name. DBC, now known as Interactive Data Corporation, is now a majority-owned subsidiary of an affiliate of Pearson.

*Data and Hosting.* Pearson currently provides real-time financial data to MarketWatch for dissemination to subscribers of certain of CBS.MarketWatch.com subscription services in exchange for a percentage of the subscription fee.

## **Marketing and Distribution**

CBS has displayed the CBS.MarketWatch.com logo and domain name on the CBS Evening News with Dan Rather, CBS This Morning, The Early Show and on the news programming of the CBS Television Network and many affiliated television stations. The logo is usually displayed when business or financial news is covered during the broadcast. CBS is not obligated to continue to display MarketWatch's logo or domain name in this particular manner.

MarketWatch uses journalist appearances on CBS Television and Infinity Radio news broadcasts and on certain affiliate station broadcasts to highlight the CBS.MarketWatch.com Web site and increase the association of the Web site with CBS. When making appearances, MarketWatch's journalists are identified with the CBS.MarketWatch.com brand. The CBS MarketWatch Weekend television show was launched in September 1999. The CBS.MarketWatch.com Web site is also linked from CBS's primary web sites [cbs.com](http://cbs.com) and [cbsnews.com](http://cbsnews.com), as well as many of those owned and operated by CBS affiliate television stations. MarketWatch also has an agreement with Westwood One to distribute its content over the Westwood One Radio Network.

MarketWatch has entered into a number of distribution relationships to enhance its brand name recognition and audience reach. Key distribution relationships include:

*Yahoo! Inc.* Since 1999, Yahoo! Inc. has indexed certain of the CBS.MarketWatch.com news headlines in the finance section of Yahoo! with links to the CBS.MarketWatch.com Web site for payments per click to the CBS.MarketWatch.com site.

*America Online.* In September 1999, MarketWatch entered into a three-year distribution agreement with America Online, Inc., or AOL, to be a provider of business and financial news for AOL's network including its proprietary services, AOL.com, CompuServe and Netscape. Under the agreement, MarketWatch created a co-branded site that enables AOL users to access its content and investment management tools through the AOL personal finance channel. MarketWatch has also collaborated with AOL in sales and marketing efforts.

## **Infrastructure and Operations**

The CBS.MarketWatch.com Web site, the BigCharts.com Web site, and substantially all content licensing business are hosted in MarketWatch's data centers in Lisle, Illinois and in New York, New York, which are co-locations with AT&T. MarketWatch operates multiple Web servers that run the Microsoft Windows 2000 operating systems and use Microsoft Internet Information Server.

Internet access in the Lisle and New York data centers is provided primarily by AT&T. The computer equipment used to operate its Web sites at all facilities is powered by uninterruptible power supplies. The AT&T co-location facilities are also equipped with backup generators to provide an indefinite amount of runtime in the event of a local utility failure.

### **Competition**

The market for Internet services and products is relatively new, intensely competitive and rapidly changing. The number of Web sites on the Internet competing for consumers' attention and spending has proliferated and

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MarketWatch expects that competition will continue to intensify. MarketWatch competes, directly and indirectly, for advertisers, viewers, members and content providers with the following categories of companies:

publishers and distributors of traditional off-line media, such as television, radio and print, including those targeted to business, finance and investing needs, many of which have established or may establish Web sites, such as The Wall Street Journal and CNN;

general purpose consumer online services such as AOL and Microsoft Network, each of which provides access to financial and business-related content and services;

Web sites targeted to business, finance and investing needs, such as TheStreet.com and the Motley Fool;

Web search and retrieval and other online services, such as Google, Yahoo!, Lycos and other high-traffic Web sites, which offer quotes, financial news and other programming and links to other business and finance-related Web sites;

data companies that provide value-added tools, including charts, portfolios, and stock screeners, such as Reuters and Thomson Financial Corporation;

providers of standardized and customized investment research tools, such as Pinnacor and SmartMoney; and

publishers of financial news for an institutional audience such as Reuters and Dow Jones.

## **Intellectual Property**

MarketWatch relies primarily on a combination of copyrights, trademarks, trade secret laws, its user policy and content license agreement and user agreement restrictions on disclosure and use to protect its intellectual property, such as its content, copyrights, trademarks, and trade secrets. MarketWatch also enters into confidentiality agreements with its employees and consultants, and seeks to control access to and distribution of its other proprietary information. MarketWatch also uses certain licensed technology, data and content from third parties.

MarketWatch licenses the CBS logo, trademarks and certain news content from CBS pursuant to the amended and restated license agreement. This agreement could terminate in certain circumstances and also involves a number of other risks.

## **Employees**

As of June 30, 2003, MarketWatch had 210 full-time employees, 36 of these personnel worked in product and content development, 44 in sales and marketing, 81 in editorial, 25 in Web site operations and 24 in administration.

**Description of Properties**

MarketWatch's principal administrative, sales, marketing and news facilities are located in approximately 24,000 square feet of office space in San Francisco, California, leased from CBS. This lease expires in March 2008. MarketWatch's engineering, development, and licensing sales groups are based out of 20,000 square feet of leased space in Minneapolis, Minnesota. This lease expires in May 2009. A portion of MarketWatch's news and sales teams are located out of 7,367 square feet of office spaces in New York, New York, also leased from CBS. MarketWatch also has data centers in Minneapolis, New York and Redwood City, California.

**Legal Proceedings**

On and after April 17, 2001, five shareholder class action lawsuits were filed against MarketWatch, certain of its current and former officers and directors, and a number of investment banks, including some of the underwriters of its initial public offering. The lawsuits were filed in the Southern District of New York. The



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complaints were consolidated into a single action. Plaintiffs allege that the underwriter defendants agreed to allocate stock in the initial public offering to certain investors in exchange for excessive and undisclosed commissions and agreements by those investors to make additional purchases of stock in the aftermarket at pre-determined prices. Plaintiffs allege that the prospectus for MarketWatch's initial public offering was false and misleading in violation of the securities laws because it did not disclose these arrangements. The action against MarketWatch is being coordinated with approximately three hundred other nearly identical actions filed against other companies. The parties have recently reached a settlement where the company defendants are dismissed from the lawsuit in exchange for the companies assigning to the plaintiffs claims they may have against the underwriters. In addition, the settlement does not contemplate the payment of any company funds to the plaintiffs. A committee of MarketWatch's board of directors approved the settlement proposal on June 25, 2003. The terms of the settlement and final documentation is still subject to approval by the court.

On July 24, 2003, a shareholder class action lawsuit was filed against Pinnacor, Pinnacor's current directors, a Pinnacor officer, and MarketWatch in the Delaware Court of Chancery. The lawsuit purports to be a class action filed on behalf of holders of Pinnacor's common stock as of the date of the announcement of the proposed merger of MarketWatch and Pinnacor. The lawsuit alleges that Pinnacor's directors breached their fiduciary duties in proceeding with the merger with MarketWatch by agreeing to an inadequate proposed purchase price which fails adequately to compensate Pinnacor shareholders for the loss of control of the company. The lawsuit alleges that MarketWatch aided and abetted these breaches of fiduciary duty in some unspecified way. The lawsuit seeks an unspecified amount of damages and also prays for an injunction against consummation of the proposed transaction.

There are no other material pending legal proceedings to which MarketWatch is a party.

**Management's Discussion and Analysis of Financial Condition and Results of Operations as of June 30, 2003 and for the Three and Six Months Ended June 30, 2003 and 2002**

*This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including, without limitation, statements regarding MarketWatch's expectations, beliefs, intentions or future strategies that are signified by the words "expects", "anticipates", "intends", "believes", or similar language. All forward-looking statements included in this Management's Discussion and Analysis of Financial Condition and Results of Operations are based on information available to MarketWatch on August 14, 2003, and MarketWatch assumes no obligation to update any such forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. In evaluating MarketWatch's business, prospective investors should carefully consider the information set forth below under the caption "Risk Factors" in addition to the other information set forth in this joint proxy statement-prospectus. MarketWatch cautions investors that its business and financial performance are subject to substantial risks and uncertainties.*

*The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with MarketWatch's condensed consolidated financial statements as of June 30, 2003 and for the three and six months ended June 30, 2003 and 2002 included elsewhere in this joint proxy statement-prospectus.*

**Overview**

MarketWatch completed its initial public offering in January 1999. Prior to its initial public offering, MarketWatch was formed in October 1997 as a Delaware limited liability company owned 50% each by Data Broadcasting Corporation, or DBC, now known as Interactive Data Corporation, or IDC, and CBS Broadcasting Inc., or CBS. MarketWatch was formed as the successor to DBC's Online/News Business, which

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commenced operations in October 1995. Immediately prior to the closing of its initial public offering, MarketWatch was reorganized from a limited liability company into a corporation. In January 2001, Pearson International Finance Ltd., or Pearson, which is an affiliate of Pearson, plc. acquired IDC's stake in MarketWatch.

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Since its formation, MarketWatch has operated as a multi-media provider of financial news and information, with services including news articles, feature columns, financial programming and analytic tools, such as stock quotes and charting. These services are available free of charge. MarketWatch sells advertising banners and sponsorships on its Web sites; earns advertising revenue from its television and radio programming; license its content and tools to electronic brokers, financial publishers and portals; and sell subscriptions to its news letters and other premium products.

MarketWatch currently has several agreements with its principal stockholders, including a license agreement with CBS whereby CBS licenses its trademark and certain news content to MarketWatch for royalties approximating 8% of all of MarketWatch's net revenues other than revenue attributable to IDC and certain other revenue. The license agreement expires in October 2005.

As of June 30, 2003, CBS and Pearson collectively hold approximately 65% of MarketWatch's outstanding common stock.

MarketWatch's ability to generate significant revenue or maintain profitability in the future is uncertain. Further, in view of the rapidly evolving nature of its business and its limited operating history, MarketWatch has little experience forecasting its revenues. Therefore, MarketWatch believes that period-to-period comparisons of its financial results are not necessarily meaningful and you should not rely upon them as an indication of its future performance. To date, MarketWatch has incurred substantial costs to create, introduce and enhance its services, to develop content, to build brand awareness and to grow its business. Although MarketWatch achieved net income in the fourth quarter of 2002 and the first quarter of 2003 and was cash flow positive for the twelve months ended December 31, 2002 and the first and second quarters of 2003, given the general economic uncertainty and the continued uncertainty of the advertising market, MarketWatch may not generate net income or remain cash flow positive for fiscal 2003 or any particular fiscal quarter. MarketWatch may also incur additional costs and expenses related to content creation, technology, marketing or acquisitions of businesses and technologies to respond to changes in MarketWatch's rapidly changing industry. These costs could have an adverse effect on MarketWatch's future financial condition or operating results.

## **Results of Operations**

### *Net Revenues*

Net revenues for MarketWatch are derived from the sale of advertising on MarketWatch's Web sites, licensing of its content, advertising revenue from sponsored links, advertising revenues from its television and radio broadcasts, subscription sales of its newsletters, and other premium products and fees from its membership center. During the first six months ended June 30, 2003, MarketWatch re-classified certain broadcast and membership center revenues, previously disclosed as Other, into advertising revenues. Prior periods have been adjusted to be comparable with the current presentation.

Net revenues for MarketWatch's decreased by 8% to \$11.1 million for the three months ended June 30, 2003 from \$12.0 million for the three months ended June 30, 2002 and increased 2% to \$22.2 million for the six months ended June 30, 2003 from \$21.8 million for the six months ended June 30, 2002. The decrease for the three months ended June 30, 2003 was primarily as a result of a decline in licensing revenue due to the expiration of a five-year licensing commitment from IDC and the consolidation of the financial services industry. The increase for the six months ended June 30, 2003 was primarily a result of an increase in advertising and subscription revenue in the first quarter ended March 31, 2003 partially offset by a decrease in licensing revenue. The increase in advertising revenue was primarily due to an increase in the number of advertisers and on the size of advertising buys on MarketWatch's Web sites; an improvement in rates charged for advertising sold on MarketWatch's television program; and increased sales on current and new radio stations. The increase in subscription revenue was primarily due to the acquisition of the Hulbert Financial Digest in April 2002 and its related revenue stream as well as the launch of The Calandra Report

subscription product in March 2003.

Substantially all of MarketWatch's advertising customers purchase advertising under short-term contracts. Customers can and have ceased advertising on short notice without penalty. MarketWatch's advertising revenues

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would be adversely affected if it was unable to renew advertising contracts with existing customers or obtain new customers. MarketWatch expects to continue to derive a significant amount of its future net revenues from selling advertisements. The market for Web advertising is intensely competitive, therefore advertising rates could be subject to additional pricing pressure in the future. If MarketWatch is forced to reduce its advertising rates or MarketWatch experiences lower CPMs (cost per thousand page views) across its Web sites for any reason, future advertising revenues could be adversely affected.

