RAND CAPITAL CORP
Form 10-K
March 07, 2019
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2018

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

For the Transition Period from __________ to __________

Commission File Number: 814-00235

Rand Capital Corporation

(Exact name of registrant as specified in its charter)

New York	**16-0961359**
(State or Other Jurisdiction of Incorporation or organization)	**(IRS Employer Identification No.)**
2200 Rand Building, Buffalo, NY	**14203**
(Address of Principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: (716) 853-0802

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

Title of Each Class	**Name of Exchange on Which Registered**
Common Stock, $0.10 par value	**Nasdaq Capital Market**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 under the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of large accelerated filer, accelerated filer , smaller reporting company and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
	Emerging growth company

If an emerging growth company, indicated by check mark if the registrant has elected not to use extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

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

The aggregate market value of the registrant s outstanding common stock held by non-affiliates of the registrant as of June 30, 2018 was approximately $15,361,100 based upon the closing price as reported on the Nasdaq Capital Market on such date.

As of March 1, 2019, there were 6,321,988 shares of the registrant s common stock outstanding.

Table of Contents

RAND CAPITAL CORPORATION

TABLE OF CONTENTS FOR FORM 10-K

Table of Contents

PART I

Item 1. Business
Overview of Our Business

Rand Capital Corporation (Rand , we , us and our) was incorporated under the laws of New York in February 1969. Throughout our history, our principal business has been to make venture capital investments in early or expansion stage companies, often in upstate New York and regions in close proximity. In accordance with our strategic growth plan, we look for companies with strong leadership that are bringing to market new or unique products, technologies or services and have a high potential for growth. We invest in a mixture of debt and equity instruments. The debt securities typically have an equity component in the form of warrants or options to acquire stock or the right to convert the debt securities into stock. We established our small business investment company (SBIC) in 2002, Rand Capital SBIC, Inc. (Rand SBIC), whereby we utilized funds borrowed from the Small Business Administration (SBA) combined with our capital to invest in our portfolio companies.

Recent Developments

As previously announced, on January 24, 2019, Rand entered into a Stock Purchase Agreement (the Stock Purchase Agreement) by and among Rand, East Asset Management, LLC (East), and, solely for purposes of being bound by Sections 7.10 and 10.9(a) and (b) thereof, Rand Capital Management LLC (RCM). Pursuant to the terms of the Stock Purchase Agreement, at the closing of the transaction (the Closing), East will purchase 8,333,333.33 shares (the Shares) of Rand s common stock, par value $0.10 per share, at a purchase price of $3.00 per Share for an aggregate purchase price of $25,000,000 (the Stock Purchase), which consideration is to be paid to Rand partially in cash and partially through the contribution of existing loans and other securities (the Contributed Assets). As a condition to Closing, Rand will enter into a Shareholder Agreement with East (the Shareholder Agreement), which provides East with the right to designate two or three persons, depending upon the size of Rand s board of directors (the Board), for nomination for election to the Board.

The Stock Purchase Agreement also contemplates that, at the Closing, Rand will enter into an investment advisory and management agreement (the Advisory Agreement) with RCM pursuant to which RCM will serve as Rand s external investment adviser. Pursuant to the terms of the Advisory Agreement, Rand will pay RCM a base management fee and an incentive fee. At the Closing, Rand will also enter into an administration agreement (the Administration Agreement) with RCM pursuant to which RCM will serve as Rand s administrator.

The transactions contemplated by the Stock Purchase Agreement including the entry into the Advisory Agreement with RCM (which we refer to as the Transactions) are subject to shareholder approval. Rand has agreed to hold a special meeting of shareholders for purposes of obtaining these approvals.

Additional information regarding the Stock Purchase Agreement and the Transactions is available in Rand s Current Reports on Form 8-K filed with the Securities and Exchange Commission on January 25, 2019. Rand is in the process of preparing and intends to file in the near future a proxy statement with the Securities and Exchange Commission for purposes of seeking to obtain shareholder approval of the Transactions.

In the event the Transactions are completed, Rand intends to accelerate its shift to an investment strategy focused on higher yielding debt investments, to elect tax treatment as a regulated investment company (RIC), and in connection with such RIC election to pay a special dividend to shareholders, and to adopt a new dividend policy that may include regular cash dividends to shareholders.

Table of Contents

Our Investment Objectives and Strategy

Our principal investment objective is to achieve long-term capital appreciation on our equity investments while maintaining a current cash flow from our debenture and pass-through equity instruments to fund expenses. Therefore, we invest in a variety of financial instruments to provide a current return on a portion of the investment portfolio. The equity features contained in our investment portfolio are structured to realize capital appreciation over the long-term and typically do not generate current income in the form of dividends or interest.

Our investment strategy is to partner with other investors to invest in small companies that either have a new product, service or technology they are trying to commercialize or are working to accelerate their rate of growth. We define small companies as businesses that may not yet be generating revenue up to companies with $20 million in revenue.

We have historically made an initial investment of $500,000 to $1,000,000 directly in a company through equity or in debt or loan instruments and frequently provide follow-on investments during our investment tenure. The loan and debt instruments we acquire generally have a maturity of not more than five years and usually are convertible or have detachable equity warrants. Interest is either paid currently or deferred. We fund new investments and operating expenses through existing cash balances, proceeds from investment exits, and interest and principal payments from our portfolio companies.

Our Investment Process

Our primary business is making debt and equity investments in small companies that meet some or all of the following criteria:

1) a qualified and experienced management team;

2) a new or unique product or service; and

3) high potential for growth in revenue and cash flow.

Our management team identifies investment opportunities through a network of investment referral relationships. Investment proposals may come to us from other sources, including unsolicited proposals from companies and referrals from accountants, bankers, lawyers and other members of the financial community. We believe that our reputation in the investment community and our experience provide a competitive advantage in originating quality investments.

In a typical private financing, our management team will review, analyze, and confirm, through due diligence, the business plan and operations of the potential portfolio company. Additionally, we familiarize ourselves with the portfolio company s industry and competition and may conduct reference checks with its customers and suppliers.

Following our initial investment, we may make follow-on investments in the portfolio company, if needed. Follow-on investments may be made to take advantage of warrants or other preferential rights granted to us to increase or maintain our position in a promising portfolio company, or provide additional funds to allow a portfolio company to fully implement its business plans, develop a new line of business or recover from unexpected business problems. Follow-on investments in a portfolio company are evaluated individually and may be subject to SBA restrictions.

2

Table of Contents

Disposition of Investments

We may exit investments through the maturation of a debt security or when a liquidity event takes place, such as the sale, recapitalization, or initial public offering of a portfolio company. The method and timing of the disposition of our portfolio investments can be critical to the realization of maximum total return. We generally expect to dispose of our equity securities through private sales of securities to other investors or through the sale or merger of the portfolio company. We anticipate our debt investments will be repaid with interest and expect to realize further appreciation from the warrants or other equity type instruments received in connection with the investment.

Current Portfolio Companies

For a description of our current portfolio company investments, see Item 7. Management s Discussion and Analysis of Financial Conditions and Results of Operations Composition of the Investment Portfolio.

Competition

We compete for quality investments with other venture capital firms, individual investors, business development companies, and investment funds (including private equity funds and mezzanine funds), as well as traditional financial services companies such as commercial banks. We believe we are able to compete with these entities primarily on the basis of our referral network, our investing reputation and experience, our responsive, quick and efficient investment analysis and decision-making process, the investment terms we offer, and our willingness to make smaller investments.

For information concerning the competitive risks we face, see Item 1A. Risk Factors.

Employees

As of December 31, 2018, we had four employees, unchanged from 2017.

Organization and History

We completed our initial public offering in 1971 as an internally managed, closed-end, diversified, management investment company. We have elected to be treated as a business development company (BDC) under the Investment Company Act of 1940, as amended (the 1940 Act). As a BDC we are required to comply with certain regulatory requirements as provided for in the 1940 Act and the rules and regulations promulgated thereunder. For instance, we generally have to invest at least 70% of our total assets in qualifying assets and provide managerial assistance to the portfolio companies in which we invest. See Item 1. Business Regulations, Business Development Company Regulations.

We historically made the majority of our investments through Rand SBIC, an SBIC that has been licensed by the SBA since 2002. Rand SBIC s predecessor was organized as a Delaware limited partnership and was converted into a New York corporation in 2008, at which time our operations as a licensed SBIC were continued. Although Rand SBIC had operated as if it were a BDC, it was registered as an investment company under the 1940 Act. In 2012, the Securities and Exchange Commission (SEC) granted an Order of Exemption for Rand with respect to the operations of Rand SBIC and Rand SBIC then filed an election to be regulated as a BDC under the 1940 Act. Rand SBIC s board of directors is comprised of the directors of Rand, a majority of whom are not interested persons of Rand Capital or Rand SBIC.

During 2017 we established a second SBIC subsidiary, Rand Capital SBIC II, L.P. (Rand SBIC II), and began making investments through this SBIC subsidiary. During 2018, together with the SBA, we determined that the optimal structure was to revert back to investing in small businesses through our original SBIC, Rand SBIC, and the assets of Rand SBIC II were transferred to Rand SBIC.

Table of Contents

We operate as an internally managed investment company whereby our officers and employees conduct our business under the general supervision of our Board of Directors. We have not elected to qualify to be taxed as a regulated investment company (RIC) as defined under Subchapter M of the Internal Revenue Code.

In this Annual Report on Form 10-K, (Annual Report), unless the context otherwise requires, we , the Corporation , us and our refer to Rand Corporation and Rand SBIC.

Our corporate office is located in Buffalo, NY and our website address is www.randcapital.com. We make available on our website, free of charge, our annual and periodic reports, proxy statements and other information as soon as reasonably practicable after such material is filed with the SEC. Our shares are traded on the Nasdaq Capital Market under the ticker symbol RAND.

Regulations

The following discussion is a general summary of the material prohibitions and descriptions governing BDCs and SBA-licensed SBICs. It does not purport to be a complete description of all of the laws and regulations affecting BDCs and SBICs.

Business Development Company Regulations

We have elected to be regulated as a BDC under the 1940 Act. Although the 1940 Act exempts a BDC from registration under that Act, it contains significant limitations on the operations of BDCs. Among other things, the 1940 Act contains prohibitions and restrictions relating to transactions between a BDC and its affiliates, principal underwriters and affiliates of its affiliates or underwriters. The 1940 Act also prohibits a BDC from changing the nature of its business so as to cease to be, or to withdraw its election as, a BDC unless so authorized by a vote of the holders of a majority of its outstanding voting securities. BDCs are not required to maintain fundamental investment policies relating to diversification and concentration of investments within a single industry. More specifically, in order to qualify as a BDC, a company must:

(1) be a domestic company;

(2) have registered a class of its equity securities or have filed a registration statement with the SEC pursuant to Section 12 of the Securities Exchange Act of 1934 (the Exchange Act);

(3) operate for the purpose of investing in the securities of certain types of companies, namely immature or emerging companies and businesses suffering or just recovering from financial distress. Generally, a BDC must be primarily engaged in the business of furnishing capital and providing managerial expertise to companies that do not have ready access to capital through conventional financial channels. Such companies are termed eligible portfolio companies;

(4) extend significant managerial assistance to such portfolio companies; and

(5) have a majority of disinterested directors (as defined in the 1940 Act).

Qualifying Assets

Under the 1940 Act, a BDC may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70% of their total assets. The 1940 Act prohibits BDCs from investing in certain types of companies, such as brokerage firms, insurance companies, investment banking firms and investment companies.

Table of Contents

An eligible portfolio company is, generally, a private domestic operating company, or a public domestic operating company whose securities are not listed on a national securities exchange. In addition, any small business investment company that is licensed by the SBA and is a wholly owned subsidiary of a BDC is an eligible portfolio company.

Qualifying assets include:

(1) securities of companies that were eligible portfolio companies at the time the BDC acquired their securities;

(2) securities of bankrupt or insolvent companies that were eligible at the time of the BDC s initial acquisition of their securities but are no longer eligible, provided that the BDC has maintained a substantial portion of its initial investment in those companies;

(3) securities received in exchange for or distributed on or with respect to any of the foregoing; and

(4) cash items, government securities and high-quality short-term debt.

The 1940 Act also places restrictions on the nature of the transactions in which, and the persons from whom, securities can be purchased in order for the securities to be considered qualifying assets.

A BDC is permitted to invest in the securities of public companies and other investments that are not qualifying assets, but those kinds of investments may not exceed 30% of the BDC s total asset value at the time of the investment. At December 31, 2018, we were in compliance with this rule.

Managerial Assistance to Portfolio Companies

In order to count portfolio securities as qualifying assets for the purpose of the 70% test discussed above, a BDC must either control the issuer of the securities or must offer to make available significant managerial assistance; except that, where the BDC purchases the securities in conjunction with one or more other persons acting together, one of the other persons in the group may make available such managerial assistance. Making available significant managerial assistance means, among other things, any arrangement whereby the BDC, through its directors, officers or employees, offers to provide and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company through monitoring of portfolio company operations, selective participation in board and management meetings, consulting with and advising a portfolio company s officers or other organizational or financial guidance.

Small Business Investment Company Regulations

SBA Lending Restrictions

SBICs are designed to stimulate the flow of private debt and/or equity capital to small businesses. The types and dollar amounts of the loans and other investments we may make are limited by the 1940 Act, the Small Business Act (the SBA Act) and SBA regulations. Rand SBIC uses funds borrowed from the SBA that can be combined with our own capital to provide loans to, and make equity investments in, businesses that meet the following criteria:

(a) have a tangible net worth not in excess of $19.5 million and average net income after U.S. federal income taxes for the preceding two completed fiscal years not in excess of $6.5 million, or

(b) meet size standards set by the SBA that are measured by either annual receipts or number of employees, depending on the industry in which the businesses are primarily engaged.

In addition, at the end of each fiscal year, an SBIC must have at least 20% (in total dollars) invested in smaller enterprises. The SBA defines smaller enterprises as businesses that:

(a) do not have a net worth in excess of $6 million and have average net income after U.S. federal income taxes for the preceding two years no greater than $2 million, or

(b) meet size standards set by the SBA that are measured by either annual receipts or number of employees, depending on the industry in which the concerns are primarily engaged.

We have complied with these requirements since the inception of Rand SBIC.

The SBA prohibits an SBIC from providing funds to small businesses with specific characteristics, such as businesses with the majority of their employees located outside the United States, or from investing in passive or non-operating businesses, real estate, project financing, farmland, or financial lenders. Without prior SBA approval, an SBIC may not invest an amount equal to more than approximately 30% of the SBIC s regulatory capital in any one company and its affiliates.

The SBA places limitations on the financing terms of investments by SBICs in portfolio companies such as limiting the prepayment options, the financing fees that can be charged to a portfolio company, the allowable interest rate on loan and debt securities that an SBIC can charge a portfolio company, and the maximum term of such financing. An SBIC may exercise control over a small business for a period of up to seven years from the date on which the SBIC initially acquires its control position.

The SBA restricts the ability of an SBIC to lend money to any of its officers, directors and employees or to invest in associates. The SBA also prohibits, without prior SBA approval, a change of control of an SBIC or transfers that would result in any person, or a group of persons acting together, owning 10% or more of a class of capital stock of a licensed SBIC. A change of control is any event which would result in the transfer of the power, direct or indirect, to direct the management and policies of an SBIC, whether through ownership, contractual arrangements or otherwise.

Rand SBIC may invest directly in a portfolio company s equity, but may not become a general partner of a non-incorporated entity or otherwise become jointly or severally liable for the general obligations of a non-incorporated entity. Rand SBIC may acquire options or warrants in portfolio companies, and the options or warrants may have redemption provisions, subject to certain restrictions. Pursuant to SBA regulations, the maximum cash which may be invested in any one portfolio company by Rand SBIC is currently $4.8 million.