Licensing revenues depend on customer contract renewals and could decrease further if customers choose to renew for lesser amounts, terminate early or forego renewal, or MarketWatch does not obtain new customers. A significant amount of MarketWatch's licensing revenue is earned from brokerages and financial services companies, which have experienced hardship due to the recent economic downturns. The amount of licensing revenue depends, in part, on the number of users these customers have each month. If the number of users were to decrease, MarketWatch's licensing revenue would decrease. The growth of MarketWatch's licensing revenues could also be limited as there are a limited number of brokerages and financial services companies to license its content. In addition, certain license contracts guarantee the performance of MarketWatch's Web sites. If MarketWatch's sites do not perform as guaranteed, licensing revenue would be adversely affected.

*Cost of Revenues*

Cost of net revenues for MarketWatch primarily consists of news staff compensation, royalties payable to CBS and content providers, bandwidth costs associated with serving pages on MarketWatch's Web properties and licensing clients, fees paid for data, Web site infrastructure costs, costs of serving ads, exchange fees and communication lines, and costs related to subscriptions, including printing and mailing costs.

Cost of revenues for MarketWatch increased by 5% to \$4.4 million for the three months ended June 30, 2003 from \$4.2 million for the three months ended June 30, 2002 and increased by 4% to \$8.4 million for the six months ended June 30, 2003 from \$8.1 million for the six months ended June 30, 2002. Cost of revenues increased primarily due to an increase in compensation for news personnel and data center costs related to the opening of a new data center in Chicago. As a percentage of net revenues, cost of revenues were 40% and 35% for the three months ended June 30, 2003 and 2002, respectively, and 38% and 37% for the six months ended June 30, 2003 and 2002, respectively. Cost of revenues increased as a percentage of net revenues for the three months ended June 30, 2003 primarily due to a decline in revenue and an increase in employee costs.

*Product Development*

Product development expenses primarily consist of data source fees, compensation and benefits for Web site developers, designers and engineers to maintain the sites, software engineers, and expenses for contract programmers and developers.

Product development expenses decreased by 5% to \$1.8 million for the three months ended June 30, 2003 from \$1.9 million for the three months ended June 30, 2002 and increased 9% to \$3.6 million for the six months ended June 30, 2003 from \$3.3 million for the six months ended June 30, 2002. Product development expenses decreased for the three months ended June 30, 2003 primarily due to a decrease in compensation expense. Product development expenses increased for the six months ended June 30, 2003 primarily due to an increase in data source fees related to the favorable terms received in contract negotiations in the six months ended June 30, 2002, and costs associated with the development of the Hulbert Financial Digest products. Product development expenses were 16% of net revenues for the three months ended June 30, 2003 and 2002, respectively, and 16% and 15% of net revenues for the six months ended June 30, 2003 and 2002, respectively.



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### *General and Administrative*

General and administrative expenses for MarketWatch primarily consist of compensation and benefits for finance, business development and administrative personnel, professional fees, public company costs and corporate depreciation charges.

General and administrative expenses for MarketWatch decreased by 10% to \$2.8 million for the three months ended June 30, 2003 from \$3.1 million for the three months ended June 30, 2002, and decreased 3% to \$5.7 million for the six months ended June 30, 2003 from \$5.9 million for the six months ended June 30, 2002. General and administrative expenses decreased primarily due to a decrease in bad debt and tax expenses partially offset by an increase in compensation expense and a slight increase in professional service fees. As a percentage of net revenues, general and administrative costs were 25% and 26% for the three months ended June 30, 2003 and 2002, respectively, and 26% and 27% for the six months ended June 30, 2003 and 2002, respectively.

### *Sales and Marketing*

Sales and marketing expenses for MarketWatch primarily consist of non-cash promotion and advertising provided by CBS, online and offline advertisements, promotional materials, compensation, benefits and sales commissions to its direct sales force.

Sales and marketing expenses for MarketWatch decreased 65% to \$2.5 million for the three months ended June 30, 2003 from \$7.2 million for the three months ended June 30, 2002 and decreased 67% to \$4.9 million for the six months ended June 30, 2003 from \$14.7 million for the six months ended June 30, 2002. As a percentage of net revenues, sales and marketing expenses were 22% and 60% for the three months ended June 30, 2003 and 2002, respectively, and 22% and 67% for the six months ended June 30, 2003 and 2002, respectively. Sales and marketing expenses decreased primarily due to a decrease in CBS in-kind advertising expense. As a significant portion of the CBS in-kind advertising expired in June 2002, MarketWatch utilized it to the fullest extent during the first and second quarters of 2002.

### *Interest Income*

Interest income of \$135,000 and \$269,000 for the three and six months ended June 30, 2003, respectively, resulted from interest earned on the proceeds from additional financing from CBS and IDC received on May 5, 2000 and cash from operations. Interest income of \$183,000 and \$365,000 for the three and six months ended June 30, 2002, respectively, resulted from interest earned on the proceeds from additional financing from CBS and IDC received on May 5, 2000. Interest income for the three months ended June 30, 2003 decreased as a result of a decline in returns due to lower interest rates resulting from current market conditions.

### **Liquidity and Capital Resources**

Since its inception in October 1997, MarketWatch has funded its operations primarily from cash contributed and advanced by IDC and CBS, revenues from advertising and licensing sales and the proceeds from its initial public offering. MarketWatch's cash and cash equivalents totaled \$46.3 million at June 30, 2003, compared to \$43.3 million at December 31, 2002.

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Cash provided by operating activities was \$2.8 million for the six months ended June 30, 2003, primarily due to a net loss of \$174,000 and an increase in prepaid expenses and accounts receivable of \$528,000, offset by non-cash charges for depreciation and amortization of \$2.0 million, an increase in accounts payable and accrued expenses of \$941,000 and an increase in deferred revenue of \$505,000.

Cash provided by operating activities was \$2.5 million for the six months ended June 30, 2002, primarily due to a net loss of \$9.8 million, offset by non-cash charges of \$9.3 million in advertising provided by CBS and



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\$2.4 million in depreciation and amortization of property and equipment. Cash provided by operations for the six months ended June 30, 2002 also included a decrease in accounts receivable of \$134,000 and an increase in accounts payable and accrued expenses of \$598,000, partially offset by an increase in prepaid and other assets of \$305,000 and a decrease in deferred revenue of \$107,000.

Cash used in investing activities was \$631,000 for the six months ended June 30, 2003 and consisted of capital expenditures for purchases of computer hardware and software.

Cash used in investing activities was \$838,000 for the six months ended June 30, 2002 and consisted of capital expenditures for purchases of computer hardware and leasehold improvements related to leased facilities and the April 2002 purchase of Hulbert Financial Digest.

Cash provided by financing activities was \$881,000 for the six months ended June 30, 2003 and primarily reflected proceeds from the sale of common stock through its employee stock purchase plan in February 2003 and stock option exercises during the six-month period.

Cash provided by financing activities was \$252,000 for the six months ended June 30, 2002 and primarily reflected proceeds from the sale of common stock through MarketWatch's employee stock purchase plan in February 2002.

As of June 30, 2003, commitments under noncancellable operating leases totaled \$10.3 million through December 31, 2010. Additionally, MarketWatch has entered into certain agreements with America Online, Inc. or AOL, to make payments for advertising and placement of its content on their service over the next year. As of June 30, 2003, MarketWatch is committed to pay \$1.1 million to AOL over the next two years.

MarketWatch believes its current cash position will be sufficient to meet its anticipated needs for working capital and capital expenditures for at least the next 12 months. MarketWatch may need to raise funds sooner if MarketWatch acquires any additional businesses, products or technologies. If additional funds were raised through the issuance of equity securities, the percentage ownership of MarketWatch's then-current stockholders would be reduced. However, if CBS or Pearson elects to maintain its percentage interest in MarketWatch pursuant to the exercise of the purchase right under its stockholders' agreements then CBS or Pearson would not necessarily suffer a reduction in its ownership. Furthermore, such equity securities may have rights, preferences or privileges senior to those of MarketWatch's common stock.

MarketWatch and Pinnacor, formerly known as ScreamingMedia, Inc. signed a definitive agreement on July 22, 2003 whereby MarketWatch will acquire Pinnacor. Under the terms of the agreement, a new company will be formed to combine the businesses of MarketWatch and Pinnacor. Each MarketWatch stockholder will receive one share of the stock of the combined company for each share of MarketWatch common stock. Each Pinnacor stockholder will have the right to receive either \$2.42 in cash or 0.2659 shares of the stock of the combined company for each share of Pinnacor common stock, subject to proration. The aggregate consideration to be paid to Pinnacor stockholders will be approximately \$44.0 million in cash and approximately 6.5 million shares of common stock of the combined company. The acquisition is subject to customary closing conditions, including regulatory approval and the approval of MarketWatch and Pinnacor stockholders.

**Quantitative and Qualitative Disclosures About Market Risks**

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*Interest Rate Sensitivity.* The primary objective of MarketWatch's investment activities is to preserve principal while maximizing the income MarketWatch receives from its investments without significantly increasing risk. Some of the securities that MarketWatch has invested in may be subject to market risk. This means that a change in prevailing interest rates may cause the principal amount of the investment to fluctuate. For example, if MarketWatch holds a security that was issued with a fixed interest rate at the then prevailing rate and the prevailing interest rate later rises, the principal amount of its investment will probably decline. To minimize this risk, MarketWatch maintains its portfolio of cash in money market funds and cash equivalents. In general, money market funds and short-term investments are not subject to market risk because the interest paid on such funds fluctuates with the prevailing interest rate. As of June 30, 2003, all of its investments mature in 90 days or less.

*Exchange Rate Sensitivity.* MarketWatch considers its exposure to foreign currency exchange rate fluctuations to be minimal, as it does not have any sales denominated in foreign currencies. MarketWatch has not engaged in any hedging transactions to date.

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**Management's Discussion and Analysis of Financial Condition and Results of Operations as of December 31, 2002 and 2001 and for Each of the Three Years in the Period Ended December 31, 2002**

*This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including, without limitation, statements regarding MarketWatch's expectations, beliefs, intentions or future strategies that are signified by the words "expects," "anticipates," "intends," "believes" or similar language. All forward-looking statements included in this Management's Discussion and Analysis of Financial Condition and Results of Operations are based on information available to MarketWatch on March 31, 2003, and MarketWatch assumes no obligation to update any such forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. In evaluating MarketWatch's business, prospective investors should carefully consider the information set forth previously under the caption "Risk Factors," and in other sections of this joint proxy statement-prospectus. MarketWatch cautions investors that its business and financial performance are subject to substantial risks and uncertainties.*

*The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with MarketWatch's Consolidated Financial Statements as of December 31, 2002 and 2001 and for each of the three years in the period ended December 31, 2002.*

**Overview**

The year ended December 31, 2002 was a challenging year. Despite the continued economic downturn, MarketWatch generated net income for the first time in the fourth quarter of 2002 and positive operating cash flow for the twelve months ended December 31, 2002. MarketWatch was also able to decrease the cost of net revenues by 12% from the previous year to \$16.3 million for fiscal 2002.

*Organization*

MarketWatch is a leading provider of business news, financial programming and analytic tools, with services including news articles, feature columns and analytic tools, such as stock quotes and charting. These services are available free of charge. MarketWatch sells advertising banners and sponsorships on its Web sites, earns advertising revenue from its television and radio programming, licenses its content and tools to electronic brokers, financial publishers and portals, and sells subscriptions to certain Interactive Data Corporation, or IDC, products and the Hulbert Financial Digest.

MarketWatch completed its initial public offering in January 1999. Prior to its initial public offering, MarketWatch was a joint venture owned 50% each by DBC, now known as IDC, and CBS, and was formed as a limited liability company in October 1997. MarketWatch was formed as the successor to DBC's Online/News Business, which commenced operations in October 1995. Immediately prior to the closing of its initial public offering, MarketWatch was reorganized from a limited liability company into a corporation.

MarketWatch has several agreements with its principal stockholders, including the following:

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upon conversion of MarketWatch into a corporation, CBS agreed to contribute \$30.0 million in advertising through October 2002 which was delivered in full by June 30, 2000;

in May 2000, CBS contributed an additional \$30.0 million in rate card advertising and promotion of which \$29.9 million was delivered by December 31, 2002 and the delivery of the remaining \$56,000 has been extended through April 25, 2003;

CBS licenses its trademark and certain news content for royalties approximating 8% of all of MarketWatch's net revenues other than revenue attributable to IDC and certain other revenue. The license agreement expires in October 2005; and

IDC provided MarketWatch with part of its Web site infrastructure and certain operational and administrative services at IDC's cost, as required by the Amended and Restated Services Agreement. IDC's service obligation expires on October 29, 2005. MarketWatch ceased using these services in 2001. In addition, IDC paid a monthly, per subscriber fee for delivery of MarketWatch's news to

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IDC subscribers, subject to a minimum payment of \$100,000 per month. This obligation expired in October 2002.

In January 2000, MarketWatch entered into a joint venture agreement with the Financial Times Group, a part of Pearson plc, to establish Financial Times Marketwatch.com (Europe) Limited, an Internet-based provider of real-time business news, financial programming and analytical tools. In 2001 and 2000, MarketWatch contributed \$1.5 million and \$5.0 million, respectively, to the joint venture to fund operations in accordance with the agreement. In November 2001, MarketWatch signed a sale and purchase agreement with the Financial Times Group to transfer its ownership of the joint venture to the Financial Times Group. As part of the ownership transfer, MarketWatch signed a transitional services agreement with the Financial Times Group under which it would migrate the technology developed for the joint venture Web site to the Financial Times Group for a fee. The agreement also assigned certain equipment to MarketWatch that was owned by the joint venture. In addition, MarketWatch signed a license agreement with the Financial Times Group under which MarketWatch will provide certain content and tools for a monthly fee. MarketWatch's portion of the loss in the joint venture was \$1.5 million and \$5.0 million for the years ended December 31, 2001 and 2000, respectively. Since MarketWatch no longer had a commitment to fund the joint venture, it reversed the previously recorded losses of \$645,000 during the three months ended September 30, 2001.

In January 2001, Pearson plc, acquired Data Broadcasting Corporation's 34.1% stake in MarketWatch.

The interests of CBS and Pearson International Finance Ltd., or Pearson, which is an affiliate of Pearson, plc, could conflict with the interests of MarketWatch's other stockholders and, given their substantial stock ownership in the company, MarketWatch may not be able to resolve any future conflict with either of them on terms favorable to MarketWatch. CBS and Pearson may experience conflicts of interest in their business dealings with MarketWatch with respect to decisions involving business opportunities and other similar matters. The occurrence of any of these actions could adversely affect MarketWatch's business.

### *Revenue*

MarketWatch generates revenue from three primary sources: the sale of advertisements and sponsorships on its Web sites, the license of its content and tools, and other revenues including television, radio, membership center and subscription products. MarketWatch operates in one segment.

MarketWatch's net revenues decreased by 3% from the previous year to \$44.5 million for fiscal 2002. The decrease was primarily a result of a reduction in on-line advertising revenue due to a decrease in the number of advertisers on its Web site and smaller advertising buys from some existing customers. However, the decrease in net revenues was partially offset by an increase in subscription, radio and television revenue. The acquisition of the Hulbert Financial Digest in April 2002 and its related revenue stream contributed to the increase in subscription revenue.

MarketWatch's ability to generate significant revenue or profits in the future remains uncertain due to the weakened economy. MarketWatch may not generate net income or remain cash flow positive for fiscal 2003 or any particular fiscal quarter. Further, in view of the rapidly evolving nature of MarketWatch's business and its limited operating history, MarketWatch has little experience forecasting its revenues.

MarketWatch expects to derive a substantial portion of its revenues from advertising for the foreseeable future. Over the last two years, MarketWatch and other Web publishers have experienced a significant softening in demand for advertising services due to decreased spending on Web advertising by companies and due to general uncertainty about the economy. MarketWatch expects this reduced demand to continue for the foreseeable future. MarketWatch derives a majority of its revenues from the sale of advertisements under short-term contracts. Advertisers

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generally have the right to cancel a campaign with two weeks notice without penalty and some have done so in the past. Moreover, a substantial portion of MarketWatch's on-line advertising revenue

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comes from Internet commerce and financial services companies that have been adversely affected by the recent market downturn, which has resulted in less spending for on-line advertising. If MarketWatch does not diversify its advertiser base and continue to attract advertisers from other industries, its business could be adversely affected. Also, the market for Web advertising is intensely competitive and advertising rates could be subject to pricing pressure in the future. If MarketWatch is forced to reduce its advertising rates, or if it experiences lower CPMs (cost per thousand page views) across its web sites for any reason, future revenues could be adversely affected.

MarketWatch's licensing revenue depends on new customer contracts and customer contract renewals and could decrease if new business is not found or customers choose to renew for lesser amounts, terminate early, or forego renewal. A significant amount of MarketWatch's licensing revenue is earned from brokerages and financial services companies. In many cases, the amount of licensing revenue depends on the number of qualified account holders these customers have each month. If the number of qualified account holders were to decrease, MarketWatch's licensing revenue would decrease. A number of these brokerages and financial services companies have experienced a decrease in account holders as a result of recent market downturns. Also, the growth of MarketWatch's licensing revenue could be limited as there are a limited number of brokerages and financial services companies.

### *Liquidity*

At December 31, 2002, cash and cash equivalents totaled \$43.3 million. MarketWatch believes its current cash position will be sufficient to meet its anticipated needs for working capital and capital expenditures for at least the next twelve months. However, MarketWatch may need to raise funds sooner if it acquires any additional businesses, products or technologies. MarketWatch is unable to predict whether and when any prospective acquisition will become available or the likelihood that any acquisition will be completed and successfully integrated. Further, MarketWatch cannot assure you that additional financing will be available in any required time frame on commercially reasonable terms, if at all.

Furthermore, MarketWatch believes that it will need to expand its operations in order to support its business. This expansion is likely to continue to place a significant strain on its resources. As MarketWatch grows, it may be necessary to implement new operational systems, procedures and controls. If MarketWatch is unable to accomplish any of these, its growth could be constrained and its business could be adversely affected.

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	Years Ended December 31,		
	2002	2001	2000
	(in thousands, except per share data)		
Net revenues:			
Advertising	\$ 16,036	\$ 17,988	\$ 34,952
Licensing	24,631	24,775	15,809
Other	3,857	3,093	3,146
Total net revenues	44,524	45,856	53,907
Cost of net revenues	16,339	18,623	21,012
Gross profit	28,185	27,233	32,895
Operating expenses:			
Product development	6,954	8,308	8,725
General and administrative	11,315	12,600	14,211
Sales and marketing	20,279	29,975	47,130
Amortization of goodwill and intangibles		51,542	51,382
Restructuring costs		1,409	
Total operating expenses	38,548	103,834	121,448
Loss from operations	(10,363)	(76,601)	(88,553)
Interest income	710	1,554	2,285
Loss in joint venture		(1,476)	(4,995)
Net loss	\$ (9,653)	\$ (76,523)	\$ (91,263)
Basic and diluted net loss per share	\$ (0.57)	\$ (4.60)	\$ (5.83)
Shares used in the calculation of basic and diluted net loss per share	16,959	16,648	15,659

	Years Ended December 31,		
	2002	2001	2000
	(as a percentage of net revenues)		
Net revenues:			
Advertising	36 %	39 %	65 %
Licensing	55	54	29
Other	9	7	6



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Total net revenues	100	100	100
Cost of net revenues	37	41	39
	<u>        </u>	<u>        </u>	<u>        </u>
Gross profit	63	59	61
	<u>        </u>	<u>        </u>	<u>        </u>
Operating expenses:			
Product development	16	18	16
General and administrative	25	28	26
Sales and marketing	46	65	88
Amortization of goodwill and intangibles		112	95
Restructuring costs		3	
	<u>        </u>	<u>        </u>	<u>        </u>
Total operating expenses	87	226	225
	<u>        </u>	<u>        </u>	<u>        </u>
Loss from operations	(23)	(167)	(164)
Interest income	2	3	4
Loss in joint venture		(3)	(9)
	<u>        </u>	<u>        </u>	<u>        </u>
Net loss	(22)%	(167)%	(169)%
	<u>        </u>	<u>        </u>	<u>        </u>

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### *Critical Accounting Policies and Estimates*

This discussion and analysis of MarketWatch's financial condition and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires MarketWatch to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, MarketWatch evaluates its estimates, including those related to bad debts, investments, goodwill, restructuring, contingencies and litigation. MarketWatch bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

MarketWatch believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements:

MarketWatch generates its net revenues from three primary sources: the sale of advertising on its Web sites, the license of content, and other revenues including television, radio, membership center and subscription products.

Online advertising revenues, derived from the sale of advertisements and sponsorships on MarketWatch's Web sites, are recognized using the lesser of the ratio of impressions delivered over total guaranteed impressions or on a straight line basis over the term of the contract in the period the advertising is displayed, provided that no significant obligations remain on MarketWatch's part and collection of the resulting receivable is probable. MarketWatch's obligations typically include guarantees of a minimum number of impressions or times that an advertisement is viewed by users of its Web sites. Additionally, certain sponsorship agreements provide links to third-party Web sites and generate either fixed transaction fees for monthly access or variable fees, which are dependent upon the number of transactions consummated at the third-party Web site by linked customers. Such amounts are recognized as revenue in the month earned.

Licensing revenues consist of revenue earned from the licensing of MarketWatch's content and tools. License revenues consist of fixed monthly amounts related to the license of charting technology and news content that are recognized ratably over the term of the licensing agreement or amounts based on the number of third-party Web site subscribers that use the service each month.

Other revenues consist of revenue from MarketWatch's television and radio shows, membership center revenues, and subscription revenues. MarketWatch produces a weekend television program for distribution on CBS affiliates and daily radio broadcasts for distribution by Westwood One Radio Network. MarketWatch shares in the revenue earned through the sale by CBS sales forces and Westwood One of advertising space during their respective television and radio programming. Revenue for the television program is recognized as the shows are aired and revenue is earned. Revenue for the radio show is recognized monthly as advertisements are run and earned. Membership center revenues consist of fees for leads generated from promotions placed in the membership center section of the CBS.MarketWatch.com Web site and are recognized in the month the leads are generated. Membership center customers pay MarketWatch a fixed fee for each customer that comes to its site and registers for such customer's product from the CBS.MarketWatch.com Web site. Subscription revenue relates to customer subscriptions to the Hulbert Financial Digest, a publication devoted to tracking and analyzing investment newsletters, and IDC online services, MarketWatch RT and MarketWatch Live, which provide subscribers access to real-time exchange data and analytical products and are sold through MarketWatch's Web sites. Revenue from subscriptions is recognized ratably over the subscription period. Deferred revenues relate to prepayments of license and advertising contracts and subscription fees for which amounts have been collected but for which revenue has not been recognized.



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Revenues from barter transactions, in accordance with the provisions of Accounting Principles Board Opinion No. 29 Accounting for Nonmonetary Transactions, or APB 29, are recognized during the period in which the advertisements are displayed on MarketWatch's Web sites. Under the provisions of APB 29, barter transactions are recorded at the fair value of the goods or services received. For the years ended December 31, 2002, 2001 and 2000, MarketWatch recognized \$483,000, \$1.5 million and \$508,000, respectively, in barter revenue.

MarketWatch maintains an allowance for doubtful accounts for estimated losses from the inability of its customers to make required payments. MarketWatch analyzes specific accounts receivable, historical bad debts, customer concentrations, customer credit-worthiness, current economic trends and changes in its customer payment history when evaluating the adequacy of the allowance for doubtful accounts. Changes in the above factors can have a material impact on actual bad debts incurred.

As discussed in Note 2 of the MarketWatch.com, Inc. Notes to Consolidated Financial Statements as of December 31, 2002 and 2001 and for each of the three years in the period ended December 31, 2002 found elsewhere in this joint proxy statement-prospectus, MarketWatch is required to regularly review all of its long-lived assets, including goodwill and other intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors MarketWatch considers important which could trigger an impairment review include, but are not limited to, significant underperformance relative to historical or projected future operating results, significant changes in the manner of use of the acquired assets or the strategy for its overall business, significant negative industry or economic trends, a significant decline in its stock price for a sustained period, and its market capitalization relative to net book value. When MarketWatch determines that an impairment review is necessary based upon the existence of one or more of the above indicators of impairment, it measures any impairment based on a projected undiscounted cash flow method. Significant judgement is required in the development of projected cash flows for these purposes including assumptions regarding the appropriate level of aggregation of cash flows, their term and discount rate as well as the underlying forecasts of expected future revenue and expense. MarketWatch has not recorded significant impairment charges for goodwill and intangible assets in the past. However, to the extent that events or circumstances cause its assumptions to change, MarketWatch may be required to record a charge in the future that could be material.