In addition the SBA regulations require an examination of a licensed SBIC by an SBA examiner to determine the SBIC s compliance with the relevant SBA regulations. Our annual report, submitted to the SBA, must be audited by an independent public accounting firm.

SBA Leverage

The SBA raises capital to enable it to provide funds to SBICs by guaranteeing certificates or bonds that are pooled and sold to purchasers of the government guaranteed securities. The amount of funds that the SBA may lend to SBICs is determined by annual Congressional appropriations.

SBA debentures are issued with ten year maturities. Interest only is payable semi-annually until maturity. All of our outstanding SBA debentures may be prepaid without penalty. To reserve the approved SBA debenture leverage, we paid an upfront 1% commitment fee to the SBA as a partial prepayment of the SBA s nonrefundable 3% leverage fee.

These fees are expensed over the life of the corresponding SBA debenture instruments. The SBA, as a creditor, will have a superior claim to Rand SBIC s assets over our shareholders in the event we liquidate Rand SBIC or the SBA exercises its remedies under the SBA-guaranteed debentures issued by Rand SBIC upon an event of default.

At December 31, 2018, we had $8,750,000 in outstanding SBA debenture instruments.

Item 1A. Risk Factors

Risks related to our business and structure

Our financial results will depend on our skill to manage and deploy capital effectively

Our ability to achieve long-term capital appreciation on our equity investments while maintaining a current cash flow from our debenture and pass-through equity instruments depends on our capability to effectively identify, invest and manage our capital.

Accomplishing this investment objective effectively will be based on our management team s handling of the investment process, starting with its ability to find investments that offer favorable terms and meet our investment objective. They will also have to monitor the portfolio company s performance and may be called upon to provide managerial assistance. These demands on their time may distract them or may slow the rate of investment.

Even if we are able to grow and build on our investment, any failure to manage our growth effectively could have a material adverse effect on our business, financial condition, results of operations and prospects. If we cannot successfully operate our business or implement our investment objective, it could negatively impact our stock price.

We are subject to risks created by our regulated environment

We are regulated by the SEC and the SBA. Changes in the laws or regulations that govern BDCs and SBICs could significantly affect our business. Regulations and laws may be changed periodically, and the interpretations of the relevant regulations and laws are also subject to change. Any change in the regulations and laws governing our business could have a material impact on our financial condition and our results of operations. Moreover, the laws and regulations that govern BDCs and SBICs may place conflicting demands on the manner in which we operate, and the resolution of those conflicts may restrict or otherwise adversely affect our operations.

We are subject to risks created by borrowing funds from the SBA

Our liabilities include debt instruments issued through the SBA which have fixed interest rates. Until and unless we are able to invest substantially all of the proceeds from debentures at annualized interest or other rates of return that substantially exceed annualized interest rates that Rand SBIC must pay the SBA, our operating results may be adversely affected which may, in turn, depress the market price of our common stock.

In addition, our outstanding $8,750,000 in SBA debentures will reach maturity and become payable between 2022 and 2029. In order to repay our outstanding SBA debentures, we will need to identify sources of additional funding if the proceeds received upon the exits of our investments are insufficient to fund our operations and repay our SBA obligations. We cannot be assured that the proceeds to be received upon the exits from our investments will be sufficient to meet our funding needs or, if such proceeds are insufficient, that we will be able to obtain access to the necessary funding on terms that are acceptable to us.

Table of Contents

We are subject to risks created by the valuation of our portfolio investments

At December 31, 2018, 100% of our investments are in private securities that are not publicly traded. There is typically no public market for securities of the small privately held companies in which we invest. Investments are valued in accordance with our established valuation policy and are stated at fair value as determined in good faith by management and approved by our Board of Directors. In the absence of a readily ascertainable market value, the estimated value of our investment portfolio may differ significantly, favorably or unfavorably, from the values that would be placed on the portfolio if a ready market for the securities existed. Any changes in estimated value are recorded in the consolidated statement of operations as Net change in unrealized depreciation or appreciation on investments.

We are dependent upon key management personnel for future success

We are dependent on the skill, diligence, and the network of business contacts of our executive officers for the sourcing and selection, structuring, closing, monitoring and valuation of our investments. Our future success depends, to a significant extent, on the continued employment of these officers and their departure could materially adversely affect our ability to implement our business strategy. We do not maintain key man life insurance or employment agreements on the officers.

We operate in a competitive market for investment opportunities

We operate in a competitive market for investment opportunities. We face competition in our investing activities from many entities including other SBICs, private venture capital funds, investment affiliates of large companies, wealthy individuals and other domestic or foreign investors. The competition is not limited to entities that operate in the same geographical area as we do. As a regulated BDC, we are required to disclose quarterly and annually the name and business description of our portfolio companies and the value of their portfolio securities. Most of our competitors are not subject to this disclosure requirement. This obligation to disclose this information could hinder our ability to invest in potential portfolio companies. Additionally, other regulations, current and future, may make us less attractive as a potential investor to a given portfolio company than a private venture capital fund.

We are subject to cyber security risks and incidents that may adversely affect the operations of our company or the companies in which we invest. A failure in our cyber security systems could impair our ability to conduct business and damage our business relationships, compromise or corrupt our confidential information and ultimately negatively impact business, financial condition and operating results.

Our operations are dependent on secure information technology systems for data processing, storage and reporting. Increased cyber security vulnerabilities, threats and more sophisticated and targeted cyber-attacks pose a risk to the security of our information and the information of our portfolio companies. These cyber-attacks could affect our computer network, our website or our service providers (such as, but not limited to, accountants, lawyers, and transfer agents) and could result in operating disruptions or information misappropriation, which could have a material adverse effect on our business operations and the integrity and availability of our financial information. We have attempted to mitigate these cybersecurity risks by employing a number of processes, procedures and internal controls within our company but we remain potentially vulnerable to additional known and unknown threats.

Table of Contents

We may experience fluctuations in our quarterly results

Our quarterly operating results may fluctuate significantly as a result of a number of factors. These factors include, among others, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which portfolio companies encounter competition in their markets, their ability to raise additional capital, if needed, and general economic conditions. As a result of these factors, results for any quarter cannot be relied upon as being indicative of performance in future quarters or for a full year.

Risks related to our investments

We have a limited number of companies in our portfolio of investments, and may be subjected to greater risk if any of these companies default

Our portfolio investment values are concentrated in a small number of companies and as such, we may experience a significant loss in our net asset value if one or more of these companies performs poorly or goes out of business. The unrealized or realized depreciation in the value of the securities of any one of these companies would negatively impact our net asset value.

The lack of liquidity in our investments may adversely affect our business

We invest, and will continue to invest, in portfolio companies whose securities are not publicly traded and may be subject to restrictions on resale, and as a result will be less liquid than publicly traded securities. Most of our investments are or will be either equity securities or subordinated debt securities acquired directly from small, private companies. The illiquidity of most of our portfolio may adversely affect our ability to dispose of the securities at times when it may be advantageous for us to liquidate investments. In addition, we may not realize the full value of these private investments if we have to liquidate all or a part of our portfolio investment quickly, given the lack of available markets for their sale.

Economic downturns or recessions may adversely affect our portfolio companies financial performance and therefore harm our operating results

The United States economy has periodically experienced periods of instability and recessions and the financial results of the small companies in which we invest could be more acutely affected negatively by this instability and suffer deterioration in operational or financial results. This deterioration may have a negative effect on our financial performance.

Investing in private companies involves a high degree of risk

We typically invest a substantial portion of our assets in small private companies. These private businesses may be thinly capitalized, unproven companies with risky technologies, products or services, may lack management depth, and may not have attained profitability. Because of the speculative nature and the lack of a public market for these investments, there is significantly greater risk of loss than is the case with securities traded on a public exchange. We expect that some of our investments will become worthless and that some will appear likely to become successful but will never realize their potential. We have been risk seeking rather than risk averse in our approach to our investments.

Even if our portfolio companies are able to develop commercially viable technologies, products or services, the market for those new technologies, products and services is likely to be highly competitive and rapidly changing. Commercial success is difficult to predict and the marketing efforts of the portfolio companies may not be successful.

Table of Contents

We generally do not control our portfolio companies

We do not have an expectation to control the decision making in our portfolio companies, even though we may have a board seat or board observation rights. Because of this, we are subject to the risk that our portfolio companies will make business decisions with which we disagree or will incur risks or otherwise act in ways that do not maximize their value and serve our interests as minority debt and equity holders. Due to the lack of liquidity in our investments in these private companies, we may not be able to dispose of our investment in these portfolio companies as freely as we would like or at a valuation that is appropriate. As a result, a portfolio company may make decisions that would decrease the value of our portfolio holdings.

We typically are minority shareholders in our portfolio companies

We typically invest as a minority shareholder in our portfolio companies. As a minority shareholder we are unable to require the company to seek or entertain liquidity events as a way to exit our investments. This may cause us to hold investments longer than planned or to seek a sale that may not reflect the full value of our investment.

We may not have the funds or ability to make follow-on investments in our portfolio companies

We may not have the funds or ability to make additional investments in our portfolio companies. After our initial investment in a company, we may be asked to participate in another round of financing to the company. There is no assurance that we will make, or have sufficient funds to make, these follow-on investments. Any decision to not make an additional investment in a portfolio company may have a negative impact on the portfolio company in need of the capital, and have a negative impact on our ownership in the company.

Risks related to our common stock

Investing in our shares may be inappropriate for an investor s risk tolerance

Our venture capital investments, in accordance with our investment objective and principal strategies, result in a greater than average amount of risk and volatility and may result in loss of principal. Our investments in portfolio companies are highly speculative and aggressive and, therefore, an investment in our shares may not be suitable for investors for whom such risk is inappropriate. Neither our investments nor an investment in our shares constitutes a balanced investment program.

Sales of substantial amounts of our common stock may have an adverse effect on the market price of our securities.

Sales of substantial amounts of our common stock, or the availability of such securities for sale, could adversely affect the prevailing market prices for our common stock.

Our shares often trade at a discount to our net asset value

Shares of business development companies may trade at a market price that is less than the net asset value that is attributable to those shares and our shares have often traded at such a discount. This characteristic of closed-end investment companies is separate and distinct from the risk that our net asset value per share may decline. It is not possible to predict if, or when, our shares will trade at, above, or below net asset value.

Table of Contents

Risks related to the transactions contemplated by the Stock Purchase Agreement

The failure to complete the Transactions may result in a decrease in the market value of our shares.

After the Transactions were announced on January 24, 2019, the market price for our shares of common stock rose significantly. The Transactions are subject to a number of contingencies, including approval by our shareholders and the other closing conditions set forth in the Stock Purchase Agreement. As a result, there is a risk that the Transactions will not be completed. If the Transactions are not completed for any reason or are delayed for a significant period of time, the market price of our shares may decline, including to a price per share that is below the price per share on the date that the Transactions were announced.

If the Transactions are not consummated, there may not be any other offers from potential acquirers or parties interested in a potential strategic transaction.

If the Transactions are not consummated, we may seek another strategic transaction. Although we have had prior discussions with other parties regarding a strategic transaction, these parties may no longer have an interest in a strategic transaction with Rand, or be willing to offer acceptable terms in a transaction.

If we do not complete the Transactions, we may continue to face challenges and uncertainties in our ability to achieve business success.

Historically, Rand has focused on a total return strategy that involved seeking long-term capital appreciation on its equity investments, while maintaining a current cash flow from debt investments and pass-through equity instruments to fund expenses. Rand has observed that this total return strategy has become disfavored among investors resulting in an increasingly larger spread between the share price for the Common Stock and our Net Asset Value (NAV) per share. If the Transactions are not completed, we will not engage an external investment adviser to manage our investment strategy and will remain, for the time being, an internally managed BDC that is likely to continue the same legacy total return strategy. Therefore, if we are unable to complete the Transactions, we may continue to operate our business in a manner that is substantially similar to the manner in which it is currently operated, and would continue to face the same business challenges and uncertainties associated with our current business strategy.

Under certain circumstances, a termination fee may be payable by Rand upon termination of the Stock Purchase Agreement.

The Stock Purchase Agreement provides for the payment by Rand of a termination fee of up to $750,000 if the Stock Purchase Agreement is terminated under certain circumstances. Given our financial condition and amount of cash and cash equivalents on hand, payment of the termination fee in an amount up to $750,000 would likely have a material adverse effect on our financial condition and on our ability to make any significant new investments or follow-on investments in the near future.

The Stock Purchase Agreement contains restrictions limiting our ability to pursue alternatives to the Transactions.

The Stock Purchase Agreement contains provisions that limit our ability to actively solicit, discuss or negotiate competing third-party proposals for strategic transactions. These provisions, which are typical for transactions of this type, and include the termination fee payable under certain circumstances, might discourage a competing acquirer that might have an interest in acquiring all or a significant part of Rand from considering or proposing a transaction even if it were prepared to pay consideration with a higher price than that to be paid by East in the Stock Purchase Agreement or might result in a potential competing acquirer proposing to pay a lower price to acquire Rand than it might otherwise have proposed to pay without Rand s requirement to pay the termination fee in order to terminate the Stock Purchase Agreement to accept a superior proposal.

The failure of satisfy the closing conditions under the Stock Purchase Agreement, including receipt of shareholder approvals, will result in the Transactions not being completed.

The Transactions are subject to closing conditions, including certain approvals of shareholders and approval of the SBA, which, if not satisfied, will prevent the Transactions from being completed. The closing condition requiring shareholder approvals may not be waived under applicable law and must be satisfied for the Transactions to be completed. In addition to the required approvals from the shareholders, the Transactions are subject to a number of other conditions, some of which are beyond our direct control. We cannot predict when the conditions set forth in the Stock Purchase Agreement will be satisfied or if they will be satisfied at all.

The Company will be subject to operational uncertainties and contractual restrictions while the Transactions are pending.

Uncertainty about the effect of the Transactions may have an adverse effect on Rand while the Transactions are pending. These uncertainties may impair Rand s ability to retain key personnel until the Transactions are consummated and could cause those that deal with Rand to seek to change their existing relationships with Rand. In addition, the Stock Purchase Agreement imposes limitations on Rand with respect to actions that it can take while the Transactions are pending, which may result in us not pursuing or being unable to pursue certain business opportunities that may arise prior to the completion of the Transactions.

If the Transactions do not close, the Company will not benefit from the expenses incurred in furtherance of the Transactions.

If the Transactions are not completed, Rand will have incurred substantial expenses for which no ultimate benefit will have been received. Rand has incurred, and will continue to incur, out-of-pocket expenses in connection with the Transactions for investment banking, legal and accounting fees and other expenses, much of which will be incurred even if the Transactions are not completed.

If we complete the Transactions, we will face risks associated with the terms and structure of the Transactions.

If the Transactions are completed, there are risks arising from the terms and structure of the Transactions, including the following:

- Despite our expressed intentions, we may not declare or pay a special dividend or regular cash dividends to shareholders.

- East will exercise significant influence in connection with its ownership of Common Stock.

- RCM has no prior experience managing or acting as an investor adviser for a BDC.

- We will be dependent upon RCM for our future success.

There are potential conflicts of interest, including the management of other investment funds and accounts by the principals and certain members of the Investment Committee of RCM, which could impact our investment returns.

Our ability to enter into transactions with affiliates of RCM will be restricted.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

We currently lease office space in Buffalo, New York for our corporate headquarters. We believe that these leased facilities are adequate to support our current staff and expected future needs.

Table of Contents

Item 3. Legal Proceedings

None.

Item 4. Mine Safety Disclosures

Not applicable.

Table of Contents

Part II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock (Common Stock) is traded on the Nasdaq Capital Market (Nasdaq) under the symbol RAND.

We have historically not paid any cash dividends to shareholders. Unless the transactions contemplated by the Stock Purchase Agreement are completed, we have no present intention of paying cash dividends in the foreseeable future.