In conjunction with preparing its consolidated financial statements, MarketWatch must estimate its income taxes in each of the jurisdictions in which it operates. This process involves estimating MarketWatch's actual current tax expense together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities. MarketWatch must then assess the likelihood that its deferred tax assets will be recovered from future taxable income and to the extent it believes that recovery is not likely, MarketWatch must establish a valuation allowance. Given that MarketWatch has incurred yearly losses since inception and therefore, has not been required to pay income taxes, MarketWatch has established a valuation allowance for the entire amount of its deferred tax assets at December 31, 2002. In the event that MarketWatch is able to realize its deferred tax assets in the future, an adjustment to the valuation allowance would increase income in the period that this is determined.

*Recently Issued Accounting Pronouncements*

In December 2002, the Financial Accounting Standards Board ( FASB ) issued Statement of Financial Accounting Standards No. 148 ( SFAS 148 ), Accounting for Stock-Based Compensation Transition and Disclosure. SFAS 148 amends the Statement of Financial Accounting Standards Statement No. 123 ( SFAS 123 ), Accounting for Stock-Based Compensation. Although the standard does not require use of fair value method of accounting for stock-based employee compensation, it does provide alternative methods of transition. It also amends the disclosure provisions of SFAS 123 and APB Opinion No. 28 ( APB 28 ), Interim Financial Reporting, to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income and

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earnings per share in annual and interim consolidated financial statements. These amended transition and annual disclosure requirements are effective for interim periods and fiscal years ending after December 15, 2002. MarketWatch adopted this standard for its first quarter of fiscal year 2003.

### *Net Revenues*

MarketWatch's net revenues are derived from the sale of advertising on its Web sites, licensing of its content, distribution of television and radio broadcasts, subscription sales of Hulbert Financial Digest and IDC products, fees from its membership center and the sale of news to IDC, CBS and other customers. Net revenues decreased by 3% to \$44.5 million for the year ended December 31, 2002 from \$45.9 million for the year ended December 31, 2001. The decrease is primarily a result of a reduction in online advertising revenue, which was partially offset by an increase in subscription, radio and television revenue. Online advertising revenue declined due to a decrease in the number of advertisers on MarketWatch's Web sites and smaller advertising buys from some existing customers. Spending by MarketWatch's customers on Web advertising has primarily decreased in response to generally uncertain economic conditions. The increase in subscription revenue was due to the acquisition of the Hulbert Financial Digest in April 2002 and its related revenue stream. Radio and television advertising revenue increased due to an improvement in rates charged for advertising sold.

Net revenues decreased by 15% to \$45.9 million for the year ended December 31, 2001 from \$53.9 million for the year ended December 31, 2000. The decrease is primarily a result of a reduction in advertising revenue, which was partially offset by an increase in licensing revenue. Advertising revenue declined due to a decrease in the number of advertisers on MarketWatch's Web sites and smaller advertising buys from some existing customers. Spending by MarketWatch's customers on Web advertising has primarily decreased in response to generally uncertain economic conditions. The increase in license revenue was caused by several interrelated factors, including the increase in the number of licensees, increase in license products available and increased size and productivity of MarketWatch's sales force.

Substantially all of MarketWatch's advertising customers purchase advertising under short-term contracts. Customers can and have ceased advertising on short notice without penalty. Advertising revenues would be adversely affected if MarketWatch were unable to renew advertising contracts with existing customers or obtain new customers. MarketWatch expects to continue to derive a significant amount of its future net revenues from selling advertisements. The market for Web advertising is intensely competitive and has experienced a significant softening in demand. Therefore, advertising rates could be subject to pricing pressure in the future. If MarketWatch is forced to reduce its advertising rates or if it experiences lower CPMs (cost per thousand page views) across its Web sites for any reason, future revenues could be adversely affected.

License revenues depend on customer contract renewals and could decrease if customers choose to renew for lesser amounts, terminate early or forego renewal, or if MarketWatch does not obtain new customers. A significant amount of MarketWatch's license revenue is earned from brokerages and financial services companies, which have experienced hardship due to the recent economic downturns. The amount of license revenues depends, in part, on the number of users these customers have each month. If the number of users were to decrease, MarketWatch's license revenues would decrease. The growth of MarketWatch's license revenues could also be limited as there are a limited number of brokerages and financial services companies to license its content. In addition, certain license contracts guarantee the performance of MarketWatch's Web sites. If MarketWatch's sites do not perform as guaranteed, license revenue would be adversely affected.

Net revenues in future periods remain uncertain due to the weakened economy.

### *Cost of Net Revenues*

Cost of net revenues primarily consists of news staff compensation, royalties payable to CBS and content providers, bandwidth costs associated with serving pages on MarketWatch's Web properties and licensing

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clients, fees paid for data, Web site infrastructure costs, costs of serving ads, exchange fees and communication lines and costs related to subscriptions, including printing and mailing costs. Cost of net revenues decreased by 12% to \$16.3 million for the year ended December 31, 2002 from \$18.6 million for the year ended December 31, 2001, and by 11% for the year ended December 31, 2001 from \$21.0 million for the year ended December 31, 2000. As a percentage of net revenues, cost of net revenues were 37%, 41% and 39% for the years ended December 31, 2002, 2001 and 2000, respectively. Cost of net revenues decreased in 2002 from 2001 primarily due to the decrease in online advertising serving costs from the implementation of an in-house ad serving solution, a decrease in bandwidth costs and a decrease in data source fees from the negotiation of new contracts. Cost of net revenues decreased in 2001 from 2000 primarily due to the decrease in news production personnel and CBS production costs and the royalties payable due to CBS resulting from decreased revenues.

*Product Development*

Product development expenses primarily consist of data source fees, compensation and benefits for Web site developers, designers and engineers to maintain the sites and software engineers, and expenses for contract programmers and developers. Product development expenses decreased by 16% to \$7.0 million for the year ended December 31, 2002 from \$8.3 million for the year ended December 31, 2001, and decreased by 5% for the year ended December 31, 2001 from \$8.7 million for the year ended December 31, 2000. As a percentage of net revenues, product development expenses were 16%, 18% and 16% for the years ended December 31, 2002, 2001 and 2000, respectively. Product development expenses decreased in 2002 from 2001 primarily due to a reduction in headcount, data source fees and equipment costs. Product development expenses decreased in 2001 from 2000 primarily due to a reduction in headcount and data source fees.

*General and Administrative*

General and administrative expenses primarily consist of compensation and benefits for finance, business development and administrative personnel, public company expenses, professional fees, corporate depreciation charges and charges for bad debt. General and administrative expenses decreased by 10% to \$11.3 million for the year ended December 31, 2002 from \$12.6 million for the year ended December 31, 2001, and decreased by 11% for the year ended December 31, 2001 from \$14.2 million for the year ended December 31, 2000. As a percentage of net revenues, general and administrative costs were 25%, 28% and 26% for the years ended December 31, 2002, 2001 and 2000, respectively. General and administrative expenses decreased in 2002 from 2001 primarily due to a reduction in bad debt expense from improved aging of accounts receivable, decreased use of temporary help and a decrease in equipment expenses. General and administrative expenses decreased in 2001 from 2000 due primarily to a reduction in headcount, legal, travel and consulting expenses.

*Sales and Marketing*

Sales and marketing expenses primarily consist of non-cash promotion and advertising provided by CBS, online and offline advertisements, promotional materials, compensation, benefits and sales commissions to MarketWatch's direct sales force and marketing personnel. Sales and marketing expenses decreased by 32% to \$20.3 million for the year ended December 31, 2002 from \$30.0 million for the year ended December 31, 2001, and decreased by 36% for the year ended December 31, 2001 from \$47.1 million for the year ended December 31, 2000. As a percentage of net revenues, sales and marketing expenses were 46%, 65% and 88% for the years ended December 31, 2002, 2001 and 2000, respectively. Sales and marketing expenses decreased in 2002 from 2001 due to a decrease in CBS in-kind advertising, cash advertising spending, travel and related expenses and commissions due to lower sales. Sales and marketing expenses decreased in 2001 from 2000 due to similar factors.

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MarketWatch records an expense at the time the in-kind advertising and promotion is provided by CBS under its agreement with CBS based on the rate card value of the advertising. Non-cash advertising expense relating to services provided by CBS was \$9.8 million, \$11.6 million and \$17.4 million for the years ended December 31, 2002, 2001 and 2000, respectively.



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**Table of Contents***Amortization of Intangibles*

Of the \$157.5 million purchase price for BigCharts, Inc., \$152.5 million was allocated to goodwill, which was being amortized over 3 years, and \$3.6 million was allocated to intangible assets, which was being amortized over periods ranging from 1.5 to 3.5 years. The adoption of FAS 142 on January 1, 2002 resulted in the cessation of amortization of MarketWatch's goodwill balance. From this date, MarketWatch was required to periodically evaluate goodwill for impairment. Had amortization of its goodwill balance continued, MarketWatch would have recorded a charge of \$21.2 million in 2002.

*2001 Restructuring Plan*

In response to the continuing economic slowdown, MarketWatch implemented a plan in the second quarter of 2001 to reduce costs and improve operating efficiencies by discontinuing initiatives and enhancements of its wireless and broadband businesses. MarketWatch recorded a restructuring charge of \$1.4 million consisting primarily of severance and benefits of \$300,000 related to the involuntary termination of approximately 35 employees; lease costs of \$510,000 pertaining to the estimated future obligations for non-cancelable lease payments for excess facilities in California, New York and Minnesota that were vacated due to the reductions in workforce; write-off of leasehold improvements, furniture and fixtures, software and computer equipment with a net book value totaling \$530,000; and legal and consulting costs of \$70,000 related to the restructuring. At December 31, 2002, MarketWatch had \$110,000 remaining in its restructuring accrual.

*Interest Income*

Interest income of \$710,000 for the year ended December 31, 2002 decreased 56% from the prior year as a result of lower returns on investments. Interest income of \$1.6 million for the year ended December 31, 2001 decreased 30% from the prior year due to continued depletion of cash in 2001 and lower returns on investments. Interest income of \$2.3 million for the year ended December 31, 2000 resulted from income earned on the proceeds from MarketWatch's initial public offering in January 1999, as well as the additional cash contributions by CBS and DBC in May 2000.

*Loss in Joint Venture*

On October 2, 2001, MarketWatch signed a non-binding memorandum of understanding, or MOU, to transfer its ownership in FTMarketwatch.com to the Financial Times Group, thereby eliminating the joint venture relationship. Prior to the signing of the MOU, MarketWatch recorded 50% of the loss incurred by FTMarketWatch.com based on its ownership in the joint venture through August 31, 2001. In November 2001, MarketWatch signed the purchase and sale agreement finalizing the transfer of its ownership in the joint venture to the Financial Times Group. As part of the ownership transfer, MarketWatch signed a transitional services agreement with the Financial Times Group under which MarketWatch would migrate the technology developed for the joint venture Web site to the Financial Times Group for a fee. The agreement also assigned certain equipment to MarketWatch that was owned by the joint venture. In addition, MarketWatch signed a license agreement with the Financial Times Group under which MarketWatch will provide content and tools for a monthly fee. MarketWatch's portion of the loss related to the joint venture for the years ended December 31, 2001 and 2000 was \$1.5 million and \$5.0 million, respectively. Since MarketWatch no longer had a commitment to fund the joint venture, it reversed previously recorded losses of \$645,000 during the three months ended September 30, 2001.

**Liquidity and Capital Resources**

Since inception, MarketWatch has funded its operations primarily from cash contributed and advanced by IDC and CBS, revenues from advertising and license sales and the proceeds of its initial public offering. At December 31, 2002, cash and cash equivalents totaled \$43.3 million compared to \$37.6 million at December 31, 2001 and \$45.4 million at December 31, 2000.

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Cash provided by operating activities was \$7.3 million for the year ended December 31, 2002. The cash provided in 2002 was primarily due to the net loss of \$9.7 million, offset by non-cash charges of \$4.8 million in depreciation and amortization of property and equipment and \$9.8 million in advertising provided by CBS. Significant sources of cash from operations for the year ended December 31, 2002 included a decrease in accounts receivable, partially offset by a decrease in accounts payable and accrued expenses. MarketWatch recognized \$483,000 in barter revenue and marketing expense for the year ended December 31, 2002.

Cash used in operating activities was \$2.3 million for the year ended December 31, 2001. The cash used in 2001 was primarily due to the net loss of \$76.5 million, offset by non-cash charges of \$57.7 million in depreciation and amortization of property and equipment and goodwill and intangibles, \$11.6 million in advertising provided by CBS, the loss in the joint venture of \$1.5 million and bad debt expense of \$1.0 million. Significant sources of cash from operations for the year ended December 31, 2001 include a decrease in accounts receivable and prepaid expenses and other assets, partially offset by a decrease in accounts payable and accrued expenses. MarketWatch recognized \$1.5 million in barter revenue and marketing expense for the year ended December 31, 2001.