Issuer Purchases of Equity Securities

Period	Total number of shares purchased (1)	Average price paid per share (2)	Total number of shares purchased as part of publicly announced plan (3)	Maximum number of shares that may yet be purchased under the share repurchase plan (3)
10/1 10/31/2018				458,954
11/1 11/30/2018				458,954
12/1 12/31/2018				458,954

(1) There were no shares repurchased during the fourth quarter of 2018.
(2) The average price paid per share is calculated on a settlement basis and includes commission.
(3) On October 25, 2018, the Board of Directors extended the repurchase authorization of up to 1,000,000 shares of the Common Stock on the open market at prices no greater than the then current net asset value through October 25, 2019.

Shareholders of Record

On March 1, 2019, we had a total of approximately 908 shareholders, which included 77 record holders of our Common Stock, and an estimated 831 holders with shares beneficially owned in nominee name or under clearinghouse positions of brokerage firms or banks.

Table of Contents

Corporation Performance Graph

The following graph shows a five-year comparison of cumulative total shareholder returns for our Common Stock, the Nasdaq Market Index, and an old and new Peer Group, assuming a base index of $100 at the end of 2013. The cumulative total return for each annual period within the five years presented is measured by dividing (1) the sum of (A) the cumulative amount of dividends for the measurement period, assuming dividend reinvestment, and (B) the difference between share prices at the end and at the beginning of the measurement period by (2) the share price at the beginning of the measurement period.

Comparison of cumulative total return of one or more companies, peer groups, industry indexes and/or broad markets

	YEAR ENDED DECEMBER 31,					
Company/Index/Market	2013	2014	2015	2016	2017	2018
Rand Capital Corporation	$ 100.00	$ 133.22	$ 122.80	$ 102.93	$ 98.37	$ 81.46
NASDAQ Market Index	$ 100.00	$ 114.75	$ 122.74	$ 133.62	$ 173.22	$ 168.30
New Peer Group Index	$ 100.00	$ 90.09	$ 69.29	$ 46.63	$ 54.92	$ 54.75
Old Peer Group Index	$ 100.00	99.36	$ 52.83	$ 45.78	$ 51.88	$ 60.37

The New Peer Group was comprised of the following companies:

Equus Total Return, Inc. (NYSE: EQS)

Firsthand Technology Value Fund, Inc. (NasdaqGS: SVVC)

GSV Capital Corp. (NasdaqCM: GSVC)

180 Degree Capital Corp. (NasdaqGM: TURN)

The Old Peer Group was comprised of the following companies:

Capital Southwest Corporation (NasdaqGS: CSWC)

Firsthand Technology Value Fund, Inc. (NasdaqGS: SVVC)

GSV Capital Corp. (NasdaqCM: GSVC)

180 Degree Capital Corp. (NasdaqGM: TURN)

We selected the New Peer Group because it is our belief that the four issuers in the group have investment objectives that are similar to ours, and among the publicly traded companies, they are relatively similar in size to us. Capital Southwest was removed from our peer group to reflect the change in their business strategy.

The performance graph information provided above will not be deemed to be soliciting material or filed with the SEC or subject to Regulations 14A or 14C, or to the liabilities of section 18 of the Securities Exchange Act, unless in the future we specifically request that the information be treated as soliciting material or specifically incorporate it by reference into any filing under the Securities Act or the Exchange Act.

Table of Contents

Item 6. Selected Financial Data

The following table provides selected consolidated financial data for the periods indicated. You should read the selected financial data set forth below in conjunction with Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, and with the consolidated financial statements and related notes appearing within Item 8 of this Annual Report.

Balance Sheet Data as of December 31:

	2018	2017	2016	2015	2014
Total assets	$ 40,521,724	$ 40,133,913	$ 42,418,530	$ 44,562,060	$ 45,525,987
Total liabilities	$ 8,997,537	$ 8,215,228	$ 9,789,167Joan P. Platt		

50

Chief Financial Officer

Doug Appleton

40

General Legal Counsel and Secretary

William Bishop

35

Executive Vice President and General Manager

Jeff Davis

42

Executive Vice President and General Manager

Jamie Thingelstad

32

Chief Technology Officer

Dave Callaway

40

Editor-in-Chief

Mr. Kramer has served as Chief Executive Officer and a member of the Board of Directors of MarketWatch, since October 1997, and is the founder of MarketWatch. On November 15, 1999, Mr. Kramer was elected Chairman of the Board. From February 1994 until October 1997, Mr. Kramer served as Vice President for News and Sports of Data Broadcasting Corporation. Mr. Kramer 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 the Harvard Business School. Mr. Kramer was a founding board member of the Online Publishers Association in 2001.

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. 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 since December 1999. From May of 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 General Counsel and Corporate Secretary of MarketWatch since March 2003. From February 2001 to March 2003, Mr. Appleton was the Associate General Counsel at Handspring, Inc., an innovator and manufacturer of handheld computer and wireless communicator products. From May 2000 to February 2001 he was General Counsel for SecuGen Corporation, a privately held technology company that manufactures and develops fingerprint biometric devices. He has also been a corporate lawyer with Morrison & Foerster from June 1998 to May 2000. Mr. Appleton has an undergraduate 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 October 1997 until February 2000. From August 1995 until October 1997, Mr. Bishop was employed by DBC, most recently as Director of DBC Online. 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. Davis has served as Executive Vice President and General Manager of MarketWatch since January 2004. From November 2002 to January 2004, Mr. Davis was Executive Consultant and Chief Operating Officer of PAX, the largest non-partisan organization dedicated to reducing gun violence in America. From June 2001 to February 2002, he was the President and Chief Operating Officer of Thinking Investments, Inc., a company that developed forward-looking portfolio analytics. As President of the Institutional Markets Division of Data Broadcasting Corporation, from July 1990 to February 2001, Mr. Davis was responsible for all institutional business providing Web-based technologies to the financial services market within North America as well as the corporation's institutional and retail international businesses. He holds an undergraduate degree from Miami University, and an M.B.A. from New York 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 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. From February 1995 to March 1996, he served as a Director of Technology at WebSpan, Inc., an Internet service provider. From early 1993 to January 1996, Mr. Thingelstad served as the Technical Coordinator for the Disability Services Department at the University of Minnesota. Mr. Thingelstad attended the University of Minnesota's Institute of Technology.

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 bachelor's degree and master's degree in journalism from the Medill School of Journalism at Northwestern University.

PART II

Item 5. *Market for the Registrant's Common Equity and Related Stockholder Matters*

Since January 15, 1999, our common stock, par value $.01, has been traded on the NASDAQ National Stock Market under the symbol "MKTW". The approximate number of record holders of our common stock as of March 22, 2004 was 362 (although we believe there were a greater number of beneficial owners).

The following table presents, for the periods indicated, the high and low sales price of our common stock as reported on the NASDAQ National Market.

Year Ended December 31, 2003	High	Low
First Quarter	$ 7.76	$ 4.73
Second Quarter	$ 9.78	$ 6.48
Third Quarter	$ 9.12	$ 7.50
Fourth Quarter	$ 9.52	$ 8.05

Year Ended December 31, 2002	High	Low
First Quarter	$ 4.50	$ 3.11
Second Quarter	$ 5.49	$ 3.90
Third Quarter	$ 4.93	$ 3.81
Fourth Quarter	$ 5.05	$ 3.88

Dividend Policy

We have never declared or paid any cash dividends on our common stock or other securities, and we do not anticipate paying cash dividends in the foreseeable future.

Equity Compensation Plan Information

Information relating to our equity compensation plans will be set forth under the caption "Executive Compensation - Equity Compensation Plan Information" of our definitive proxy statement pursuant to Regulation 14A in connection with the Annual Meeting of Stockholders to be held in August 2004. This information is incorporated herein by reference. The definitive proxy statement will be filed with the Securities and Exchange Commission no later than 120 days after the end of the fiscal year covered by this report.

Item 6. *Selected Financial Data*

The following selected consolidated financial data has been derived from MarketWatch's consolidated statements of operations for the fiscal years ended December 31, 2003, December 31, 2002, and December 31, 2001 and consolidated balance sheets as of December 31, 2003 and December 31, 2002, which are included herein, and have been audited by PricewaterhouseCoopers LLP, independent auditors. The information set forth below is not necessarily indicative of the expectations of results for future operations and should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this Annual Report on Form 10-K.

	Years Ended December 31,				
	2003	2002	2001	2000	1999
STATEMENT OF OPERATIONS DATA					
(in thousands, except per share data)					
Net revenues.................	$ 47,173	$ 44,524	$ 45,856	$ 53,907	$ 24,935
Gross profit...................	30,230	28,185	27,233	32,895	15,034
Operating expenses................	27,927	38,548	103,834	121,448	77,324
Net income (loss).	2,655	(9,653)	(76,523)	(91,263)	(60,878)
Basic net income (loss) per share (1)...... ...	$ 0.15	$ (0.57)	$ (4.60)	$ (5.83)	$ (4.68)
Diluted net income (loss) per share (1)...... ...	$ 0.14	$ (0.57)	$ (4.60)	$ (5.83)	$ (4.68)
Shares used to compute basic net income (loss) per share (1)	17,317	16,959	16,648	15,659	13,004
Shares used to compute diluted net income (loss) per share (1)	18,594	16,959	16,648	15,659	13,004

	December 31,				
	2003	2002	2001	2000	1999

BALANCE SHEET DATA										
(in thousands)										
Cash and cash equivalents...........	$	48,079	$	43,328	$	37,637	$	45,356	$	9,500
Working capital (2).............		45,723		41,040		38,194		48,868		18,544
Total assets..................		85,228		78,645		77,513		144,240		156,855
Total stockholders' equity		75,165		70,297		69,051		133,417		149,148

1. See Note 2 to Notes to the Financial Statements for information concerning the number of shares used in computing net income (loss) per share.
2. Working capital is defined herein as current assets less current liabilities.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Operations

This report 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 our 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 document are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. In evaluating our business, prospective investors should carefully consider the information set forth previously under the caption "Business - Factors That May Affect Our Operating Results," and in other sections of this Annual Report on Form 10-K entitled "Competition" and "Intellectual Property" in addition to the other information set forth herein. We caution investors that our business and financial performance are subject to substantial risks and uncertainties.

Overview

Since our formation, we have 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.

We generate our net revenues from three primary sources: the sale of advertising on our Web sites and broadcast properties and membership center; the license of our content; and our newsletter and other subscription products. We operate in one segment.

Online advertising revenues, which account for a significant portion of our total revenues, are derived from the sale of advertisements and sponsorships on our Web sites. We believe advertising on our Web properties will continue to be a significant revenue opportunity. We believe our Web sites attract the type of users attractive to advertisers and our products offer advertisers a strong, consistent brand with the opportunity to target their campaigns on the site of their choice or run a campaign across all our Web sites. In the second half of calendar 2003, with the improvement in the U.S. economy and the movement of some traditional advertisers onto the Internet, our advertising sales have improved. A recent study by eMarketer, an aggregator of market research, indicates that online advertising spending in the United States is estimated to grow 13% in 2004. We believe we are positioned to take advantage of the increased interest of advertisers in the Web. However, advertising spending is particularly sensitive to economic and market conditions, as evidenced by the softening in our advertising revenues during the uncertain times in the U.S. economy the last several years. In addition, there continues to be a level of uncertainty by advertisers as to whether the Internet is a viable advertising vehicle for branding. As a result, we may not be able to grow or sustain our advertising sales, which would impact our ability to remain cash flow positive and generate net income.

Licensing revenues, which account for a significant portion of our total revenues, consist of revenues earned from the licensing of our content and tools. In January 2004, we acquired Pinnacor, an outsource provider of information and analytical applications to financial services companies and global corporations. With the acquisition of Pinnacor, we believe we have positioned ourselves to be a leading provider of online business news and financial applications and a more effective competitor in a rapidly changing and expanding, as well as highly competitive environment. We also expect the addition of Pinnacor's technological expertise and staff will improve our ability to develop and bring new products and services to market. However, we also face the challenges of integrating Pinnacor successfully and correcting the disruption to sales momentum caused by the uncertainties created by the six month delay between signing of the acquisition agreement and closing of the transaction. In addition, we have incurred declines in licensing sales in recent years as a substantial portion of our licensing revenue is derived from financial services companies, which have been adversely affected by economic downturns. We could continue to experience a decline if we fail to integrate Pinnacor successfully or do not diversify our client base, both of which would adversely impact our ability to remain cash flow positive and generate net income.

Subscription revenue is derived from customer subscriptions to our newsletters and third-party online services, MarketWatch RT and MarketWatch Live, which provide subscribers access to real-time exchange data and analytical products and are sold through our Web sites. Our subscriptions services were launched in April 2002 with the acquisition of the Hulbert Digest. Our subscriptions products also include the Retirement Weekly and The Technical Indicator newsletters.

We expect our subscription revenue to remain relatively insignificant for the foreseeable future. We have recently implemented a new e-commerce system that we believe will enable us to develop and launch a variety of subscription products, including Hulbert Interactive. As subscriptions are a relatively new service for us, we may not be able to develop products marketable to our users or launch them in a timely manner, both of which would cause a decline in revenues and adversely affect net income and cash flow.

Our multiple revenue streams have driven net revenues of $47.2 million, $44.5 million and $45.9 million for the years ended December 31, 2003, 2002 and 2001, respectively. Our focus on cost management and control during those same periods has resulted in net income (loss) of $2.7 million, ($9.7 million) and ($76.5 million) for the years ended December 31, 2003, 2002 and 2001, respectively. Included in the net loss reported in the years ended December 31, 2002 and 2001 is non-cash CBS advertising of $9.8 million and $11.6 million, respectively. Our cash and cash equivalents increased by $4.8 million and $5.7 million for the years ended December 31, 2003 and 2002, respectively, and decreased by $7.7 million for the year ended December 31, 2001. Although we generated net income for the year ended December 31, 2003 and were cash flow positive for the twelve months ended December 31, 2003 and 2002, you should not rely on the results for those periods as an indication of future performance.

Our ability to generate significant revenue or maintain profitability in the future is uncertain. Further, in view of the rapidly evolving nature of our business and our limited operating history, we have little experience forecasting our revenues. Therefore, we believe that period-to-period comparisons of our financial results are not necessarily meaningful and you should not rely upon them as an indication of our future performance. To date, we have incurred substantial costs to create, introduce and enhance our services, to develop content, to build brand awareness and to grow our business. We may incur additional costs and expenses related to content creation, technology, marketing or acquisitions of businesses and technologies to respond to changes in our rapidly changing industry. In addition, with the acquisition of Pinnacor, we expect to incur additional costs to integrate its operations, and we may not be successful in executing our post integration strategy. These costs could have an adverse effect on our future financial condition and operating results.

We have important strategic relationships with our principal stockholders, CBS and Pearson. We currently have several agreements with them, including a license agreement with CBS, expiring in October 2005, whereby it licenses its trademark and certain news content to us for royalties approximating 8% of all of our net revenues, as defined in the license agreement. In addition, we license our content to a subsidiary of Pearson plc., FT.com, and acquire data content from an affiliate of Pearson, IDC. As of December 31, 2003, CBS and Pearson collectively held approximately 65% of our outstanding common stock. After the Pinnacor acquisition, CBS and Pearson's collective interest decreased to approximately 46% of our outstanding common stock.

We intend for the discussion of our financial condition and results of operations that follows to provide information that will assist a reader in understanding our financial statements, the changes in certain key items in those financial statements from year to year, and the primary factors that accounted for those changes, as well as how certain accounting principles, policies and estimates affect our financial statements.

The historical results sections in "Results of Operations" below present a discussion of our consolidated operating results using the historical results of MarketWatch prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for the years ended December 31, 2003, 2002 and 2001.

Significant Accounting Policies

General

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our Consolidated Financial Statements, which have been prepared in accordance with generally accepted accounting principles or GAAP. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Management 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. Senior management has discussed the development, selection and disclosure of these estimates with the Audit Committee of our Board of Directors. Actual results may differ from these estimates under different assumptions or conditions.

Valuation of Goodwill and Indefinite-Lived Purchased Intangible Assets

On January 1, 2002, we adopted SFAS No. 142, "Goodwill and other Intangible Assets" and ceased amortization of our goodwill balance. In lieu of amortization, we are required to perform an impairment review of our goodwill balance upon the initial adoption of SFAS No. 142 and, thereafter, annually evaluate goodwill for impairment, or whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

We have not recorded any impairment charges for goodwill and intangible assets in the past. However, to the extent that events or circumstances cause our assumptions to change, we may be required to record a charge in the future that could be material.

Revenue Recognition

Online advertising revenues are recognized using the lesser of the ratio of impressions delivered over total guaranteed impressions or on the straight line basis over the term of the contract in the period the advertising is displayed, provided that no significant obligations remain on our part and collection of the resulting receivable is reasonably assured. Our obligations typically include guarantees of a minimum number of "impressions" or times that an advertisement is viewed by users of our 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.

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 us a fixed fee for each customer that comes to our site and registers for their product from the CBS.MarketWatch.com Web site.

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.

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.

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 our 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, 2003, 2002 and 2001, we recognized $572,000, $483,000, and $1.5 million, respectively, in barter revenue, which was valued by an independent third party using typical ad placement values for similar advertising placements.

Allowance for Doubtful Accounts

Our allowance for doubtful accounts is determined using a combination of factors to ensure that our trade receivables balances are not overstated due to uncollectibility. We maintain a bad debt reserve for all customers based on a variety of factors, including the length of time receivables are past due, trends in overall weighted average risk rating of the total portfolio, macroeconomic conditions, significant one-time events and historical experience. Also, we record additional reserves for individual accounts when we become aware of a customer's inability to meet its financial obligations to us, such as in the case of bankruptcy filings or deterioration in the customer's operating results or financial position. If circumstances related to customers change, our estimates of the recoverability of receivables would be further adjusted.

Taxes on Earnings

We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. We have considered future market growth, forecasted earnings, future taxable income, the mix of earnings in the jurisdictions in which we operate, and prudent and feasible tax planning strategies in determining the need for a valuation allowance. In the event we were to determine that we would not be able to realize all or part of our net deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to earnings in the period such determination is made. Likewise, if we later determine that it is more likely than not that the net deferred tax assets would be realized, the previously provided valuation allowance would be reversed. In order to realize our deferred tax assets we must be able to generate sufficient taxable income in the tax jurisdictions in which the deferred tax assets are located. Based on our history of operating losses, we have recorded a valuation allowance equal to our deferred tax assets.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. On an on-going basis, the Company evaluates its estimates, including those related to uncollectible receivables, investment values, goodwill and intangible assets, income taxes, restructuring costs and contingencies. The Company 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.

Recently Issued Accounting Pronouncements

In January 2003, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 46 ("FIN 46") "Consolidation of Variable Interest Entities." Until this interpretation, a company generally included another entity in its consolidated financial statements only if it controlled the entity through voting interests. FIN 46 requires a variable interest entity, as defined, to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns. Certain provisions of FIN 46 were deferred until the period ending after March 15, 2004. The adoption of FIN 46 did not have a material impact on our financial position, cash flows or results of operations.

In December 2003, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 104 (SAB 104), "Revenue Recognition", which supersedes SAB 101, "Revenue Recognition in Financial Statements." SAB 104's primary purpose is to rescind the accounting guidance contained in SAB 101 related to multiple-element revenue arrangements that was superseded as a result of the issuance of EITF 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables" and to rescind the SEC's related "Revenue Recognition in Financial Statements Frequently Asked Questions and Answers" issued with SAB 101 that had been codified in SEC Topic 13, "Revenue Recognition." While the wording of SAB 104 has changed to reflect the issuance of EITF 00-21, the revenue recognition principles of SAB 101 remain largely unchanged by the issuance of SAB 104, which was effective upon issuance. The adoption of SAB 104 did not have a material effect on our financial position or results of operations.

Results of Operations

Our results of operations, in dollars and as a percentage of net revenue for the specified period, were as follows:

	Years Ended December 31,

2003

2002

2001

(in thousands, except per share data)

Net revenues: ....

Advertising.......................

$

24,084

$

18,970

$

	20,797
Licensing........................	
	21,281
	24,631
	24,775
Subscriptions	
	1,808
	923
	284
Total net revenues....................	
	47,173
	44,524
	45,856
Cost of net revenues......................	
	16,943
	16,339
	18,623
Gross profit......................	
	30,230
	28,185
	27,233
Operating expenses:	
Product development....................	
	6,586
	6,954
	8,308

General and administrative	11,431	11,315	12,600
Sales and marketing....................	9,910	20,279	29,975
Amortization of goodwill and intangibles..........	--	--	51,542
Restructuring costs....................	--	--	1,409
Total operating expenses...............	27,927	38,548	103,834
Income (loss) from operations..................	2,303	(10,363)	(76,601)
Interest income..........................	502		

710

1,554

Loss in joint venture.......................

--

--

(1,476)

Net income (loss) before taxes..................

2,805

(9,653)

(76,523)

Provision for income taxes....................

150

--

--

Net income (loss) ....

$

2,655

			$	(9,653)	$	(76,523)
Basic net income (loss) per share................	$	0.15	$	(0.57)	$	(4.60)
Diluted net income (loss) per share..............	$	0.14	$	(0.57)	$	(4.60)
Shares used in the calculation of basic net income (loss) per share		17,317		16,959		16,648
Shares used in the calculation of diluted net income (loss) per share		18,594		16,959		16,648

Years ended December 31,

2003

2002

2001

(as a percentage of net revenue)

Net revenues: ....

Advertising........................

51

%

43

%

45

%

Licensing..........................

45

55

54

Subscriptions.......................

4

2

1

Total net revenues.....................

100

100

100

Cost of net revenues.......................

36

37

41

Gross profit.......................

64

63

59

Operating expenses: ....

Product development....................

	14	16	18
General and administrative.................	24	25	28
Sales and marketing....................	21	46	65
Amortization of goodwill and intangibles..........	--	--	112
Restructuring costs............................	--	--	3
Total operating expenses...............	59	87	226
Income (loss) from operations..................	5	(24)	

(167)

Interest income..........................

1

2

3

Loss in joint venture.......................

--

--

(3)

Net income (loss) before taxes..................

6

(22)

(167)

Provision for income taxes....................

--

--

--

Net income (loss) ....

6

%

(22)

%

(167)

%

Net Revenues

Net revenues are derived from the sale of advertising on our Web sites, advertising revenue from sponsored links, advertising revenues from our television and radio broadcasts, other premium products and fees from our membership center licensing of our content, and subscription sales of our newsletters. During the year ended December 31, 2003, we reclassified certain broadcast and membership center revenues, previously disclosed as "Other" into advertising revenues and prior years have been adjusted to be comparable with the current presentation.

Net revenues increased by 6% to $47.2 million for the year ended December 31, 2003 from $44.5 million for the year ended December 31, 2002, and decreased by 3% to $44.5 million in 2002 from $45.9 million for the year ended December 31, 2001.

Advertising revenue for 2003 increased $5.1 million, or 27%, as compared to the previous year. The increase in advertising revenue was primarily due to a 33% increase in the number of advertisers on our Web sites. Advertising revenue decreased $1.8 million, or 9%, to $19.0 million for the year ended December 31, 2002 from $20.8 million for the year ended December 31, 2001. The decrease in advertising revenue was primarily due to a decrease in online advertising from a reduction in number of advertisers on our Web sites and smaller advertising buys from some existing customers, offset by an increase in broadcast revenues from improvements in rates charged for advertising sold.

For the year ended December 31, 2003, licensing revenue decreased to $21.3 million from $24.6 million, or 13%, as compared to the previous year. The decrease in licensing revenue was primarily due to the expiration of five-year licensing commitment from IDC, which accounted for 44% of the decrease, termination of various license contracts, which accounted for 42% of the decrease, reduction of licensed fees on existing customer renewals, which accounted for 14% of the decrease, and the softness and consolidation of the financial services industry. Licensing revenue was relatively flat in the year ended December 31, 2002 as compared to 2001.

For the year ended December 31, 2003, subscription revenue increased to $1.8 million from $923,000, or 96%, as compared to the previous year. The increase was attributable to the launch of several new newsletters, which accounted for 62% of the increase. For the year ended December 21, 2002, subscription revenue increased to $923,000 from $284,000, or 225%, as compared to the previous year. The increase was primarily attributable to the acquisition of the Hulbert Financial Digest in April 2002.

We expect to derive a substantial amount of our revenues from advertising for the foreseeable future. We experienced a growth in advertising in the last half of 2003, but in general, we and other Web publishers, have experienced a similar growth in advertising according to industry sources. We cannot predict if this increased demand will continue for the foreseeable future. We derive a majority of our revenues from the sale of advertisements under short-term contracts. Advertisers 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 our on-line advertising revenue comes from financial services companies that have been adversely affected by the recent market downturn, which has resulted in less spending for on-line advertising. If we do not diversify our advertiser base and continue to attract advertisers from other industries, our 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 we are forced to reduce our advertising rates or we experience lower CPM's (cost per thousand page views) across our Web sites for any reason, future revenues could be adversely affected.

Our 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 our licensing revenue is earned from brokerages and financial services companies. 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, our licensing revenue would decrease. A number of these brokerages and financial service companies have experienced a decrease in account holders as a result of recent market downturns. Also, the growth of our licensing revenue could be limited as there are a limited number of brokerages and financial services companies.

Our ability to generate significant revenue or profits in the future remains uncertain due to the weakened economy. We may not generate net income or remain cash flow positive for fiscal 2004 or any particular fiscal quarter. Further, in view of the rapidly evolving nature of our business, our recent acquisition of Pinnacor and our limited operating history, we have little experience forecasting our revenues.

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 our Web properties and licensing clients, fees paid for data, Web site infrastructure costs, costs of serving ads, exchange fees, fees for communication lines, and costs related to subscriptions, including printing and mailing costs.

Cost of net revenues increased by $604,000, or 4%, to $16.9 million for the year ended December 31, 2003 from $16.3 million for the year ended December 31, 2002 and decreased by 12% to $16.3 million in 2002 from $18.6 million for the year ended December 31, 2001. As a percentage of net revenues, cost of net revenues were 36%, 37%, and 41% for the years ended December 31, 2003, 2002 and 2001, respectively. Of the aggregate increase in cost of net revenues for the year ended December 31, 2003 from 2002, $1.1 million of the increase was attributable to additional employee costs for news and operation, offset by a $616,000 net decrease in data source fees due to renegotiations of our supplier contracts. 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 and a decrease in data source fees from the negotiation of new contracts.

Product Development

Product development expenses primarily consist of fees paid for data, 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 costs decreased by $368,000, or 6%, to $6.6 million for the year ended December 31, 2003 from $7.0 million for the year ended December 31, 2002 and decreased by 16% to $7.0 million in 2002 from $8.3 million for the year ended December 31, 2001. As a percentage of net revenues, product development expenses were 14%, 16% and 18% for the years ended December 31, 2003, 2002 and 2001, respectively. Of the aggregate decrease in product development for the year ended December 31, 2003 from 2002, $695,000 was attributable to lower compensation expense from a reduction in headcount, offset by a $222,000 increase in data production fees. Product development expenses decreased for the year ended December 31, 2002 from 2001 primarily due to a reduction in headcount, data source fees and equipment costs.

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 increased by $116,000, or 1%, to $11.4 million for the year ended December 31, 2003 from $11.3 million for the year ended December 31, 2002 and decreased by 10% to $11.3 million in 2002 from $12.6 million for the year ended December 31, 2001. As a percentage of net revenues, general and administrative costs were 24%, 25% and 28% for the years ended December 31, 2003, 2002 and 2001, respectively. Of the aggregate increase in general and administrative costs for the year ended December 31, 2003 from 2002, $312,000 was attributable to increased headcount and $124,000 was from an increase in premiums for similar levels of coverage for director and officer insurance, offset by a $317,000 decrease in legal costs associated with hiring of an in-house general counsel and the absence of any acquisition- related costs on a comparative basis. General and administrative expenses decreased for the year ended December 31, 2002 as compared to 2001 primarily due to a reduction in bad debt expense from improving aging of accounts receivable, a decrease in use of temporary help and a decrease in equipment 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 our direct sales force and marketing personnel. Sales and marketing expenses decreased by $10.4 million, or 51%, to $9.9 million for the year ended December 31, 2003 from $20.3 million for the year ended December 31, 2002 and decreased by 32% to $20.3 million in 2002 from $30.0 million for the year ended December 31, 2001. As a percentage of net revenues, sales and marketing expenses were 21%, 46% and 65% for the years ended December 31, 2003, 2002 and 2001, respectively. Of the aggregate decrease in sales and marketing costs for the year ended December 31, 2003 from 2002, $9.8 was attributable to the absence of the CBS in-kind advertising as our agreement with CBS expired in June 2002 and $669,000 was attributable to lower distribution costs paid to America Online, Inc., or AOL and Yahoo! Inc. as these services decreased in 2003. Sales and marketing costs decreased for the year ended December 31, 2002 as compared to the previous year due to a decrease in CBS in-kind advertising, cash advertising spending, travel and related expenses and commissions due to lower sales.

We recorded an expense at the time the in-kind advertising and promotion were provided by CBS under our agreement with CBS based on the rate card value of the advertising. Non-cash advertising expense relating to services provided by CBS was $56,000, $9.8 million and $11.6 million for the years ended December 31, 2003, 2002 and 2001, respectively.

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 our goodwill balance. From that date, we were required to evaluate goodwill for impairment, at least annually.

2001 Restructuring Plan

In response to the continuing economic slowdown, we implemented a plan in the second quarter of 2001 to reduce costs and improve operating efficiencies by discontinuing initiatives and enhancements of our wireless and broadband businesses. We 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.

A summary of the restructuring costs is as follows (in thousands):

		Reduction in work force		Consolidation of excess facilities and other charges		Total
Total charge	$	300	$	1,109	$	1,409
Noncash charges.		--		(507)		(507)
Cash payments.		(300)		(257)		(557)
Restructuring accrual at December 31, 2001 .		--		345		345
Noncash charges.		--		(10)		(10)
Cash payments.		--		(225)		(225)
Restructuring accrual at December 31, 2002 .		--		110		110
Noncash charges.		--		(13)		(13)
Cash payments.		--		(93)		(93)
Restructuring accrual at December 31, 2003 .	$	--	$	4	$	4

Interest Income

Interest income of $502,000 for the year ended December 31, 2003 decreased 29% from the prior year primarily due to a decline in returns from lower interest rates on investments, slightly offset by the $4.8 million increase in cash and cash equivalents. Interest income of $710,000 in 2002 decreased 54% from the prior year also due to lower interest rates on investments.

Loss in Joint Venture

On October 2, 2001, we signed a non-binding memorandum of understanding, or MOU, to transfer our ownership in FTMarketwatch.com to the Financial Times Group, thereby eliminating the joint venture relationship. Prior to the signing of the MOU, we recorded 50% of the loss incurred by FTMarketWatch.com based on our ownership in the joint venture through August 31, 2001. In November 2001, we signed the purchase and sale agreement finalizing the transfer of our ownership in the joint venture to the Financial Times Group. As part of the ownership transfer, we signed a transitional services agreement with the Financial Times Group under which we 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 us that were owned by the joint venture. In addition, we signed a license agreement with the Financial Times Group under which we will provide content and tools for a monthly fee. Our portion of the loss related to the joint venture for the year ended December 31, 2001 was $1.5 million. Since we no longer had a commitment to fund the joint venture, we reversed previously recorded losses of $645,000 during the three months ended September 30, 2001.