Cash used in operating activities was \$12.6 million for the year ended December 31, 2000. The cash used in 2000 was primarily due to a loss of \$91.3 million, offset by non-cash charges of \$17.4 million in advertising provided by CBS, \$56.2 million in depreciation and amortization of property and equipment and goodwill and intangibles, and the loss in joint venture of \$5.0 million. Significant uses of cash for operations for the year ended December 31, 2000 include costs associated with increased sales and marketing activities to establish and promote MarketWatch's products and services, an increase in headcount and related expenses and an increase in accounts receivable, partially offset by an increase in accounts payable and accrued expenses. MarketWatch recognized \$508,000 in barter revenue and marketing expense for the year ended December 31, 2000.

Cash used in investing activities was \$2.1 million for the year ended December 31, 2002 and consisted primarily of capital expenditures and the purchase of the Hulbert Financial Digest. Capital expenditures have generally consisted of purchases of computer hardware and software and leasehold improvements related to leased facilities.

Cash used in investing activities was \$5.9 million for the year ended December 31, 2001 and consisted primarily of additional investment in MarketWatch's joint venture and capital expenditures. Capital expenditures have generally consisted of purchases of computer hardware and software and leasehold improvements related to leased facilities.

Cash used in investing activities was \$9.2 million for the year ended December 31, 2000 and consisted primarily of an investment in MarketWatch's joint venture and capital expenditures, partially offset by the sale of short-term investments.

Cash provided by financing activities was \$456,000 and \$517,000 for the years ended December 31, 2002 and 2001, respectively, and primarily reflects the proceeds from the employee stock purchase plan and stock option exercises throughout the respective years.

Cash provided by financing activities was \$57.7 million for the year ended December 31, 2000 and primarily reflected the proceeds from the additional cash contribution from CBS and IDC. In May 2000, MarketWatch issued 1,136,814 shares of its common stock to IDC for \$43.0 million in cash and the same number of shares to CBS for \$13.0 million in cash and \$30.0 million in rate card advertising and promotion over two years ended May 2002.



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*Contractual Obligations and Commercial Commitments*

MarketWatch incurs various contractual obligations and commercial commitments in its normal course of business. Such obligations and commitments consist of the following as of December 31, 2002:

*Operating lease obligations* MarketWatch has various operating leases covering facilities in San Francisco, California, Minneapolis, Minnesota, New York, New York, Washington DC, Los Angeles, California, Chicago, Illinois, and Dallas, Texas. Commitments under noncancellable operating leases totaled \$11.3 million through December 31, 2010.

*Commercial commitments* MarketWatch is committed to pay \$1.5 million to AOL over the next two years. AOL has a unilateral right to cancel the agreement in November 2003. If AOL cancels the agreement in 2003, MarketWatch's commitment would be reduced to \$842,000.

MarketWatch believes its current cash position will be sufficient to meet its anticipated needs for working capital and capital expenditures for at least the next 12 months. MarketWatch may need to raise funds sooner if it acquires any additional businesses, products or technologies. MarketWatch is unable to predict whether and when any prospective acquisition will become available or the likelihood that any acquisition will be completed and successfully integrated. Further, MarketWatch cannot assure you that additional financing will be available to MarketWatch in any required time frame on commercially reasonable terms, if at all. If additional funds were raised through the issuance of equity securities, the percentage ownership of MarketWatch's then-current stockholders would be reduced. However, if CBS or Pearson elects to maintain its percentage interest pursuant to the exercise of the purchase right under its respective stockholders' agreement, then CBS or Pearson would not necessarily suffer a reduction in its ownership. Furthermore, such equity securities might have rights, preferences, or privileges senior to those of MarketWatch's common stock.

**Quantitative and Qualitative Disclosures About Market Risks**

*Interest Rate Sensitivity.* The primary objective of MarketWatch's investment activities is to preserve principal while maximizing the income MarketWatch receives from its investments without significantly increasing risk. Some of the securities that MarketWatch has invested in may be subject to market risk. This means that a change in prevailing interest rates may cause the principal amount of the investment to fluctuate. For example, if MarketWatch holds a security that was issued with a fixed interest rate at the then prevailing rate and the prevailing interest rate later rises, the principal amount of its investment will probably decline. To minimize this risk, MarketWatch maintains its portfolio of cash in money market funds and short term investments classified as available for sale. In general, money market funds and short-term investments are not subject to market risk because the interest paid on such funds fluctuates with the prevailing interest rate. As of December 31, 2003, all of its investments mature in less than one year.

*Exchange Rate Sensitivity.* MarketWatch considers its exposure to foreign currency exchange rate fluctuations to be minimal, as it does not have any sales denominated in foreign currencies. MarketWatch has not engaged in any hedging or other derivative transactions to date.

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**BUSINESS OF PINNACOR**

**Overview**

Pinnacor is an outsourced provider of information and analytical applications to financial services companies and global corporations. Pinnacor delivers information-based applications and tools as well as customized data and news packages that help businesses cost-effectively serve their external or internal clients. Pinnacor's solutions include market data and investment analysis tools for financial services firms; critical business information for the enterprise; and personalized portal applications and messaging services for wireless carriers and ISPs.

Pinnacor's outsourced solutions provide:

technology and services for aggregating third-party and proprietary data;

extensive licensed databases of current and historical news, company fundamentals, market data and a broad spectrum of other information;

a broad set of pre-built, customizable application modules ranging from custom filtered news to portfolio tracking applications; and

flexible technology to enable customization and integration of information and applications into customer environments.

Pinnacor was incorporated in 1993 as The Interactive Connection, Inc. Until 1997, Pinnacor's primary business focus was centered on Web design, development and consulting. In late 1998, Pinnacor's business focus evolved into the aggregation and syndication of customized information over the Internet. In January 1999, Pinnacor changed its name from The Interactive Connection, Inc. to ScreamingMedia Inc. and in August 2000, Pinnacor issued shares of its common stock to the public in its initial public offering. In August 2001, Pinnacor acquired Stockpoint, Inc. to increase its penetration into the financial services market and enhance its suite of hosted financial services applications. In October 2002, Pinnacor changed its name from ScreamingMedia, Inc. to Pinnacor Inc. to better support its evolution as a solutions provider for financial services and enterprise businesses, and to better reflect its increasingly high-quality customer base. In November 2002, Pinnacor expanded its market share in the financial services industry through the purchase of the operating assets of Inlumen, Inc.

Pinnacor has over 500 customers and over 150 employees. Pinnacor is headquartered in New York, New York, has a sales office in San Francisco, California, and development offices in Coralville, Iowa and in Jerusalem, Israel.

**Description of Property**

Pinnacor's corporate headquarters is located in New York City, New York, and occupies approximately 26,197 square feet of leased space. This space accommodates portions of Pinnacor's sales force, customer service, marketing, development and quality assurance staff, systems engineers and its general and administrative staff. The lease expires in March 2009 with a lease termination option in March 2005 for a payment of

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\$70,000. Pinnacor's office in Coralville, Iowa, occupies approximately 25,600 square feet of leased space, with a lease that expires in September 2004. This space accommodates portions of Pinnacor's data centers, systems engineers and development and quality assurance staff. Pinnacor has an office with approximately 4,852 square feet in San Francisco, California which houses a portion of Pinnacor's sales personnel and systems engineering staff. This lease expires in October 2003. Pinnacor also has a sales office space with approximately 8,137 square feet in London, England, and this lease expires in June 2005. A portion of the London office space has been sublet through the end of the lease. In connection with the Inlumen acquisition, Pinnacor acquired a lease for approximately 1,200 square feet of office space in Israel, which accommodates development staff. During May 2003, Pinnacor moved to a smaller location within the same building in Israel and currently retains

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approximately 730 square feet of office space expiring in May 2004. Additionally, Pinnacor acquired a lease for approximately 50 square feet of space in Carteret, New Jersey, which accommodates an additional data center. This lease expires in January 2004 with a month-to-month auto renewal thereafter.

### **Legal Proceedings**

On July 24, 2003, a shareholder class action lawsuit was filed against Pinnacor, Pinnacor's current directors, a Pinnacor officer, and MarketWatch in the Delaware Court of Chancery. The lawsuit purports to be a class action filed on behalf of holders of Pinnacor's common stock as of the date of the announcement of the proposed merger of MarketWatch and Pinnacor. The lawsuit alleges that Pinnacor's directors breached their fiduciary duties in proceeding with the merger by agreeing to an inadequate proposed purchase price which fails adequately to compensate Pinnacor shareholders for the loss of control of the company. The lawsuit alleges that MarketWatch aided and abetted these breaches of fiduciary duty in some unspecified way. The lawsuit seeks an unspecified amount of damages and also prays for an injunction against consummation of the proposed transaction.

Based on its review of the complaint, Pinnacor believes that the allegations in the complaint are without merit and intend, along with the individual defendants, to defend the actions vigorously.

There are no other material pending legal proceedings to which Pinnacor is a party.

### **Management's Discussion and Analysis of Financial Condition and Results of Operations as of June 30, 2003 and for the Three and Six Months Ended June 30, 2003 and 2002**

*The following discussion and analysis of Pinnacor's financial condition and results of operations should be read together with Pinnacor's Condensed Consolidated Financial Statements and related notes as of June 30, 2003 and for the three and six months ended June 30, 2003 and 2002 contained elsewhere in this joint proxy statement-prospectus. This management's discussion and analysis contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended.*

*Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as intends, plans, will result, are expected to, will continue, is anticipated, estimated, projection and outlook) are not historical facts and may be forward-looking and, accordingly, such statements involve estimates, assumptions, and uncertainties which could cause actual results to differ materially from those expressed in the forward-looking statements.*

*Pinnacor cautions that actual results or outcomes could differ materially from those expressed in any forward-looking statements made by or on behalf of Pinnacor. Any forward-looking statement in this Management's Discussion and Analysis of Financial Condition and Results of Operations speaks only as of August 14, 2003, and Pinnacor undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all of such factors. Further, management cannot assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from*



*those contained in any forward-looking statements.*

**The Company**

Pinnacor is an outsourced provider of information and analytical applications to financial services companies and global corporations.

Pinnacor delivers information-based applications and tools as well as customized data and news packages that help businesses cost-effectively serve their external or internal clients. Pinnacor's solutions include market

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data and investment analysis tools for financial services firms, critical business information for the enterprise, and personalized portal applications and messaging services for wireless carriers and ISPs.

## **Recent Developments**

On July 22, 2003 Pinnacor entered into a definitive agreement whereby MarketWatch will acquire Pinnacor. Under the terms of the agreement, a new company will be formed to combine the businesses of MarketWatch and Pinnacor. Each Pinnacor stockholder will receive either \$2.42 in cash or 0.2659 of a share of the stock of the combined company for each share of Pinnacor stock, subject to proration. Each MarketWatch stockholder will receive one share of stock in the combined company for each share of MarketWatch stock. The aggregate consideration paid to Pinnacor stockholders will be \$44.0 million of cash and approximately 6.5 million shares of the stock of the combined company. In addition, upon the closing, Pinnacor will nominate two representatives to the new company's board of directors. The acquisition is subject to customary closing conditions, including regulatory approval and the approval of the MarketWatch and Pinnacor stockholders. The transaction is expected to be completed in the fourth quarter of 2003.

There are no material pending legal proceedings to which Pinnacor is a party, except that on July 24, 2003, a shareholder class action lawsuit, entitled *Leifer v. Clark, et al.*, C.A. No. 20448-NC, was filed against Pinnacor, Pinnacor's current directors, a Pinnacor officer and MarketWatch in the Delaware Court of Chancery. The lawsuit purports to be a class action filed on behalf of holders of Pinnacor's common stock as of the date of the announcement of the proposed acquisition of Pinnacor by MarketWatch. The lawsuit alleges that the Pinnacor directors breached their fiduciary duties in proceeding with the sale of Pinnacor to MarketWatch by agreeing to an inadequate proposed purchase price which fails adequately to compensate Pinnacor stockholders for the loss of control of the company. The lawsuit seeks an unspecified amount of damages and also for an injunction against consummation of the proposed transaction.

## **Revenue**

Pinnacor derives its revenue from the sale of hosted applications, customized information, processing and delivery of information as well as set-up, professional services, and maintenance.

*Hosted Applications:* Pinnacor sells and hosts end-user applications that enable its customers to present and analyze information. Pinnacor sells individual applications such as stock quotes or charts and bundles many of its applications into business solutions that include the Financial Services, Business Information and Access Solutions Product Suites. Pinnacor's contracts are fixed price and include a variable component if the customer exceeds the minimum page view, per article, real-time stock quote, short messaging services (SMS) or downloadable limit. Pinnacor recognizes the fixed component of revenue on a subscription basis, ratably over the contract term. Any variable component of revenue is recognized in the period the service was rendered.