Liquidity and Capital Resources

Since inception, we have funded our operations primarily from cash contributed and advanced by IDC and CBS, revenues from advertising and license sales and the proceeds of our initial public offering. At December 31, 2003, cash and cash equivalents totaled $48.1 million, compared to $43.3 million at December 31, 2002 and $37.6 million at December 31, 2001.

Cash provided by operating activities was $6.6 million for the year ended December 31, 2003, primarily due to net income of $2.7 million and an adjustment for the effect of non-cash charges for depreciation and amortization of $3.8 million, an increase in accounts payable and accrued expenses of $1.3 million and an increase in deferred revenue of $460,000, offset by an increase in prepaid expenses and accounts receivable of $1.6 million. We recognized $572,000 in barter revenue and marketing expense for the year ended December 31, 2003.

Cash provided by operating activities was $7.3 million for the year ended December 31, 2002. The cash provided in 2002 was primarily due from non-cash charges of $4.8 million in depreciation and amortization of property and equipment and $9.8 million in advertising provided by CBS, offset by a net loss of $9.7 million. Significant sources of cash from operations for the year ended December 31, 2002 included a decrease in accounts receivable of $3.0 million, partially offset by a decrease in accounts payable and accrued expenses of $746,000. We 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 a 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 included a decrease in accounts receivable of $2.6 million and prepaid expenses and other assets of $2.2 million, partially offset by a decrease in accounts payable and accrued expenses of $2.5 million. We recognized $1.5 million in barter revenue and marketing expense for the year ended December 31, 2001.

Cash used in investing activities was $3.5 million for the year ended December 31, 2003 and consisted primarily of capital expenditures of $1.6 million and the prepaid acquisition costs for the purchase of Pinnacor of $1.9 million.

Cash used in investing activities was $2.1 million for the year ended December 31, 2002 and consisted primarily of capital expenditures of $1.9 million and the purchase of the Hulbert Financial Digest of $231,000.

Cash used in investing activities was $5.9 million for the year ended December 31, 2001 and consisted primarily of additional investment in our joint venture of $1.5 million and capital expenditures of $4.4 million.

For all reported periods, capital expenditures have generally consisted of purchases of computer hardware and leasehold improvements related to leased facilities.

Cash provided by financing activities was $1.7 million, $456,000 and $517,000 for the years ended December 31, 2003, 2002 and 2001, respectively, and primarily reflected the proceeds from the employee stock purchase plan and stock option exercises throughout the respective years.

Contractual Obligations and Commercial Commitments

We incur various contractual obligations and commercial commitments in our normal course of business. Such obligations and commitments consist of the following as of December 31, 2003.

Operating lease obligations

- We have various operating leases covering facilities in San Francisco, California; Minneapolis, Minnesota; New York, New York; Washington DC; Los Angeles, California; Chicago, Illinois; Boston, Massachusetts; and Dallas, Texas. Commitments under non-cancelable operating leases totaled $9.8 million through December 31, 2010.

Net lease commitments as of December 31, 2003 can be summarized as follows (in thousands):

	Gross lease commitments			Sublease income			Net lease commitments		
2004.	$	1,853		$	(123)		$	1,730	
2005.		1,977			(84)			1,893	
2006.		2,054			--			2,054	
2007.		2,122			--			2,122	
2008.		1,174			--			1,174	
Due after five years		584			--		$	584	
Total net lease commitments	$	9,764		$	(207)		$	9,557	

Commercial commitments

- We are committed to pay $628,000 to AOL over the next year.

We do not currently have any outstanding capital lease obligations, purchase obligations, long-term debt obligations or other long-term liabilities reflected on our balance sheets under GAAP.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, as such term is defined in recently enacted rules by the Securities and Exchange Commission, that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

We believe our current cash position will be sufficient to meet our anticipated needs for working capital and capital expenditures for at least the next 12 months. We may need to raise funds sooner if we acquire any additional businesses, products or technologies. We are 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, we cannot assure you that additional financing will be available to us 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 our 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 our common stock.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest rate sensitivity.

The primary objective of our investment activities is to preserve principal while maximizing the income we receive from our investments without significantly increasing risk. Some of the securities that we have 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 we hold 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 our investment will probably decline. To minimize this risk, we maintain our portfolio of cash in money market funds. In general, money market funds 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 our investments mature in less than one year.

Exchange rate sensitivity.

We consider our exposure to foreign currency exchange rate fluctuations to be minimal, as we do not have any sales denominated in foreign currencies. We have not engaged in any hedging or other derivative transactions to date.

Item 8. *Consolidated Financial Statements and Supplementary Data*

Index to Consolidated Financial Statements

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders
of MarketWatch.com, Inc.

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of MarketWatch.com, Inc. and its subsidiary at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 10 to the consolidated financial statements, the Company changed its method of accounting for goodwill and other intangible assets during 2002 in accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets".

PricewaterhouseCoopers LLP

San Francisco, California
March 24, 2004

MARKETWATCH.COM, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	December 31,				
	2003			2002	
Assets					
Current assets:					
Cash and cash equivalents.	$	48,079		$	43,328
Accounts receivable, net of allowances for bad debts of $396 and $450 at December 31, 2003 and 2002, respectively		7,022			5,364
Prepaid expenses		685			696
Total current assets		55,786			49,388
Property and equipment, net.		4,387			6,680
Goodwill, net		22,429			22,429
Prepaid acquisition costs.		2,498			--

Other assets.		128			148
Total assets	$	85,228		$	78,645
Liabilities and Stockholders' Equity					
Current liabilities:					
Accounts payable.	$	2,566		$	3,198
Accrued expenses		6,120			4,233
Deferred revenue		1,377			917
Total current liabilities		10,063			8,348
Commitments and contingencies (Note 6)					
Stockholders' equity:					
Preferred stock, $.01 par value; 5,000,000 shares authorized; no shares issued and outstanding.		--			--
Common stock, $.01 par value; 30,000,000 shares authorized; 17,484,239 shares and 17,060,711 shares issued and outstanding at December 31, 2003 and		180			171

2002, respectively.				
Additional paid-in capital		323,141		320,993
Contribution receivable.		--		(56)
Accumulated deficit.		(248,156)		(250,811)
Total stockholders' equity.		75,165		70,297
Total liabilities and stockholders' equity	$	85,228	$	78,645

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

MARKETWATCH.COM, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Years Ended December 31,									
			2003			2002			2001	
Net revenues:										
Advertising		$	24,084		$	18,970		$	20,797	

Licensing	21,281	24,631	24,775	
Subscriptions.	1,808	923	284	
Total net revenues	47,173	44,524	45,856	
Cost of net revenues.	16,943	16,339	18,623	
Gross profit.	30,230	28,185	27,233	
Operating expenses:				
Product development	6,586	6,954	8,308	
General and administrative	11,431	11,315	12,600	
Sales and marketing.	9,910	20,279	29,975	
Amortization of goodwill and intangibles	--	--	51,542	
Restructuring costs	--	--	1,409	
Total operating expenses	27,927	38,548	103,834	

Income (loss) from operations	2,303	(10,363)	(76,601)
Interest income	502	710	1,554
Loss in joint venture	--	--	(1,476)
Net income (loss) before taxes	2,805	(9,653)	(76,523)
Provision for income taxes	150	--	--
Net income (loss)	$ 2,655	$ (9,653)	$ (76,523)
Basic net income (loss) per share	$ 0.15	$ (0.57)	$ (4.60)
Diluted net income (loss) per share.	$ 0.14	$ (0.57)	$ (4.60)
Shares used in the calculation of basic net income (loss) per share	17,317	16,959	16,648
Shares used in the calculation of diluted net income (loss) per share	18,594	16,959	16,648

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

MARKETWATCH.COM, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands, except share data)

					Additional Paid-In		Contribution
		Common Stock					

Accumulated

Shares

Amount

Capital

Receivable

Deficit

Total

Balances, December 31, 2000

16,541,403

$

166

$

319,425

$

(21,539)

$

(164,635)

$

133,417

Issuance of common stock upon

exercise of options....... ....

60,962

1

79

80

Issuance of common stock through

employee stock purchase

plan.............. ....

139,165

1

436

437

Advertising received from CBS.......

11,640

11,640

Net loss...... ....

(76,523)

(76,523)

Balances, December 31, 2001	
	16,741,530
	168
	319,940
	(9,899)
	(241,158)

69,051

Issuance of common stock upon

exercise of options....... ....

18,491

--

67

67

Issuance of common stock through

employee stock purchase

plan................ ....

162,039

2

387

389

Issuance of common stock upon

acquisition of Hulbert Financial

Digest...... ....

138,651

1

599

600

Advertising received from CBS.. ....

9,843

9,843

Net loss................. ....

(9,653)

(9,653)

Balances, December 31, 2002

17,060,711

171

320,993

(56)

(250,811)

70,297

Issuance of common stock upon

exercise of options...... ....

328,687

7

1,287

1,294

Issuance of common stock through

employee stock purchase

plan............... ....

94,841

2

388

390

Contribution of non-cash services from CBS	473
	473
Advertising received from CBS......	56
	56
Net income.................	

2,655

2,655

Balances, December 31, 2003

17,484,239

$

180

$

323,141

$

--

$

(248,156)

$

75,165

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

MARKETWATCH.COM, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years Ended December 31,		
	2003	2002	2001
Cash flows from operating activities:			

Net income (loss) . . . .

$

2,655

$

(9,653)

$

(76,523)

Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:

'

Provision for bad debt . . . .

(66)

--

1,020

Depreciation and amortization . . . .

3,755

4,753

57,713

Loss in joint venture. . . . .

--

--

1,476

Non-cash charges from stockholder. . . . .

56

9,843

11,640

Changes in operating assets and liabilities:

Accounts receivable . . . .

(1,592)

2,978

2,555

Prepaid expenses and other assets . . . .

31

73

2,160

Accounts payable and accrued expenses . . . . . .

1,304

(746)

(2,469)

Deferred revenue . . . .

460

	74
	108
Net cash provided by (used in) operating activities	
	6,603
	7,322
	(2,320)

Cash flows from investing activities:

Purchase of property and equipment	(1,605)	(1,856)	(4,440)
Prepaid acquisition costs	(1,931)	--	--

Acquisition of business, net of cash acquired	
	--
	(231)
	--
Investment in joint venture	
	--
	--
	(1,476)
Net cash used in investing activities	
.	
	(3,536)
	(2,087)
	(5,916)

Cash flows from financing activities:

Issuance of common stock . . . .

1,684

456

517

Net cash provided by financing activities . . . .

1,684

456

517

Net change in cash . . . .

4,751

5,691

(7,719)

Cash and cash equivalents at the beginning of the

period . . . .

43,328

37,637

45,356

Cash and cash equivalents at the end of the period . . .

$

48,079

$

43,328

$

37,637

Supplemental disclosure of non-cash activity:

Prepaid acquisition costs for Pinnacor included in prepaid acquisition costs and accounts payable. . . . .

$

567

--

--

Non-cash contribution of services from CBS. .

473

--

--

Common stock issued for acquisition
of business. . . . .

--

$

600

--

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

Note 1 - Organization and Nature of Business

The Company

MarketWatch.com, Inc. (the "Company"), a leading multi-media publisher of business and financial news and provider of information and analytical tools, was formed on October 29, 1997 in the state of Delaware as a limited liability company and was jointly owned by Data Broadcasting Corporation ("DBC"), now known as Interactive Data Corporation ("IDC"), and CBS Broadcasting Inc. ("CBS"), with each member owning a 50% interest in the Company.

In connection with the formation of the limited liability company, the Company, CBS and DBC entered into a contribution agreement (the "Contribution Agreement"), under which DBC contributed to the Company cash and DBC's then existing "Online/News" business, which primarily consisted of customer contracts and intellectual property, and CBS agreed to provide $50.0 million of rate card amount of advertising and promotions over a period of five years in return for its ownership interest. Subsequently, the $50.0 million rate card amount was revised to $30.0 million upon completion of the Company's initial public offering (see Note 3).

In addition, CBS and the Company entered into a license agreement dated October 29, 1997 (the "License Agreement") where CBS, in exchange for a royalty of 30% of net advertising revenue, as defined, granted to the Company the non-exclusive right and license to use certain CBS news content and registered trademarks, including the CBS "Eye" design, until October 29, 2005, subject to termination on the occurrence of certain events. Subsequently, the 30% royalty was decreased to 8% (see Note 3). In addition, the Company entered into a services agreement with DBC (the "Services Agreement") on October 29, 1997 under which DBC charged the Company for certain general services, the Company received payment from DBC for supplying news and the Company receives a fee for licensing MarketWatch RT and MarketWatch Live.

On January 6, 2000, the Company entered into a joint venture agreement with the Financial Times Group, a part of Pearson plc, a British media company ("Pearson") to establish Financial Times Marketwatch.com (Europe) Limited, an Internet provider of real time business news, financial programming and analytical tools. Under the agreement, the Company licensed its trademark and technology to the joint venture, contributed certain domain names and 500,000 pounds sterling in exchange for 500,000 shares of the joint venture. The Financial Times contributed trademarks for an ongoing royalty fee, provided 15.0 million pounds sterling worth of rate card advertising over five years and contributed 500,000 pounds sterling in cash for 500,000 shares in the joint venture. The Company recorded 50% of the loss incurred by FT MarketWatch.com based on its ownership percentage and accounted for the joint venture under the equity method.

In October 2001, the Company signed a non-binding memorandum of understanding ("MOU") to transfer its ownership of the joint venture to the Financial Times Group. Since the Company no longer had a commitment to fund the joint venture, the previously recorded losses of $645,000 were reversed during the three months ended September 30, 2001. In November 2001, the Company completed the sale and purchase agreement finalizing the transfer of ownership in the joint venture to the Financial Times Group. As part of the ownership transfer, the Company signed a transitional services agreement with the Financial Times Group under which the Company 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 the Company that was owned by the joint venture. In addition, the Company signed a license agreement with the Financial Times Group under which it will provide content and tools for a monthly fee. The total contributions to the joint venture for the years ended December 31, 2001 and 2000 were $1.5 million and $5.0 million, respectively.

On May 5, 2000, the Company issued 1,136,814 shares of the Company's common stock to DBC 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, which expired on May 5, 2002. The remaining $56,000 of rate card advertising and promotion from CBS was utilized by April 25, 2003.

In January 2001, an affiliate of Pearson acquired DBC's 34.1 % stake in the Company.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. All significant intercompany accounts and transactions have been eliminated. Investments in entities in which the Company can exercise significant influence, but are less than majority-owned and are not otherwise controlled by the Company, are accounted for under the equity method.

The Company operates in one segment.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements. Actual results could differ from those estimates.

Revenue Recognition

The Company generates its net revenues from three primary sources: the sale of advertising on the Company's Web sites, broadcast properties and membership center fees; the license of content; and subscription revenues from newsletters and other products.

Online advertising revenues, derived from the sale of advertisements, revenues from newsletter and other sponsorships on the Company's Web sites, are recognized using the lesser of the ratio of impressions delivered over total guaranteed impressions or on the straight line basis over the term of the contract in the period the advertising is displayed, provided that no significant Company obligations remain and collection of the resulting receivable is reasonably assured. Company obligations typically include guarantees of a minimum number of "impressions" or times that an advertisement is viewed by users of the Company's 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.

The Company produces a weekend television program for distribution on CBS affiliates and daily radio broadcasts for distribution by Westwood One Radio Network. The Company shares in the revenue earned through the sale by CBS sales forces and Westwood One of advertising space during its television and radio programming, respectively. 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. Membership center customers pay MarketWatch a fixed fee for each customer that comes to their site and registers for their product from the CBS.MarketWatch.com Web site. Revenue from the membership center is recognized in the month the leads are generated.

Licensing revenues consist of revenue earned from the licensing of MarketWatch content and tools. License revenues consist of fixed monthly amounts related to the license of financial tools and news content that are recognized ratably over the term of the licensing agreement or amounts based on the number of qualified account holders.