*Customized Information:* Pinnacor provides clients with information, which is provided as either customized data feeds or presented in its applications. Pinnacor charges clients based on the type and volume of information and recognize this revenue on a subscription basis, ratably over the contract term.

*Processing and Delivery:* For clients that have direct relationships with information providers and for media clients with direct relationships to their customers, Pinnacor provides a technology platform for the delivery and integration of information. Pinnacor charges a processing and

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delivery fee based on the amount of data delivered. This revenue is recognized on a subscription basis ratably over the contract term.

*Set-Up Fees:* From time to time, Pinnacor may charge its customers an explicit one-time set-up fee, or this set-up fee may be bundled within the recurring hosted applications fee. This set-up fee includes charges for the implementation of the client website and building custom filters that enable the customer to receive customized information. Set-up revenue is recognized ratably over the term of the related contract once the product has been implemented.

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*Professional Services:* From time to time, Pinnacor offers more sophisticated professional services, which include customization of products, systems integration services, the build-out of customized portals and platforms to allow Pinnacor's customers and partners to deliver real time alerts, personalized information including short messaging services (SMS) and other critical information to their subscribers and employees and other special projects including editorial services and consulting. Depending on the nature of the customization, this revenue is generally recognized as the service is performed or over the life of the related contract.

*Maintenance:* Revenue for technical product support is recognized on a subscription basis, ratably over the contract term.

Pinnacor records billed amounts due from clients in excess of revenue recognized as deferred revenue on its balance sheet. Pinnacor's contracts typically have lengths of one or two years. Pinnacor reports its revenue net of allowances and rebates.

## **Cost of Services**

Cost of services consists of royalties to information providers as well as costs for bandwidth, storage of Pinnacor's servers in third-party network data centers, and certain costs associated with the maintenance of its infrastructure. Pinnacor also includes certain payroll and related expenses pertaining to staff and outsourced development associated with client implementation, developing custom applications, performing editorial and quality assurance services, and maintaining Pinnacor's network operations.

Pinnacor has several different arrangements with information providers. The majority of Pinnacor's contracts are based on royalty fees that are calculated monthly, based on the volume of a provider's information relayed to Pinnacor's customers or on a per client basis. In certain cases, the contractual agreement is based on fixed fees or subject to a minimum charge. Certain fixed fee arrangements include additional fees at a variable rate once Pinnacor's clients exceed a specified usage volume.

## **Research and Development Expenses**

Research and development expenses consist primarily of salaries and related personnel costs associated with the research, design and development of software applications and services supporting Pinnacor's business. These include engineers that are developing and maintaining Pinnacor's software and infrastructure and its product managers.

Research and development costs are expensed as incurred until technological feasibility has been established for software to be sold in accordance with SFAS No. 86. To date, Pinnacor believes under its current software engineering processes that the establishment of technological feasibility and general release have substantially coincided. As a result, no software development costs have been capitalized to date for software developed for external sales. For software developed for internal use, expenses are capitalized while in the application development stage and expensed while in the preliminary and post implementation stages in accordance with SOP 98-1.

## **Sales and Marketing Expenses**

Sales and marketing expenses include costs of sales and marketing personnel, as well as business development and customer support personnel, related overhead, commissions, advertising and promotion expenses, travel and entertainment expenses and other selling and marketing costs.

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**General and Administrative Expenses**

General and administrative expenses consist primarily of personnel and related costs for general corporate functions including accounting, finance, human resources, legal and other administrative functions, as well as provisions for doubtful accounts and bad debt expense.

**Stock-Based Compensation**

In connection with the grant of stock options and restricted stock to employees, Pinnacor recognized deferred stock-based compensation (income) expense of approximately (\$11,000), \$33,000, \$181,000 and (\$390,000) for the three and six months ended June 30, 2003 and 2002, respectively. Stock-based compensation is a result of the issuance of stock options to employees, directors and affiliated parties with exercise prices per share determined for financial reporting purposes to be below the fair market value per share of Pinnacor's common stock at the date of the applicable grant. This difference is recorded as a reduction of stockholders' equity and amortized as non-cash compensation expense on an accelerated basis over the vesting period of the related options. The income for the three months ended June 30, 2003 and the six months ended June 30, 2002 relates to previously recognized but unearned stock-based compensation of forfeited, unvested stock options granted to terminated employees.

In connection with the granting of restricted stock to employees, Pinnacor recorded deferred stock-based compensation of \$56,400, \$330,900, \$0 and \$0 for the three and six months ended June 30, 2003 and 2002, respectively. There was no deferred stock-based compensation recorded in connection with the granting of stock options during the three and six months ended June 30, 2003 and 2002, respectively.

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The following table sets forth Pinnacors unaudited results of operations as a percentage of revenue for the periods indicated.

	<b>For the Three Months Ended June 30,</b>		<b>For the Six Months Ended June 30,</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
Revenue	100 %	100 %	100 %	100 %
<b>Operating expenses:</b>				
Cost of services (excluding depreciation of 1%, 3%, 1% and 3% for the three and six months ended June 30, 2003 and 2002 respectively, shown below)	35 %	32 %	35 %	32 %
Research and development (excluding stock-based compensation of 0%, (2)%, 0%, and 0% for the three and six months ended June 30, 2003 and 2002, respectively, shown below)	21	21	21	22
Sales and marketing (excluding stock-based compensation of 0%, 2%, 0%, and (4)% for the three and six months ended June 30, 2003 and 2002, respectively, shown below)	19	27	19	30
General and administrative (excluding stock-based compensation of 0%, 2%, 0% and 2% for the three and six months ended June 30, 2003 and 2002, respectively, shown below)	16	20	18	21
Depreciation and amortization	10	12	10	13
Stock-based compensation		2		(2)
Restructuring and asset abandonment charge		52		25
<b>Total operating expenses</b>	<b>101</b>	<b>166</b>	<b>103</b>	<b>141</b>
Operating loss	(1)	(66)	(3)	(41)
Other income (expense), net	3	4	3	5
<b>Net income (loss)</b>	<b>2%</b>	<b>(62)%</b>	<b>%</b>	<b>(36)%</b>

**Three Months Ended June 30, 2003 Compared to Three Months Ended June 30, 2002**

*Revenue.* Revenue totaled approximately \$8.4 million for the three months ended June 30, 2003, a decrease of approximately \$500,000 or 6% from \$8.9 million for the three months ended June 30, 2002. This decrease was primarily due to a decrease in the total number of customers partially offset by a 15% increase in the average contract value per customer and the acquisition of Inlumen in November 2002 that accounted for approximately \$1.0 million of revenue for the three months ended June 30, 2003.

*Cost of Services.* Cost of services remained at approximately \$2.9 million for the three months ended June 30, 2003 and 2002. As a percentage of revenue, and including Inlumen from its acquisition date, cost of services increased to approximately 35% for the three months ended June 30, 2003 from approximately 32% for the three months ended June 30, 2002. This increase as a percentage of revenue is due an increase in

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personnel costs related to client customization allocated from research and development. This was partially offset by cost savings including renegotiated content fee contracts, monthly fees for housing Pinnacor s servers in third-party network data centers and other telecom costs.

*Research and Development.* Research and development expenses remained at approximately \$1.8 million for the three months ended June 30, 2003 and 2002. As a percentage of revenue, and including Inlumen from its acquisition date, research and development expenses remained at approximately 21% during the three months ended June 30, 2003 and 2002.



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*Sales and Marketing.* Sales and marketing expenses decreased to \$1.6 million for the three months ended June 30, 2003, a decrease of approximately \$800,000 or 33%, from \$2.4 million for the three months ended June 30, 2002. This was due to a decrease in compensation expense and travel and entertainment costs associated with the reduction of Pinnacor's sales force and a decrease in marketing programs. As a percentage of revenue, and including Inlumen from its acquisition date, sales and marketing expenses decreased to approximately 19% for the three months ended June 30, 2003 from approximately 27% for the three months ended June 30, 2002. The decrease in sales and marketing expense as a percentage of revenue resulted primarily from the significant reductions in sales and marketing expenditures outpacing the decrease in revenue.

*General and Administrative.* General and administrative expenses decreased to \$1.4 million for the three months ended June 30, 2003, a decrease of approximately \$400,000 or 22%, from \$1.8 million for the three months ended June 30, 2002. This was due to a significant decrease in bad debt expense and a decrease in personnel costs. As a percentage of revenue, and including Inlumen from its acquisition date, general and administrative expenses decreased to approximately 16% for the three months ended June 30, 2003 from 20% for the three months ended June 30, 2002. The decrease in general and administrative expense as a percentage of revenue resulted primarily from the significant reductions in general and administrative expenditures outpacing the decrease in revenue.

*Depreciation and Amortization.* Depreciation and amortization expense decreased to approximately \$800,000 for the three months ended June 30, 2003, a decrease of approximately \$300,000 or 27%, from \$1.1 million for the three months ended June 30, 2002. As a percentage of revenue, and including Inlumen from its acquisition date, depreciation and amortization expense decreased to approximately 10% for the three months ended June 30, 2003 from approximately 12% for the three months ended June 30, 2002. The decrease in depreciation and amortization expense as a percentage of revenue was due the depreciation savings from the abandonment of \$3.4 million of assets in Pinnacor's restructuring plan completed in June 2002, an overall decrease in the capital assets purchased and certain assets becoming fully depreciated. This was partially offset by the increase in the amortization of Pinnacor's customer list intangible from Pinnacor's Stockpoint acquisition of approximately \$119,000 and approximately \$69,000 of depreciation expense from capital assets acquired from Inlumen in the statement of operations for the three months ended June 30, 2003.

In connection with the acquisition of Inlumen, Pinnacor is in the process of obtaining an independent valuation of the assets and liabilities acquired, as well as identifying the intangible assets acquired in order to finalize the allocation of the purchase price of the transaction. The valuation will be finalized as soon as possible or within one year of the acquisition date.

*Stock-Based Compensation.* In connection with the granting of stock options to employees, Pinnacor has recognized deferred stock-based compensation (income) expense of approximately (\$11,000) and \$181,000 for the three months ended June 30, 2003 and 2002, respectively. Included in stock-based compensation expense for the three months ended June 30, 2003 and 2002, Pinnacor has reversed previously recognized deferred stock-based compensation expense of approximately \$36,000 and \$113,000, respectively. This reversal relates to previously recognized but unearned stock-based compensation of forfeited, unvested stock options granted to terminated employees. In addition, due to the forfeiture of these options during the period, Pinnacor reversed future amortization expense of approximately \$50,000 and \$205,000, included in the balance sheet as deferred compensation, against paid-in capital for the three months ended June 30, 2003 and 2002, respectively. As a percentage of revenue, stock based compensation decreased to 0% for the three months ended June 30, 2003 from approximately 2% for the three months ended June 30, 2002.

*Restructuring and Asset Abandonment Charge.* In June 2002 Pinnacor's management took certain actions to further increase operational efficiencies and bring costs in line with revenues. These measures included asset abandonment charges, the involuntary termination of 34 employees, from sales and marketing, research and development and general and administrative areas, and the closure of Pinnacor's UK satellite office and data center. As a result of these actions, Pinnacor recorded a \$4.6 million charge to operations during the second



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quarter of 2002 for severance-related payments to terminated employees, the accrual of future lease costs (net of estimated sublease income) and the write-off of fixed assets for office locations that were closed or consolidated and assets that were abandoned. As a result of these restructuring initiatives, Pinnacor expects to achieve annualized savings of approximately \$5.0 million in operating expenses, including depreciation expense. However, there can be no assurance that such cost reductions can be sustained or that the estimated costs of such actions will not change.

Pinnacor incurred no such restructuring or asset abandonment charges for the three months ended June 30, 2003.

*Other Income, Net.* Other income, net includes interest income from cash and cash equivalents and marketable securities offset by interest expense on capital leases. Other income, net, decreased to approximately \$235,000 for the three months ended June 30, 2003, from approximately \$385,000 for the three months ended June 30, 2002. This decrease was due to a reduction in overall interest rates and the interest income earned on lower cash balances, cash equivalents and investments in marketable securities.

**Six Months Ended June 30, 2003 Compared to Six Months Ended June 30, 2002**

*Revenue.* Total revenue decreased to \$16.8 million for the six months ended June 30, 2003, a decrease of \$1.5 million or 8% from \$18.3 million for the six months ended June 30, 2002. This decrease was primarily due to a decrease in the total number of customers partially offset by a 14% increase in the average contract value per customer and the acquisition of Inlumen in November 2002 that accounted for approximately \$2.1 million of revenue for the six months ended June 30, 2003.