Subscription revenue relates to customer subscriptions to the Company's newsletters, and the IDC online services, MarketWatch RT and MarketWatch Live, which provide subscribers access to real-time exchange data and analytical products and are sold through the Company'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 yet been recognized.

Revenues from barter transactions, in accordance with the provisions of Accounting Principles Board Opinion No. 29 ("APB 29"), "Accounting for Nonmonetary Transactions," are recognized during the period in which the advertisements are displayed on the Company'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, 2003, 2002 and 2001, the Company recognized $572,000, $483,000 and $1.5 million, respectively, in barter revenue, which was valued by an independent third party using typical ad placement values for similar advertising placements.

The Company did not record barter revenue and the related expenses for advertising provided to American Online, Inc. ("AOL") under an agreement in accordance with Emerging Issues Task Force 99-17, EITF 99-17 "Accounting for Advertising Barter Transactions". Under the provisions of EITF 99-17, revenue and expense should be recognized at fair value from an advertising barter transaction only if the fair value of the advertising surrendered in the transaction is determinable based on the entity's own historical practice of receiving cash, marketable securities, or other consideration that is readily convertible to a known amount of cash for similar advertising from buyers unrelated to the counterparty in the barter transaction. Since these criteria were not met with respect to the Company's barter agreement with AOL, which ended on December 31, 2002, the Company did not recognize revenue. Under the agreement with AOL, for the year ended December 31, 2002, AOL received 141 mentions and 26 graphics on the CBS.MarketWatch.com Weekend Show and 15% of a CBS.MarketWatch.com and AOL cobranded advertisement that ran 51 times in the NY Daily News and 34 times in the San Francisco Examiner. For the year ended December 31, 2001, AOL received 65 mentions and 58 graphics on the CBS.MarketWatch.com Weekend Show, and 15% of a CBS.MarketWatch.com and AOL cobranded advertisement that ran 114 times in the NY Daily News and 104 times in the San Francisco Examiner. For the years ended December 31, 2002 and 2001, the Company received 1.8 billion and 8.2 billion impressions, respectively, from AOL.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment is recorded at cost and depreciated using the straight-line method over its estimated useful life, ranging from three to five years. Leasehold improvements are amortized using the straight-line method over the shorter of their useful lives or the remaining lease term. Depreciation and amortization expense relating to property and equipment for the years ended December 31, 2003, 2002 and 2001 was $ 3.8 million, $4.8 million and $5.1 million, respectively.

Intangible Assets and Goodwill

Prior to January 1, 2002, goodwill and intangibles were amortized using the straight-line method. Goodwill was being amortized over three years, and intangibles were being amortized over periods ranging from 1.5 to 3.5 years. Through December 31, 2001, the Company assessed the recoverability of its long-term assets by comparing the projected discounted cash flows associated with those assets against their respective carrying amounts. Impairment, if any, was based on the excess of the carrying amount over the fair value of those assets. If it was probable that the projected future undiscounted cash flows of the acquired assets were less than the carrying value of the goodwill, the Company would recognize an impairment loss in accordance with the provision of Statement of Financial Accounting Standards No. 121 ("SFAS No.121"), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." In addition, if the analysis warranted revised estimated useful lives, the Company would adjust the lives of the assets in accordance with Accounting Principles Board Opinion No. 17, "Intangible Assets." No impairment was identified as of December 31, 2001.

On January 1, 2002, the Company adopted SFAS No. 142, "Goodwill and other Intangible Assets" and ceased amortization of the Company's goodwill balance. In lieu of amortization, the Company was required to perform an impairment review of its goodwill balance upon the initial adoption of SFAS No. 142 and, thereafter, periodically evaluate goodwill for impairment. The Company will use a two-step process to evaluate impairment. The first step is to identify a potential impairment by comparing the fair value of the Company to the carrying value, including goodwill. The second step of the goodwill impairment test measures the amount of the impairment loss (measured as of the beginning of the year of adoption), if any. The Company has completed the impairment review under SFAS No. 142 and has determined that an adjustment for impairment was not required during the years ended December 31, 2003 and 2002.

Amortization of goodwill and intangibles for the years ended December 31, 2003, 2002 and 2001 was $0, $0 and $52.0 million, respectively, of which $0, $0 and $416,000, respectively, was included in cost of sales.

Net Income (Loss) per Share

Basic net income (loss) per share is computed using the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed using the weighted average number of common and, if dilutive, potential common shares outstanding during the period. Potential common shares consist of the incremental common shares issuable upon the exercise of stock options and warrants (using the treasury stock method). For 2002 and 2001, potential common shares were not included in the computation because they were antidilutive. For 2003, potential common shares of 1,276,782, were included in the computation and were related to shares issuable upon the exercise of stock options.

Product Development Costs

Costs attributable to the development of new products are expensed as incurred. The Company develops software that enables users to access information on its Web sites and subscription services. Development costs incurred prior to technological feasibility are expensed as incurred. Costs eligible for capitalization have been immaterial for all periods presented.

Promotion and Advertising

Advertising costs are expensed as incurred. Promotion and advertising provided by CBS under the Contribution Agreement are recognized as an expense during the period in which the services are provided based on the rate card value of such services (See Notes 3 and 8). Advertising expense for the years ended December 31, 2003, 2002 and 2001 was $1.2 million, $11.0 million and $15.1 million, respectively.

Income Taxes

Income taxes are computed using the asset and liability method. Under the asset and liability method, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the currently enacted tax rates and laws. A valuation allowance is provided for the amount of deferred tax assets that, based on available evidence, are not expected to be realized.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents and accounts receivable. Management deposits its cash with six financial institutions. Management periodically performs credit evaluations of its customers' financial condition and generally does not require collateral on accounts receivable. As of December 31, 2003, 2002 and 2001, none of the Company's customers accounted for 10% or more of its gross accounts receivable. The fair value of accounts receivable approximates carrying value due to their short-term nature.

Comprehensive Income

Comprehensive income includes all changes in equity (net assets) during a period from non-owner sources. During each of the three years in the period ended December 31, 2003, the Company has not had any significant transactions that are required to be reported in comprehensive income.

Stock-Based Compensation

The Company accounts for its stock-based employee compensation agreements in accordance with the provisions of Accounting Principles Board Opinion No. 25 ("APB No.25"), "Accounting for Stock Issued to Employees" and its related interpretations and complies with the disclosure provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation" and SFAS No. 148. "Accounting for Stock-Based Compensation, Transition and Disclosure." In accounting for stock-based transactions with non-employees, the Company records compensation expense in accordance with SFAS No. 123 and Emerging Issues Task Force 96-18, "Accounting for Equity Instruments That are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services."

The following pro forma information presents the Company's net income (loss) and basic and diluted net income (loss) per share for the years ended December 31, 2003, 2002 and 2001 as if compensation cost had been measured under the fair value method of SFAS No. 123, "Accounting for Stock Based Employee Compensation," for the employee stock option and employee stock purchase plans.

	Years Ended December 31,											
	2003				2002				2001			
Net income (loss):												
As reported	$	2,655			$	(9,653)			$	(76,523)		
Stock-based employee compensation expense determined under fair value based method	$	(2,754)			$	(3,964)			$	(3,692)		
Pro forma net loss	$	(99)			$	(13,617)			$	(80,215)		
Net income (loss) per share:												
As reported, basic	$	0.15			$	(0.57)			$	(4.60)		
As reported, diluted	$	0.14			$	(0.57)			$	(4.60)		
Pro forma, basic	$	(0.01)			$	(0.80)			$	(4.82)		
Pro forma, diluted	$	(0.01)			$	(0.80)			$	(4.82)		

The Company calculated the fair value of its equity-based compensation plans using the Black-Scholes model. The following weighted average assumptions were used related to option grants:

	Years Ended December 31,										
	2003				2002				2001		
Stock Options											
Expected dividend		0	%			0	%			0	%
Risk-free interest rate		2.4	%			3.4	%			4.2	%
Expected volatility		68	%			105	%			115	%
Expected life (in years)		4				4				4	

Employee Stock Purchase Plan											
Expected dividend		0	%			0	%			0	%
Risk-free interest rate		1.3	%			1.8	%			2.6	%
Expected volatility		78	%			105	%			115	%
Expected life (in months)		6				6				6	

According to the Black-Scholes option-pricing model, the weighted average estimated fair value of employee stock option grants during 2003, 2002 and 2001 was $3.71, $2.93, and $2.44 per share, respectively, and the weighted average fair value of shares granted under the Purchase Plan for the years ended December 31, 2003, 2002 and 2001 was $4.10, $2.40 and $2.37, respectively.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options.

Because additional stock options are expected to be granted each year, the above pro forma disclosures are not representative of pro forma effects on reported financial results for future years.

Recently Issued Accounting Pronouncements

In January 2003, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 46 ("FIN 46") "Consolidation of Variable Interest Entities." Until this interpretation, a company generally included another entity in its consolidated financial statements only if it controlled the entity through voting interests. FIN 46 requires a variable interest entity, as defined, to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns. Certain provisions of FIN 46 were deferred until the period ending after March 15, 2004. The adoption of FIN 46 did not have a material impact on the Company's financial position, cash flows or results of operations.

In December 2003, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 104 (SAB 104), "Revenue Recognition", which supersedes SAB 101, "Revenue Recognition in Financial Statements." SAB 104's primary purpose is to rescind the accounting guidance contained in SAB 101 related to multiple-element revenue arrangements that was superseded as a result of the issuance of EITF 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables" and to rescind the SEC's related "Revenue Recognition in Financial Statements Frequently Asked Questions and Answers" issued with SAB 101 that had been codified in SEC Topic 13, "Revenue Recognition." While the wording of SAB 104 has changed to reflect the issuance of EITF 00-21, the revenue recognition principles of SAB 101 remain largely unchanged by the issuance of SAB 104, which was effective upon issuance. The adoption of SAB 104 did not have a material effect on the Company's financial position or results of operations.

Note 3 - Agreements with CBS and Pearson

In January 1999, the Company entered into a Stockholders' Agreement ("Stockholders' Agreement") with CBS and IDC under which CBS reduced the advertising commitment from the Contribution Agreement to an aggregate rate card amount of $30.0 million in return for a change in the royalty rate payable under the License Agreement, extension of the License Agreement to 2005 and modified to certain non-competition provisions. Additionally, both CBS and Pearson, which acquired IDC's 34.1% stake in the Company (see Note 1), have a right of first refusal in the event either party desires to sell any securities of the Company to a third-party or if the Company issues new securities.

In addition, the Company and CBS entered into an Amended and Restated License Agreement (the "Amended and Restated License"), which became effective immediately prior to the initial public offering. Under the Amended and Restated License, in return for the right to use the CBS name and logo as well as the CBS Television Network news content, the Company is obligated to pay a royalty to CBS of: (i) during 1999: (a) 8% of Gross Revenues (as defined below) in excess of $500,000 and up to and including $50.5 million and (b) 6% of Gross Revenues in excess of $50.5 million; and (ii) in subsequent years through the termination of the license agreement on October 29, 2005: (a) 8% of Gross Revenues up to and including $50.0 million and (b) 6% of Gross Revenues in excess of $50.0 million.

CBS has the right to terminate the agreement in certain circumstances, including the Company's breach of a material term or condition of the agreement, insolvency, bankruptcy or other similar proceeding, discontinuance of use of the MarketWatch logo without providing an acceptable substitute, or acquisition or issuance of certain percentages of the Company's common stock or voting power by or to a CBS competitor. In addition, CBS has retained significant editorial control over the use and presentation of the CBS news content and the CBS logo and has the ability to prevent the Company from displaying certain types of content, which are unacceptable to CBS.

Gross Revenues means gross operating revenues that are derived from an Internet service or Web site that provides information or services of a financial nature or uses the CBS trademarks licensed to the Company. Gross Revenues excludes certain revenues including those from Pearson, an amount equal to certain commissions paid to sales representatives and an amount equal to certain revenues attributable to an acquired company's results of operations for the 12 months prior to the acquisition.

The terms of the Amended and Restated License do not prohibit CBS from licensing its name and logo to another Web site or Internet service that does not have as its primary function and its principal theme and format the delivering of comprehensive real-time or delayed stock market quotations and financial news in the English language to consumers. CBS is also not prohibited from licensing its news content to, or investing in, another Web site or Internet service.

In January 1999, the Company and IDC entered into an Amended and Restated Services Agreement (the "Amended Services Agreement"), in which IDC would provide the Company with hosting services, software programming assistance, data feeds, communications lines, office space and related facilities, network operations and Web site management services, as well as certain administrative and engineering services if requested by the Company. The Amended Services Agreement provides for IDC to grant the Company certain nonexclusive licenses to its data and information feeds and provides for certain network Web site hosting performance standards. IDC also paid the Company a monthly per subscriber fee ranging from $2.50 to $5.00, subject to a monthly minimum of $100,000 through October 2002, for delivery of the Company's news to all IDC subscribers, as defined. The Company is also required to pay IDC 25% and 75% of subscription revenues for MarketWatch RT(TM) and MarketWatch Live(TM), respectively. The term of the Amended Services Agreement will expire on October 29, 2005.

In January 1999, the Company, CBS and DBC entered into a Registration Rights Agreement ("Registration Agreement"). CBS and DBC, and their affiliates and permitted transferees, were given certain registration rights for the securities of the Company held by them under the Registration Agreement.

In October 1999, CBS committed to provide advertising and promotions over a five-year period in return for its ownership position (see Note 1). The Company had recorded the $50.0 million commitment by CBS as a contribution receivable and reduced the receivable and recorded an expense based on the rate card amount of the advertising and promotion during the period provided. Under the terms of the Stockholders' Agreement, the Company recorded a $20.0 million reduction to the contribution receivable and additional paid-in capital upon completion of the initial public offering. Under the terms of the stock purchase agreement that was 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 April 25, 2003. As of December 31, 2003, CBS delivered fully under these commitments.

Note 4 - Balance Sheet Components

Allowance for bad debts was as follows (in thousands):

	Years Ended December 31,								
		2003			2002			2001	
Balance at beginning of period.	$	450		$	752		$	628	
Charged to expenses.		(66)			--			1,020	
Write-offs, net of recoveries.		12			(302)			(896)	
Balance at end of period.	$	396		$	450		$	752	

Prepaid expenses were as follows (in thousands):

	December 31,					
	2003			2002		
Prepaid marketing.	$	128		$	239	
Other.		557			457	
	$	685		$	696	

Property and equipment, net, consisted of the following (in thousands):

	December 31,					
	2003			2002		
	$	13,224		$	12,288	

Computer and equipment.					
Leasehold improvements.		5,967			5,931
Furniture and fixtures.		2,111			2,126
		21,302			20,345
Less accumulated depreciation and amortization.		(16,915)			(13,665)
	$	4,387		$	6,680

Accrued expenses were as follows (in thousands):

	December 31,					
	2003			2002		
Accrued television production.	$	266		$	661	
Accrued royalty.		972			807	
Accrued compensation and related expenses. . .		2,767			1,432	
Restructuring accrual.		4			110	
Accrued income taxes.		99			--	
Deferred rent.		870			745	
Customer refunds (1)		845			--	
Other (2)		297			478	
	$	6,120		$	4,233	

1. In January 2004, the Company cancelled one of its subscription newsletters and refunded its customers a pro-rata share of their remaining subscriptions.
2. In the fourth quarter of 2003, the Company settled a liability with one of its vendors, which resulted in a decrease in expenses of approximately $688,000.