*Cost of Services.* Cost of services increased to approximately \$5.9 million for the six months ended June 30, 2003, an increase of approximately \$100,000 or 2%, from \$5.8 million for the six months ended June 30, 2002. The acquisition of Inlumen, which occurred on November 20, 2002, accounted for approximately \$703,000 of incremental cost of services for the six months ended June 30, 2003. As a percentage of revenue, and including Inlumen from its acquisition date, cost of services increased to approximately 35% for the six months ended June 30, 2003 from approximately 32% for the six months ended June 30, 2002. This increase as a percentage of revenue is due to higher cost of services as a percentage of revenues due to an increase in personnel costs related to client customization. This was partially offset by cost savings including renegotiated content fee contracts, monthly fees for housing Pinnacor's servers in third-party network data centers and other telecom costs.

*Research and Development.* Research and development costs decreased to approximately \$3.6 million for the six months ended June 30, 2003, a decrease of approximately \$400,000 or 10%, from \$4.0 million for the six months ended June 30, 2002. This was primarily due to a net decrease in personnel costs as a result of fully realizing the savings from Pinnacor's restructuring plans and from the greater allocation of salaries into cost of services related to client customization. As a percentage of revenue, and including Inlumen from its acquisition date, research and development expenses decreased to approximately 21% during the six months ended June 30, 2003 from approximately 22% for the six months ended June 30, 2002. This decrease in research and development expense as a percentage of revenue resulted primarily from the reduction in research and development expenses outpacing the decrease in revenue.

*Sales and Marketing.* Sales and marketing expenses decreased to \$3.2 million for the six months ended June 30, 2003, a decrease of approximately \$2.3 million or 42%, from \$5.5 million for the six months ended June 30, 2002. This was due to a decrease in marketing programs and a decrease in compensation expense and travel and entertainment costs associated with the reduction of Pinnacor's sales force. As a percentage of revenue, and including Inlumen from the acquisition date, sales and marketing expenses decreased to approximately 19% for the six months ended June 30, 2003 from approximately 30% for the six months ended June 30, 2002. The decrease in sales and marketing expense

as a percentage of revenue resulted primarily from the significant reductions in sales and marketing expenditures outpacing the decrease in revenue.

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*General and Administrative.* General and administrative expenses decreased to \$3.0 million for the six months ended June 30, 2003, a decrease of approximately \$900,000 or 23%, from \$3.9 million for the six months ended June 30, 2002. This was due to a significant decrease in bad debt expense, a decrease in facilities, personnel costs and professional fees. As a percentage of revenue, and including Inlumen from the acquisition date, general and administrative expenses decreased to approximately 18% for the six months ended June 30, 2003 from approximately 21% for the six months ended June 30, 2002. The general and administrative expense as a percentage of revenue resulted primarily from the significant reductions in general and administrative expenditures outpacing the decrease in revenue.

*Depreciation and Amortization.* Depreciation and amortization expense decreased to approximately \$1.7 million for the six months ended June 30, 2003, a decrease of approximately \$600,000 or 26%, from \$2.3 million for the six months ended June 30, 2002. As a percentage of revenue, and including Inlumen from its acquisition date, depreciation and amortization expense decreased to approximately 10% for the six months ended June 30, 2003 from approximately 13% for the six months ended June 30, 2002. The decrease in depreciation and amortization expense as a percentage of revenue was due to the depreciation savings from the abandonment of \$3.4 million of assets in Pinnacor's restructuring plan completed in June 2002, an overall decrease in the capital assets purchased and certain assets becoming fully depreciated. This was partially offset by the increase in the amortization of Pinnacor's customer list intangible from Pinnacor's Stockpoint acquisition of approximately \$238,000 and approximately \$138,000 of depreciation expense from capital assets acquired from Inlumen included in the statement of operations for the six months ended June 30, 2003.

*Stock-Based Compensation.* In connection with the granting of stock options to employees, Pinnacor has recognized deferred stock-based compensation (income) expense of approximately \$33,000 and (\$390,000) for the six months ended June 30, 2003 and 2002, respectively. Included in stock-based compensation expense for the six months ended June 30, 2003 and 2002, Pinnacor has reversed previously recognized deferred stock-based compensation expense of approximately \$36,000 and \$752,000, respectively. This reversal relates to previously recognized but unearned stock-based compensation of forfeited, unvested stock options granted to terminated employees. In addition, due to the forfeiture of these options during the period, Pinnacor reversed future amortization expense of approximately \$65,000 and \$1.5 million, included in the balance sheet as deferred compensation, against paid-in capital for the six months ended June 30, 2003 and 2002, respectively. As a percentage of revenue, stock based compensation increased to 0% for the six months ended June 30, 2003 from approximately (2)% for the six months ended June 30, 2002.

*Restructuring and Asset Abandonment Charge.* In June 2002 Pinnacor's management took certain actions to further increase operational efficiencies and bring costs in line with revenues. These measures included asset abandonment charges, the involuntary termination of 34 employees, from sales and marketing, research and development and general and administrative areas, and the closure of Pinnacor's UK satellite office and data center. As a result of these actions, Pinnacor recorded a \$4.6 million charge to operations during the second quarter of 2002 for severance-related payments to terminated employees, the accrual of future lease costs (net of estimated sublease income) and the write-off of fixed assets for office locations that were closed or consolidated and assets that were abandoned. As a result of these restructuring initiatives, Pinnacor expects to achieve annualized savings of approximately \$5.0 million in operating expenses, including depreciation expense. However, there can be no assurance that such cost reductions can be sustained or that the estimated costs of such actions will not change.

Pinnacor incurred no such restructuring or asset abandonment charges for the six months ended June 30, 2003.

*Other Income, Net.* Other income, net includes interest income from cash and cash equivalents and marketable securities offset by interest expense on capital leases. Other income, net, decreased to approximately \$562,000 for the six months ended June 30, 2003, from approximately \$989,000 for the six months ended June 30, 2002. This decrease was due to a reduction in overall interest rates and the interest income earned on lower cash balances, cash equivalents and investments in marketable securities.

**Table of Contents****Quarterly Operating Results**

The following table sets forth Pinnacor's unaudited quarterly operating results (in thousands) for each of Pinnacor's last ten quarters. This information has been derived from Pinnacor's unaudited interim financial statements. In Pinnacor's opinion, this unaudited information has been prepared on a basis consistent with Pinnacor's audited consolidated financial statements and includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information for the quarters presented. Historical results for any quarter are not necessarily indicative of the results to be expected for any future period.

	March 31,	June 30,	September 30,	December 31,	March 31,	June 30,	September 30,	December 31,	March 31,	June 30,
	2001	2001	2001	2001	2002	2002	2002	2002	2003	2003
(In thousands except per share data)										
Total revenue	\$ 7,601	\$ 6,701	\$ 7,244	\$ 9,405	\$ 9,411	\$ 8,902	\$ 8,051	\$ 8,203	\$ 8,341	\$ 8,440
Operating expenses:										
Cost of services (excluding depreciation of \$162, \$259, \$156, \$227, \$247, \$229, \$164, \$132, \$102 and \$103 in the first quarter of 2001 through the second quarter of 2003, respectively, as shown below)	2,219	1,887	2,239	2,866	2,988	2,851	2,719	2,922	2,958	2,930
Research and development (excluding stock-based compensation of \$(502), \$229, \$161, \$236, \$23, \$(99), \$(39), \$187, \$3 and \$(3) in the first quarter of 2001 through the second quarter of 2003, respectively, as shown below)	1,855	1,955	2,150	1,893	2,128	1,849	1,760	1,676	1,783	1,792
Sales and marketing (excludes stock-based compensation of \$129, \$430, \$(473), \$(196), \$(734), \$139, \$(67), \$(266), \$17 and \$(7) in the first quarter of 2001 through the second quarter of 2003, respectively, as shown below)	4,320	3,670	3,145	3,377	3,116	2,413	1,973	1,551	1,558	1,623
General and administrative (excludes stock-based compensation of \$270, \$407, \$485, \$(296), \$141, \$141, \$139, \$246, \$24 and \$(1) in the first quarter of 2001 through the second quarter of 2003, respectively, as shown below)	3,839	3,474	3,128	2,671	2,120	1,766	1,513	1,804	1,608	1,391
Depreciation and amortization	1,487	1,476	1,141	1,353	1,236	1,091	906	901	878	808
Stock-based compensation	(103)	1,066	173	(256)	(570)	181	33	167	44	(11)
Restructuring and asset abandonment			12,239			4,645	(2,183)			

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Total operating expenses	13,617	13,528	24,215	11,904	11,018	14,796	6,721	9,021	8,829	8,533
Operating income (loss)	(6,016)	(6,827)	(16,971)	(2,499)	(1,607)	(5,894)	1,330	(818)	(488)	(93)
Other income	1,407	1,038	213	607	604	385	340	328	327	235
Income (loss) attributable to common stockholders	\$ (4,609)	\$ (5,789)	\$ (16,758)	\$ (1,892)	\$ (1,003)	\$ (5,509)	\$ 1,670	\$ (490)	\$ (161)	\$ 142
Basic net income (loss) per common share	\$ (0.12)	\$ (0.15)	\$ (0.42)	\$ (0.04)	\$ (0.02)	\$ (0.13)	\$ 0.04	\$ (0.01)	\$ 0.00	\$ 0.00
Diluted net income (loss) per common share	\$ (0.12)	\$ (0.15)	\$ (0.42)	\$ (0.04)	\$ (0.02)	\$ (0.13)	\$ 0.04	\$ (0.01)	\$ 0.00	\$ 0.00
Weighted-average number of shares used in computation of basic net loss per share	37,964	38,097	40,087	42,256	42,377	42,454	42,755	40,483	40,762	40,470
Weighted-average number of shares used in computation of diluted net loss per share	37,964	38,097	40,087	42,256	42,377	42,454	42,826	40,483	40,762	41,351

\* Certain reclassifications have been made to the 2001 financial statements to conform with the 2002 and 2003 presentation.

**Table of Contents****Basic and Diluted Net Income (Loss) Per Common Share**

Basic net income (loss) per share was computed by dividing net income (loss) attributable to common stockholders by the weighted average number of common shares outstanding during the period. Diluted net income per share is based on the assumption that options and warrants are included in the calculation of diluted net income per share, except when their effect would be anti-dilutive. Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later) and as if funds obtained thereby were used to purchase common stock at the average market price during the period.

**Liquidity and Capital Resources**

Pinnacor has financed its operations through private sales of equity and debt securities and through its initial public offering. Sales of equity securities included \$57.9 million of net proceeds from Pinnacor's August 2000 initial public offering of common stock and \$46.2 million of net proceeds received from the July 2000 private placement of convertible preferred stock, which converted into common stock upon the completion of its initial public offering. As of June 30, 2003, Pinnacor had cash and cash equivalents and marketable securities of approximately \$47.9 million.

Pinnacor has commitments to make future payments under various lease agreements for computer and networking equipment and its facilities leases. Future commitments under these leases are as follows:

<b>Contractual</b>			<b>1-3</b>	<b>4-5</b>	
<b>Cash Obligations</b>	<b>Total</b>	<b>Less than</b>	<b>years</b>	<b>years</b>	<b>After</b>
		<b>1 year</b>			<b>5 years</b>
Capital lease obligations	\$ 1,753,878	\$ 1,099,576	\$ 654,302	\$ 1,244,000	\$ 786,000
Operating leases	\$ 4,716,000	\$ 723,000	\$ 1,963,000	\$ 1,244,000	\$ 786,000

Pinnacor operates from leased premises in New York, satellite offices in San Francisco, Iowa, and Israel. Pinnacor's current aggregate annual rental obligations under these leases, including its abandoned UK office, are approximately \$1.4 million for the year ended December 31, 2003. For the year ended December 31, 2002, Pinnacor negotiated a favorable buyout of one of Pinnacor's real estate leases for approximately \$2.2 million. As a result of this buyout, Pinnacor reduced its expected future minimum lease payment obligation by approximately \$3.3 million. For the six months ended June 30, 2003 and 2002, Pinnacor's capital expenditures were approximately \$432,000 and \$479,000, respectively. Capital expenditures were primarily for computers, hardware, software and networking equipment.

As of June 30, 2003, Pinnacor's principal commitments consisted of obligations outstanding under a series of capital leases for computer and networking equipment and its facilities leases. In prior years, Pinnacor entered into other capital leases for the design and implementation of its financial systems. A leasing company is the beneficiary of a \$1.7 million standby letter of credit with a bank securing Pinnacor's lease arrangement with them. At the end of each capital lease term, Pinnacor has the option to purchase the equipment, typically at the lesser of fair market value or approximately 10% of gross asset value. Pinnacor presently intends to exercise the purchase option for the majority of the leases.