Note 5 - Income Taxes

The provision for income taxes composed of the following (in thousands):

	Years Ended December 31,								
		2003			2002			2001	
Current:									
Federal.	$	60		$	--		$	--	
State.		90			--			--	
Total current provision	$	150		$	--		$	--	

The components of the net deferred tax assets and liabilities were as follows (in thousands):

	Years Ended December 31,								
		2003			2002			2001	
Deferred tax assets:									
Net operating loss carryforwards.	$	39,221		$	40,107		$	37,446	
Property and equipment.		2,758			3,595			3,377	
Accruals and reserves.		1,087			1,062			704	
Total deferred tax assets.		43,066			44,764			41,527	
Deferred tax liabilities:									
Intangible assets.		(6)			--			(115)	
		43,060			44,764			41,412	

Net deferred assets.									
Less valuation allowance.		(43,060)			(44,764)			(41,412)	
Deferred tax asset.	$	--		$	--		$	--	

Due to the uncertainty surrounding the realization of the favorable tax attributes in future tax returns, the Company has placed a valuation allowance against its deferred tax assets. The valuation allowance for the year ended December 31, 2003 decreased by $1.7 million and increased for the years ended December 31, 2002 and 2001 by $3.4 million and $10.4 million, respectively.

At December 31, 2003, the Company had federal and state net operating loss carry-forwards of approximately $102.9 million and $72.7 million, respectively, available to offset future regular taxable income. The Company's net operating loss carryforwards will expire on various dates through 2023, if not utilized. The availability of net operating losses to offset future taxable income may be limited as a result of ownership changes in 1999. The amount of such limitations, if any, has not been determined.

U.S. operating loss carryforwards of approximately $28.7 million resulted from the exercise of employee stock options, the tax benefit of which, when recognized, will be accounted for as a credit to additional paid-in capital rather than a reduction of the income tax provision.

The difference between the income tax expense (benefit) at the statutory rate of 34% and the Company's effective tax rate was due primarily to the valuation allowance established to offset the deferred tax asset and the impact of state taxes. The provision for income tax was different than the amount computed using the applicable statutory federal income tax rate with the difference for the years summarized below:

	Years Ended December 31,								
	2003			2002			2001		
Provision computed at federal statutory rate.	34	%		(34)	%		(34)	%	
State taxes, net of federal benefit.	5			(4)			(5)		
Amortization of goodwill.				--			26		
Other permanent differences.	37			3			(1)		
Tax losses not benefited.	(71)			35			14		

Provision for income taxes.	5	%		--	%		--	%	

Note 6 - Commitments and Contingencies

Leases

The Company subleases office space from CBS for its corporate headquarters in San Francisco, California, and its operations in New York City through 2010. In addition, the Company leases space in Minneapolis, Washington D.C., Chicago, Los Angeles, Boston and Dallas. Rent expense under the leased properties was $1.7 million, $1.7 million and $1.6 million for the years ended December 31, 2003, 2002 and 2001, respectively.

In addition, the Company has entered into various sublease arrangements associated with excess facilities under the 2001 restructuring program. Such subleases have terms extending through 2005 and amounts estimated to be received have been included in determining the restructuring accrual.

Net noncancelable lease commitments as of December 31, 2003 can be summarized as follows (in thousands):

	Gross lease commitments			Sublease income			Net lease commitments		
2004.	$	1,853		$	(123)		$	1,730	
2005.		1,977			(84)			1,893	
2006.		2,054			--			2,054	
2007.		2,122			--			2,122	
2008.		1,174			--			1,174	
Due after five years		584			--			584	
Total net lease commitments	$	9,764		$	(207)		$	9,557	

Commitments

As of December 31, 2003, the Company has entered into employment agreements with eight of its officers. These agreements expire through December 2004. Such agreements provide for annual salary levels ranging from $175,000 to $325,000, as well as annual bonuses of up to 100% of the base salary.

As of December 31, 2003, the Company is committed to paying $628,000 to AOL over the next year in fulfillment of an agreement. Under the agreement, the Company created a co-branded site that enables AOL members to access

CBS.MarketWatch.com content and investment management tools through the AOL portal. The Company and AOL have also agreed to collaborate in sales and marketing efforts.

The Company maintains agreements with independent content providers for certain news, stock quotes and other information. The terms of these agreements are generally one to two years, with optional extension periods ranging from one to three years.

Contingencies

From time to time, the Company is subject to legal proceedings and claims in the ordinary course of business. The Company is not currently aware of any legal proceedings or claims that will have a material adverse effect on the Company's financial position or results of operations.

In 2001, several plaintiffs filed class action lawsuits in federal court against the Company, certain of its current and former officers and directors and its underwriters in connection with its January 1999 initial public offering. The complaints generally assert claims under the Securities Act, the Exchange Act and rules promulgated by the Securities and Exchange Commission. The complaints seek class action certification, unspecified damages in an amount to be determined at trial, and costs associated with the litigation, including attorneys' fees. The action against the Company is being coordinated with approximately three hundred other nearly identical actions filed against other companies. On June 25, 2003, a committee of the Company's board of directors approved a Memorandum of Understanding ("MOU") and related agreements that set forth the terms of a settlement between the Company, the plaintiff class and the vast majority of the other approximately 300 issuer defendants. It is anticipated that any potential financial obligation of the Company to plaintiffs pursuant to the terms of the MOU and related agreements will be covered by existing insurance. Therefore, the Company does not expect that the settlement will involve any payment by the Company. The MOU and related agreements are subject to a number of contingencies, including the negotiation of a settlement agreement and its approval by the Court.

Indemnifications

During its normal course of business, the Company has made certain indemnifications, commitments and guarantees under which it may be required to make payments in relation to certain transactions. These indemnifications include intellectual property indemnifications to the Company's customers in connection with the sales of its products and services, indemnifications to various lessors in connection with facility leases for certain claims arising from such facility or lease, and indemnifications to directors and officers of the Company to the maximum extent permitted under the laws of the State of Delaware.

Note 7 - Employee Benefit Plans

401K

The Company has a 401(k) deferred savings plan covering substantially all employees. Employee contributions were matched 25% by the Company, up to a maximum of $2,500 per employee per year in 2003, 25% up to a maximum of $2,500 per year for 2003 and 2002 and 33% up to a maximum of $2,500 per year for and 2001. Matching contributions by the Company in the years ended December 31, 2003, 2002 and 2001 were approximately $266,000, $192,000 and $348,000, respectively.

Employee Stock Purchase Plan

Effective August 15, 2000, the Company's Board of Directors adopted the Employee Stock Purchase Plan (the "Purchase Plan"), which provides for the issuance of a maximum of 500,000 shares of the Company's common stock. Eligible employees can have up to 15% of their earnings withheld, up to certain maximums, to be used to purchase shares of the Company's common stock on every February 14th and August 14th. The price of the common stock purchased under the Purchase Plan will be equal to 85% of the lower of the fair market value of the common stock on the commencement date of each six-month offering period or the specified purchase date. In addition, on each January 1, the aggregate number of shares of the Company's common stock reserved for issuance under the Plan shall be increased automatically by a number of shares purchased under the Plan in the preceding calendar year, provided that the Board may in its sole discretion reduce the amount of the increase in any particular year. During the years ended December 31, 2003, 2002 and 2001, 94,841, 162,039 and 139,165 shares, respectively, were purchased under the Purchase Plan. At December 31, 2003, 405,159 shares were available under the Purchase Plan for future issuance.

Stock Option Plans

In 1998, the Board of Directors adopted the 1998 Equity Incentive Plan (the "1998 Plan") and the 1998 Directors' Stock Option Plan (the "1998 Directors' Plan") and all outstanding employee options became part of the 1998 Plan. The 1998 Plan and 1998 Directors' Plan became effective upon the completion of the Company's initial public offering. Stockholders have approved both plans. In each of the calendar years 2000 and 2002, the Board of Directors reserved an additional 1,500,000 shares for issuance under the 1998 Plan. In 2002, the Board of Directors reserved an additional 50,000 shares for issuance under the 1998 Directors' Plan. To date, the Company has reserved an aggregate of 4.65 million shares for issuance under both plans.

The 1998 Plan allows for the issuance of incentive stock options and non-qualified stock options. The 1998 Directors Plan allows for the issuance of non-qualified stock options. The stated exercise price of all options granted are not less than 100% of the fair market value on the date of grant. Options are generally granted for a term of ten years and vest one-third after each year of service over a three-year period.

Pursuant to the consummation of the acquisition of BigCharts during 1999, the Company assumed the BigCharts, Inc. 1995 Stock Plan (the "BigCharts Plan"). Options issued under the BigCharts Plan become exercisable over varying periods as provided in the individual plan agreements. BigCharts had issued 585,824 shares under the BigCharts Plan.

In June 2001, the Company offered a voluntary stock option exchange program that provided the Company's employees and directors the opportunity to cancel certain stock options of the Company's common stock, in exchange for new options to purchase 75% of the shares subject to the cancelled options six months and one day after the options were cancelled. The new options would be granted on or after January 19, 2002 at the then fair market value of the Company's common stock. Options to purchase approximately 2.7 million shares were eligible for the exchange program. On July 18, 2001, the Company cancelled options to purchase approximately 989,000 shares, and granted new options to purchase approximately 725,000 shares on January 22, 2002.

The following summarizes the activity in the Company's stock option plans:

	Options Outstanding	Weighted Average Exercise Price
Options outstanding, December 31, 2000		

	2,883,537	$ 21.31
Options granted	572,010	3.17
Options canceled	(1,566,559)	31.51
Options exercised	(60,962)	1.32

Options outstanding, December 31, 2001	1,828,026	8.15
Options granted	1,617,318	4.04
Options canceled	(145,130)	7.73

Options exercised	(18,491)
	3.65
Options outstanding, December 31, 2002	3,281,723
	6.17
Options granted	952,640
	8.17
Options canceled	

	(125,460)	7.31
Options exercised	(328,437)	7.31
Options outstanding, December 31, 2003 .	3,780,466	$ 6.83

At December 31, 2003, 2002 and 2001, 376,389, 1,203,569 and 1,125,757 options were available for future grant, respectively, and 1,914,835, 1,429,107 and 813,651 options were exercisable, respectively. The weighted average exercise price and weighted average remaining contractual life of the vested options were $7.59 and 6.61 years, respectively, at December 31, 2003; $8.66 and 8.16 years, respectively, at December 31, 2002; and $9.80 and 8.08 years, respectively, at December 31, 2001.

The following table summarizes information about options at December 31, 2003:

		Options outstanding						Options exercisable		
Range of Exercise Prices per Share		Number Outstanding		Average Remaining Contractual Life (in years)		Weighted Average Exercise Price per Share		Number Exercisable		Weighted Average Exercise Price per Share
$1.32- $1.74		9,660		3.85	$	1.35		9,326	$	1.33
$2.41 - $3.95		1,056,517		8.16		3.52		494,804		3.36
$4.00 - $6.40		1,547,839		7.01		4.31		1,071,745		4.13
$7.30- $9.78		914,416		9.31		8.42		86,926		8.01
$10.54 - $19.00		54,874		5.91		14.03		54,874		14.03
$21.31 - $28.80		69,000		6.32		25.21		69,000		25.21
$33.25 - $42.00		109,160		5.99		38.04		109,160		38.04
$50.00 - $74.00		19,000		5.62		56.32		19,000		56.32
$1.32- $74.00		3,780,466		7.82	$	6.83		1,914,835	$	7.59

In January 2004, in conjunction with the acquisition of Pinnacor, the Company adopted a 2004 stock incentive plan and 2004 employee stock purchase plan. The Company assumed the Pinnacor stock option plan and issued options under the Company's 2004 stock incentive plan.

Note 8 - Related Party Transactions

Under its license agreement with CBS, the Company expensed $3.0 million, $2.8 million, and $2.8 million for the years ended December 31, 2003, 2002 and 2001, respectively, related to licensing of CBS news content and trademarks. In addition, the Company has recorded advertising expenses of $56,000, $9.8 million, and $11.6 million at rate card value for the years ended December 31, 2003, 2002 and 2001, respectively, for advertising and promotion provided by CBS. Rental payments to CBS for leasing of certain facilities were $1.2 million, $1.1 million, and $1.1 million for the years ended December 31, 2003, 2002 and 2001, respectively. During 2003, CBS forgave $473,000 in rental expenses which was recorded in equity as a CBS contribution to the Company.

Licensing revenues from IDC were $0, $1.0 million, and $1.4 million for the years ended December 31, 2003, 2002 and 2001, respectively. Licensing revenues from FT.com and Financial Times were $1.5 million, $1.8 million and $1.3 million for the years ended December 31, 2003, 2002 and 2001, respectively. The Company recognized costs to IDC of $633,000, $641,000 and $934,000, for the years ended December 31, 2003, 2002 and 2001, respectively, for data feeds. In March 2003, IDC purchased Comstock, Inc. and the Company expensed $577,000 for data feeds from Comstock, Inc. for the year ended December, 31, 2003. In addition, the Company recognized revenue of $2.6 million, $2.2 million and $2.6 million for the years ended December 31, 2003, 2002 and 2001, respectively, from television and radio programming on CBS stations. The Company recognized costs to CBS of $1.2 million, $1.6 million, and $1.5 million for the years ended December 31, 2003, 2002 and 2001, respectively, for production of the television and radio programming.

IDC purchased $56,000, $33,000, and $123,000 for the years ended December 31, 2003, 2002 and 2001, respectively, of advertising under an insertion order.

At December 31, 2003 and 2002, $453,000 and $532,000, respectively, were included in accounts receivable for radio and television revenue due from CBS. In addition, at December 31, 2003 and 2002, $11,000 and $135,000, respectively, were included in accounts receivable related to licensing and subscription revenues due from IDC and $92,000 and $0, respectively, were included in accounts receivable related to licensing revenues due from FT.com and Financial Times, subsidiaries of Pearson. At December 31, 2003 and 2002, the Company had a liability of $972,000 and $807,000, respectively, owed to CBS for royalty fees and a liability of $203,000 and $70,000, respectively, due to IDC for data feeds.

Direct charges for subscription revenues for certain IDC data feeds were $38,000, $58,000 and $136,000 for the years ended December 31, 2003, 2002 and 2001, respectively. Under the terms of the Amended and Restated Services Agreement, IDC agreed to provide the Company with certain general services including accounting, network operations, hosting of the Company's Web pages and data feeds. Allocated charges for these services totaled $106,000 for the year ended December 31, 2001.

Note 9 - Restructuring Charges

In the second quarter of 2001, the Company implemented a plan to reduce costs and improve operating efficiencies by discontinuing initiatives and enhancements of its wireless and broadband businesses, and recorded a restructuring charge of $1.4 million. The restructuring charge consisted primarily of severance and benefits of $300,000 related to the involuntary termination of approximately 35 employees; the estimated lease costs of $510,000 pertaining to future obligations for non-cancelable lease payments for excess facilities; and the write-off of leasehold improvements, furniture and fixtures, software and computer equipment with a net book value of $530,000. The assets were taken out of service, as they were deemed unnecessary due to the reductions in workforce. In addition, the Company accrued for legal and consulting costs of $70,000 related to the restructuring. At December 31, 2003, $4,000 remains to be paid out for lease costs and other expenses. The restructuring is expected to be completed by January 31, 2004.

Note 10 - Change in Accounting for Goodwill and Certain Other Intangibles

In accordance with SFAS No. 142, goodwill and indefinite life intangibles amortization was discontinued as of January 1, 2002. The carrying amount of goodwill at December 31, 2003 and 2002 totaled $22.4 million. SFAS No. 142 prescribes a two-phase process for impairment testing of goodwill. The first phase screens for impairment; while the second phase (if necessary), measures the impairment. Under SFAS No. 142, the Company is required to perform a goodwill impairment review annually and more frequently if the facts and circumstances warrant a review. No impairment was required as a result of the annual reviews in 2003 and 2002.

In accordance with SFAS No. 142, the effect of this accounting change is reflected prospectively. Supplemental comparative disclosure as if the change had been retroactively applied to the year ended December 31, 2001 is as follows (in thousands, except per share amounts).