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For the six months ended June 30, 2003 and 2002, the net cash used in operating activities was approximately \$800,000 and \$2.1 million, respectively. The net cash used in operating activities for the six months ended June 30, 2003 resulted primarily from a decrease in accounts payable and accrued expenses of approximately \$584,000, a non-cash decrease in deferred revenue of \$2.7 million, a decrease in accrued restructuring expenses of \$148,000, and an increase in prepaid expenses of \$213,000. This was offset by non-cash charges of approximately \$1.7 million and a decrease in accounts receivable of approximately \$1.2 million. The net cash used in operating activities for the six months ended June 30, 2002 resulted primarily from net losses of \$6.5 million, a decrease in accounts payable and accrued expenses of approximately \$726,000 and a non-cash decrease in deferred revenue of \$3.4 million. This was offset by non-cash charges of approximately

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\$5.4 million, a decrease in accounts receivable of approximately \$2.3 million and a decrease in prepaid expenses and other current assets of approximately \$818,000.

For the six months ended June 30, 2003 and 2002, the net cash provided by investing activities was approximately \$8.9 million and \$16.0 million, respectively. The net cash provided by investing activities for the six months ended June 30, 2003 resulted principally from the proceeds of matured long-term marketable securities reinvested into cash equivalents of approximately \$9.7 million, offset by approximately \$350,000 for the payments of exit costs associated with the acquisitions of Stockpoint and Inlumen, and approximately \$432,000 for the purchase of property and equipment. The net cash provided by investing activities for the six months ended June 30, 2002 resulted principally from the proceeds of matured long-term marketable securities reinvested into cash equivalents of approximately \$16.7 million, offset by approximately \$204,000 for the payments of exit costs associated with the acquisition of Stockpoint, and approximately \$479,000 for the purchase of property and equipment.

For the six months ended June 30, 2003 and 2002, the net cash used in financing activities was approximately \$1.1 million, respectively. The net cash used in financing activities for the six months ended June 30, 2003 was primarily from repayments of Pinnacor's capital lease obligations of approximately \$1.0 million and approximately \$155,000 used for the repurchase of treasury stock offset by proceeds of approximately \$94,000 from the exercise of stock options and stock purchases by employees. The net cash used in financing activities for the six months ended June 30, 2002 was primarily from repayments of Pinnacor's capital lease obligations of approximately \$1.3 million offset by proceeds of approximately \$195,000 from the exercise of stock options and stock purchases by employees.

## **Recent Accounting Pronouncements**

In November 2002, the Financial Accounting Standards Board ( FASB ) issued Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others ( FIN 45 ) which elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of FIN 45 are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure requirements in this interpretation are effective for financial statements of interim or annual periods ending after December 15, 2002. The adoption of FIN 45 since January 1, 2003 has not had a material effect on Pinnacor's financial position and operating results.

In January 2003, the FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities, ( FIN 46 ). FIN 46 requires that companies that control another entity through interests other than voting interests should consolidate the controlled entity. FIN 46 applies to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest in after that date. The related disclosure requirements are effective immediately. The adoption of this interpretation is not expected to have a significant impact on Pinnacor's consolidated financial position and results of operations.

In November 2002, the Emerging Issues Task Force ( EITF ) reached a consensus on Issue No. 00-21, Revenue Arrangements with Multiple Deliverables. EITF Issue 00-21 addresses certain aspects of the accounting by a vendor for arrangements under which the vendor will perform multiple revenue generating activities. The EITF will be effective for fiscal years beginning after June 15, 2003. Pinnacor is currently evaluating the effects of this change on its consolidated financial position and operating results.

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In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure-an amendment of FASB Statement No. 123 . SFAS No. 148 amends SFAS No. 123, Accounting for Stock-Based Compensation to provide alternative methods to account for the transition from the intrinsic value method of recognition of stock-based employee compensation in accordance with APB

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Opinion No. 25, *Accounting for Stock Issued to Employees* to the fair value recognition provisions under SFAS No. 123. SFAS No. 148 provides two additional methods of transition and will no longer permit the SFAS No. 123 prospective method to be used for fiscal years beginning after December 15, 2003. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosure in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the pro forma effects had the fair value recognition provisions of SFAS No. 123 been used for all periods presented. Pinnacor has adopted the disclosure provisions of SFAS No. 148 as of December 31, 2002 (see Note 7 to the condensed consolidated Financial Statements). The adoption of SFAS No. 148 did not have a significant impact on Pinnacor's financial position and results of operations.

In April 2003, the FASB issued SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*. This Statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* and is effective for contracts entered into or modified after June 30, 2003. The adoption of this statement has not had a material effect on Pinnacor's financial position and operating results.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity* (SFAS No. 150). SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. This statement will become effective for financial instruments entered into or modified after May 31, 2003, and otherwise shall be effective at the beginning of the first interim period beginning after June 15, 2003. For financial instruments created before the issuance date of this statement and still existing at the beginning of the interim period of adoption, transition shall be achieved by reporting the cumulative effect of a change in an accounting principle by initially measuring the financial instruments at fair value or other measurement attribute required by this statement. The adoption of this Statement is not expected to have a material impact on Pinnacor's consolidated financial position or results of operations.

## **Quantitative and Qualitative Disclosures about Market Risks**

*Interest Rate Sensitivity.* Pinnacor does not enter into financial instrument transactions for trading purposes. Some of its investments may be subject to market risk which means that a change in prevailing interest rates may cause the principal amount of the investment to fluctuate.

*Exchange Rate Sensitivity.* Pinnacor considers its exposure to foreign currency exchange rate fluctuations to be minimal as it currently does not have significant amounts of revenue and assets denominated in a foreign currency and has minimal expenses paid in a foreign currency. Currently, the exposure is primarily related to revenue and operating expenses in the U.K. Accordingly, Pinnacor may be subject to exposure from adverse movements in foreign currency exchange rates in relation to these revenues and expenses. Pinnacor does not currently use derivative financial instruments. As of June 30, 2003 the effect of foreign exchange rate fluctuations was not material.

## **Management's Discussion and Analysis of Financial Condition and Results of Operations as of December 31, 2002 and 2001 and for Each of the Three Years in the Period Ended December 31, 2002.**

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Consolidated Financial Statements and the related Notes as of December 31, 2002 and 2001 and for each of the three years in the period ended December 31, 2002 contained elsewhere in this joint proxy statement-prospectus. This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as

amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

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Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as intends, plans, will result, are expected to, will continue, is anticipated, estimated, projection and outlook ) are not historical facts and may be forward-looking and, accordingly, such statements involve estimates, assumptions, and uncertainties which could cause actual results to differ materially from those expressed in the forward-looking statements.

Pinnacor cautions that actual results or outcomes could differ materially from those expressed in any forward-looking statements made by or on behalf of Pinnacor. Any forward-looking statement in this Management's Discussion and Analysis of Financial Condition and Results of Operations speaks only as of March 31, 2003, and Pinnacor undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all of such factors. Further, management cannot assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

## **The Business of Pinnacor**

Pinnacor Inc. is an outsourced provider of information and analytical applications to financial services companies and global corporations.

Pinnacor delivers information-based applications and tools as well as customized data and news packages that help businesses cost-effectively serve their external or internal clients. Pinnacor's solutions include market data and investment analysis tools for financial services firms, critical business information for the enterprise and personalized portal applications and messaging services for wireless carriers and ISPs.

## **Critical Accounting Policies**

The Securities and Exchange Commission has recently issued disclosure guidance for critical accounting policies. The Securities and Exchange Commission defines critical accounting policies as those that require application of management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods.

The following listing is not intended to be a comprehensive list of all of Pinnacor's accounting policies. Pinnacor's significant accounting policies are more fully described in Note 2 of the Pinnacor Inc. Notes to Consolidated Financial Statements as of December 31, 2002 and 2001 and for each of the three years in the period ended December 31, 2002 included elsewhere in this joint proxy statement-prospectus. In many cases, the accounting treatment of a particular transaction is specifically dictated by accounting principles generally accepted in the United States of America, with no need for management's judgment in their application. There are also areas in which management's judgment in selecting any available alternative would not produce a materially different result.

Pinnacor has identified the following items as its critical accounting policies:

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*Revenue recognition:* Pinnacor's revenue recognition policy is significant as revenue is a key component of its results of operations. For the fiscal years ended 2002, 2001, and 2000, Pinnacor principally recognized revenue pursuant to Staff Accounting Bulletin (SAB) 101, *Revenue Recognition in Financial Statements* as it relates to revenue derived from Pinnacor's Application Service Provider (ASP) model. In accordance with SAB 101, Pinnacor recognizes revenue when a signed contract exists, the fee is fixed and determinable, delivery has occurred and collection of the resulting receivable is probable. Generally, revenue is recognized ratably over the life of the applicable contract.

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During 2002, Pinnacor sold its software as a standalone product and has recognized revenue in accordance with the provisions of the American Institute of Certified Public Accountants' Statement of Position 97-2, Software Revenue Recognition (SOP 97-2). During the year ended December 31, 2002, Pinnacor did not recognize a significant amount of revenue under SOP 97-2.

During 2002, Pinnacor also sold software that required significant customization to implement and the revenue was recognized over the life of the applicable contracts in accordance with the provisions of the American Institute of Certified Public Accountants' Statement of Position 81-1, Accounting for Performance of Construction Type Contracts (SOP 81-1). During the year ended December 31, 2002, Pinnacor has not recognized a significant amount of revenue under SOP 81-1.

*Goodwill and Other Intangible Assets:* Pinnacor's intangibles consist primarily of goodwill from the acquisitions of Stockpoint, Inc. and Inlumen, Inc. accounted for under the purchase method and other intangible assets identified in the acquisition of Stockpoint. The other intangible assets acquired from Stockpoint were its trade name valued at \$600,000 and customer list valued at \$1,900,000. Under the transition provisions of Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets, the goodwill and indefinite lived trade name related to Pinnacor's Stockpoint acquisition have not been periodically amortized during the year ended December 31, 2002, but instead are assessed for impairment at least annually. Under the transition provisions of SFAS No. 142, Pinnacor evaluated goodwill for impairment as of January 1, 2002 and has determined no impairment exists. The customer list is carried at cost less accumulated amortization. The customer list is being amortized on a straight-line basis over its expected life, which is estimated to be four years.

Pinnacor is in the process of obtaining an independent valuation of the operating assets and liabilities it has acquired from Inlumen as well as identifying the intangible assets it has acquired in order to finalize the allocation of the purchase price of the transaction. Pinnacor will finalize its valuation as soon as possible or within one year of the acquisition date. Pinnacor's preliminary allocation of the purchase price is subject to refinement based on the final determination of fair value. Under the transition provisions of SFAS No. 142, goodwill from Pinnacor's Inlumen acquisition has not been periodically amortized in fiscal 2002.

*Costs of Computer Software Developed or Obtained for Internal Use:* Costs of computer software developed or obtained for internal use are capitalized while in the application development stage and are expensed while in the preliminary stage and post-implementation stage. Pinnacor amortizes these capitalized costs over the life of the systems, which is estimated to be two years. As of December 31, 2002, Pinnacor had capitalized a total of approximately \$2,227,000 of internal development and software purchase costs relating to web-site development and Pinnacor's proprietary content engine which were incurred during the application development stage. These costs were fully depreciated as of December 31, 2002.

*Software Capitalization for Software Sold Externally:* Prior to 2002, Pinnacor had developed internal use software to provide its products to customers through its ASP model. During 2002, management decided to market its internal use software as Actrellis, a standalone product. Pinnacor sold an insignificant amount of Actrellis software during 2002.

Pinnacor had developed its internal use software predecessor to Actrellis prior to the issuance of SOP 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use. SOP 98-1 requires certain costs attributable to internally developed software to be capitalized in the application development stage. Since the application development of the software predecessor occurred prior to the issuance of SOP 98-1, no amounts related to this software have been capitalized to date.

During 2002, Pinnacor accounted for its costs related to Actrellis using the guidance of Statement of Financial Accounting Standards No. 86, Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed (SFAS No. 86). SFAS No. 86 requires that software



development costs are subject to

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capitalization beginning when a product's technological feasibility has been established and ending when a product is available for release to customers. Pinnacor's software was released soon after technological feasibility was established. Costs subsequent to achieving technological feasibility under SFAS No. 86 were insignificant.

*Use of Estimates:* Pinnacor's preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**Revenue**

Pinnacor derives its revenue from the sale of hosted applications, customized data, processing and delivery of information as well as set-up, professional services, software and maintenance.

*Hosted Applications:* &nbsp;