	Year Ended		
	December 31,		
		2001	
Reported net income (loss)	$	(76,523)	

Add back: Goodwill amortization	50,830
Add back: Intangible amortization	1,130
Adjusted net income (loss)	$ (24,563)
Basic and diluted net loss per share:	
Reported net loss per share	$ (4.60)

Goodwill amortization	3.05
Intangible amortization	0.07
Adjusted net loss per share:	$ (1.48)

There was no goodwill amortization for the years ended December 31, 2003 and 2002.

Note 11-Subsequent Event

On January 16, 2004, the Company completed the acquisition of Pinnacor Inc. ("Pinnacor"), formerly known as ScreamingMedia, a provider of information services and analytical applications to financial services companies and global corporations. The combined companies provide a diversified suite of integrated financial and new service products and solutions, including financial and news links.

Under the terms of the agreement, a new company ("Holdco") with two wholly-owned subsidiaries, Pine Merger Sub, Inc. ("Pine Merger Sub") and Maple Merger Sub, Inc. ("Maple Merger Sub"), were formed to combine the businesses of the Company and Pinnacor. Each Company stockholder received one share of Holdco common stock for each share of the Company common stock held by such stockholder. Each Pinnacor stockholder received either $2.42 in cash or 0.2659 of a share of Holdco common stock for each share of Pinnacor common stock held by such stockholder, subject to proration.

The purchase price of $107.7 million was determined as follows (in thousands):

Fair value of common stock	$ 53,676
Fair value of options and warrants	

	6,718
Cash	
	44,002
Direct transaction costs	
	3,342
$	
	107,738

The fair value of the common stock was determined based on an 6,141,435 shares issued as priced using the average market price of the common stock over the five-day period surrounding the date of the acquisition was announced in July 2003. The fair value of the Company's stock options and warrants issued was determined using the Black-Scholes option-pricing model.

The Company prepaid $ 2.5 million dollars in direct transaction costs as of December 31, 2003 which are presented as a noncurrent asset.

The preliminary allocation of the purchase price to the assets acquired and liabilities assumed based on their estimated fair values was as follows (in thousands):

Cash acquired	$	41,606	
Other tangible assets acquired		6,279	
Amortizable intangible assets:			
		4,050	

Developed technology			
Acquired customer base		3,750	
In-process research and development		300	
Goodwill		64,340	
Total assets acquired		120,325	
Liabilities assumed		(12,674)	
Deferred stock-based compensation		87	
Total	$	107,738	

The assets will be amortized over a period of years shown on the following table:

Developed technology	4	years
Acquired customer base	7	years
Fixed assets acquired	1 to 5	years

The fair value underlying the $300,000 assigned to acquired in-process research and development ("IPR&D") in the Pinnacor acquisition will be charged to the Company's results of operations during the quarter ended March 31, 2004 and was determined by identifying the research projects in areas which technological feasibility had not been established and there was no alternative future use.

A preliminary estimate of $64.3 million has been allocated to goodwill. Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired, and is not deductible for tax purposes. Goodwill will not be amortized and will be tested for impairment, at least annually. The purchase price allocation for Pinnacor is subject to revision as more detailed analysis is completed and additional information on the fair value of Pinnacor's assets and liabilities becomes available. Any change in the fair value of the net assets of Pinnacor will change the amount of the purchase price allocable to goodwill.

The following attributes of the combination of the two businesses were considered significant factors to the establishment of the purchase price, resulting in the recognition of goodwill:

- Pinnacor's acquired technology includes certain additional products that may allow the combined company to develop more comprehensive products and pursue expanded market opportunities.
- The ability to hire the Pinnacor workforce, which will include a significant number of experienced engineering, development and technical staff with specialized knowledge of the sector in which the combined company will operate.
- Potential operating synergies are anticipated to arise and are more likely to include cost savings from the elimination of redundant data content provision, data center operations and expenses associated with operating as a public company and limited reductions in overlapping staffing positions and general facility costs.

The following unaudited pro forma information presents a summary of results of operations of the Company assuming the acquisition of Pinnacor occurred on January 1, 2003 (in thousands, except per share amounts):

			Year Ended December 31,2003	
Net revenues		$	80,677	
Net income		$	140	
Net income per share:				
Basic		$	0.01	
Diluted		$	0.01	

Note 12 - Comparative Quarterly Financial Data

(unaudited)

(in thousands except per share data)

		Quarter Ended									
			March 31			June 30		September 30			December 31
2003											

Net revenues	$ 11,118	$ 11,100

$

I1,576

$

13,379

Gross profit

$

7,094

$

6,697

$

6,975

$

9,464

Net income (loss)

$

35

$

(209)

$

	300
	$ 2,529
Net income (loss) per share, basic	$ 0.00
	$ (0.01)
	$ 0.02
	$ 0.14
Net income (loss) per share, diluted	$ 0.00
	$ (0.01)
	$ 0.02
	$ 0.13

Shares used in per share calculation, basic	17,157	17,262	17,382	17,469
Shares used in per share calculation, diluted	18,047	17,262	18,754	

18,844

Quarter Ended

March 31

June 30

September 30

December 31

2002

Net revenues	$ 9,816	$ 12,012	$

10,982

$

11,714

Gross profit

$

5,942

$

7,798

$

6,676

$

7,769

Net income (loss)

$

(5,651)

$

(4,132)

$

(724)

$

								854
Net income (loss) per share, basic	$	(0.34)	$	(0.24)	$	(0.04)	$	0.05
Net income (loss) per share, diluted	$	(0.34)	$	(0.24)	$	(0.04)	$	0.05
Shares used in per share calculation, basic								16,792

	16,954
	17,028
	17,060
Shares used in per share calculation, diluted	
	16,792
	16,954
	17,028
	17,488

Item 9. *Changes In and Disagreement with Accountants In Accounting and Financial Disclosure*

Not applicable.

Item 9A. *Controls and Procedures*

(a) As of December 31, 2003, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information required to be included in this annual report.

(b) There have been no significant changes in our internal controls or in other factors which could significantly affect internal controls subsequent to our most recent evaluation of our internal controls.

PART III

Certain information required by Part III is omitted from this report and will be incorporated by reference herein from our definitive proxy statement pursuant to Regulation 14A in connection with the Annual Meeting of Stockholders to be held in August 2004. The definitive proxy statement will be filed with the Securities and Exchange Commission no later than 120 days after the end of the fiscal year covered by this report.

Item 10. *Directors and Executive Officers of the Registrant*

Information relating to our executive officers is present under Item 4A of this report. Information relating to our directors will be set forth under the caption "Proposal No. 1 -- Election of Directors" in our definitive proxy statement. Such information is incorporated herein by reference.

We have adopted a code of business conduct and ethics that applies to all company employees. This code is posted on our Website located at *www.marketwatch.com*. The code may be found as follows: From our main Web page, first click on "Company Info" and then click on "Code of Business Conduct and Ethics." We intend to satisfy the disclosure requirement under Item 10 of Form 8-K regarding an amendment to, or waiver from, a provision of this code of business conduct and ethics by posting such information on our Web site, at the address and location specified above.

Item 11. *Executive Compensation*

Information relating to executive compensation will be presented under the caption "Executive Compensation" in our definitive proxy statement. This information is incorporated herein by reference in this report.

Item 12. *Security Ownership of Certain Beneficial Owners and Management*

Information relating to the security ownership of our common stock by our management and other beneficial owners will be presented under the caption "Security Ownership of Certain Beneficial Owners and Management" in our definitive proxy statement. This information is incorporated herein by reference.

Item 13. *Certain Relationships and Related Transactions*

Information relating to certain relationships of our directors and executive officers and related transactions will be presented under the caption "Certain Relationships and Related Transactions" in our definitive proxy statement. This information is incorporated herein by reference.

Item 14. *Principal Accountant Fees and Services.*

Information relating to principal accountant fees and services will be presented under the caption "Principal Accountant Fees and Services" in our definitive proxy statement. This information is incorporated herein by reference.

PART IV

Item 15. *Exhibits, Financial Statement Schedules, and Reports on Form 8-K*

(a) Documents to be filed as part of this Annual Report on Form 10-K.

1. Consolidated Financial Statements (see index to Item 8).

2. Consolidated Financial Statement Schedules.

All consolidated financial statement schedules have been omitted since the required information is not present in amounts sufficient to require submission of the schedules, or because the information required is included in the financial statements or notes thereto.

3. List of Exhibits.

The exhibits filed as part of this Form 10-K are listed in the Index to Exhibits immediately preceding such exhibits, which Index to Exhibits is incorporated by reference in this report.

(b) Reports on Form 8-K filed in the Fourth Quarter of 2003.

1. Reports on Form 8-K filed by MarketWatch Media, Inc. (f.k.a. MarketWatch.com, Inc.):

(a) MarketWatch Media filed a Form 8-K on October 22, 2003 announcing, among other things, its financial results for the third quarter ended September 30, 2003.

(b) MarketWatch Media filed a Form 8-K on December 15, 2003, announcing the amendment of the Merger Agreement and a certain Voting Agreement entered into in connection with its merger with Pinnacor Inc.

2. Reports on Form 8-K filed by Pinnacor Inc.:

(a) Pinnacor filed a Form 8-K on October 23, 2003 announcing, among other things, its financial results for the third quarter ended September 30, 2003.

(b) Pinnacor filed a Form 8-K on December 15, 2003, announcing the amendment of the Merger Agreement and a certain Voting Agreement entered into in connection with its merger with MarketWatch Media, Inc.

(c) Exhibits. See Item 15(a)(3) above.

(d) Financial Statements. See Item 15(a)(1) above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused the report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 30th day of March, 2004.

MarketWatch.com, Inc.
(Registrant)

By: /s/ LARRY S. KRAMER
Larry S. Kramer
Chief Executive Officer and Chairman
(Principal Executive Officer)

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

Signature	Title	Date
/s/ LARRY S. KRAMER	Chief Executive Officer and Chairman (Principal Executive Officer)	March 30, 2004
Larry S. Kramer		
/s/ JOAN P. PLATT	Chief Financial Officer (Principal Financial and Accounting Officer)	March 30, 2004
Joan P. Platt		
/s/ PETER GLUSKER	Director	March 30, 2004
Peter Glusker		
________________	Director	March 30, 2004
Christie Hefner		
/s/ ANDREW HEYWARD	Director	March 30, 2004
Andrew Heyward		
________________	Director	March

David Hodgson		30, 2004
/s/ PHILIP HOFFMAN	Director	March 30, 2004
Philip Hoffman		
/s/ ZACHARY LEONARD	Director	March 30, 2004
Zachary Leonard		
/s/ ROBERT LESSIN	Director	March 30, 2004
Robert Lessin		
/s/ DOUGLAS MCCORMICK	Director	March 30, 2004
Douglas McCormick		
/s/ JEFFREY RAYPORT	Director	March 30, 2004
Jeffrey Rayport		

INDEX TO EXHIBITS

Exhibit Number	Exhibit Title
2.01	Merger Agreement dated January 13, 1999, between MarketWatch.Com, LLC (the "LLC") and the Registrant (Incorporated by reference to exhibit of the same number, filed with MarketWatch Media, Inc.'s Annual Report on Form 10-K filed on March 31, 1999).
2.02	Agreement and Plan of Reorganization dated April 28, 1999, between the Registrant and BigCharts, Inc. (Incorporated by reference to Exhibit 2.01, filed with MarketWatch Media, Inc.'s Current Report on Form 8-K filed on May 12, 1999).
2.03	Agreement and Plan of Merger, dated July 22, 2003, by and among the Registrant, MarketWatch Media, Inc., Pinnacor Inc., Maple Merger Sub, Inc. and Pine Merger Sub,

	Inc. (Incorporated by reference to Exhibit 99.1, filed with MarketWatch Media, Inc.'s Report on Form 8-K filed on July 23, 2003)
2.04	Amendment No. 1 to the Agreement and Plan of Merger, dated December 15, 2003, by and among the Registrant, MarketWatch Media, Inc., Pinnacor Inc., Maple Merger Sub, Inc. and Pine Merger Sub, Inc. (Incorporated by reference to Exhibit 99.1, filed with MarketWatch Media, Inc.'s Report on Form 8-K filed on December 15, 2003).
2.05	Certificate of Ownership and Merger, dated February 13, 2004, merging MarketWatch Media, Inc. and the Registrant.+
2.06	Certificate of Ownership and Merger, dated February 13, 2004, merging Pinnacor, Inc. and the Registrant.+
3.01	Registrant's Amended and Restated Certificate of Incorporation (Incorporated by reference to exhibit of the same number, filed with the Registrant's Registration Statement on Form S-4 (File No. 333-108282) initially filed on August 27, 2003).
3.02	Registrant's First Amended and Restated Certificate of Incorporation.
3.03	Registrant's Bylaws (Incorporated by reference to exhibit of the same number, filed with the Registrant's Registration Statement on Form S-4 (File No. 333-108282) initially filed on August 27, 2003).
3.04	Registrant's Amended and Restated Bylaws.+
4.01(3)	Form of Specimen Stock Certificate for Registrant's Common Stock (Incorporated by reference to exhibit of the same number, filed with the Registrant's Registration Statement on Form S-4 (File No. 333-108282) initially filed on August 27, 2003).
4.02(1)	Registration Rights Agreement dated January 13, 1999, among the Registrant, CBS Broadcasting Inc. (formerly known as CBS Inc.) ("CBS") and Data Broadcasting Corporation ("DBC").
4.03	Stockholders' Agreement dated January 13, 1999, among the Registrant, the LLC, CBS and DBC.
4.04	First Amended and Restated Stockholders' Agreement, dated as of January 16, 2004, among the Registrant, CBS, Pearson and NMP, Inc. +
4.05	Assignment and Consent of Registration Rights Agreement, dated As of January 16,2004 by and among the Registrant, CBS, Pearson International Finance Ltd. and NMP, Inc. +
10.01	Form of Indemnity Agreement between the Registrant and each of its directors.
10.02	Master Agreement No. 2430, dated December 9, 1999, between Pinnacor Inc. and Cisco Systems Capital Corp (Incorporated by reference to Exhibit 10.1, filed with Pinnacor Inc.'s Registration Statement on Form S-1 (File No. 333-30548) initially filed on February 16, 2000).
10.03	Agreement of Lease, dated March 31, 1999, between Pinnacor Inc. and 601 West Associates
	LLC (Incorporated by reference to Exhibit 10.2.1, filed with Pinnacor Inc.'s Registration Statement on Form S-1 (File No. 333-30548) initially filed on February 16, 2000).
10.04	First Lease Modification Agreement, dated June 18 1999, between Pinnacor Inc. and 601 West Associates
	LLC (Incorporated by reference to Exhibit 10.2.2, filed with Pinnacor Inc.'s Registration Statement on Form S-1 (File No. 333-30548) initially filed on February 16, 2000).
10.05	Lease Modification and Expansion Agreement, dated July 14, 2000, between Pinnacor Inc. and 601 West Associates,

	LLC (Incorporated by reference to Exhibit 10.27, filed with Pinnacor Inc.'s Registration Statement on Form S-1 (File No. 333-30548) initially filed on February 16, 2000).
10.06	Lease dated as of August 27, 1998, between MarketWatch Media, Inc. and CBS Corporation (Incorporated by reference to exhibit of the same number, filed with MarketWatch Media, Inc.'s Registration Statement on Form S-1 (File No. 333-65569), initially filed on October 13, 1998).
10.07	Amended and Restated License Agreement dated January 13, 1999, between the Registrant and CBS.
10.08	Amended and Restated Services Agreement dated January 13, 1999, between the Registrant and DBC.
10.09	Revolving Credit Agreement dated January 13, 1999, between MarketWatch Media, Inc. and DBC, together with Revolving Promissory Note dated January 13, 1999, made by MarketWatch Media, Inc. in favor of DBC (Incorporated by reference to exhibit of the same number, filed with MarketWatch Media, Inc.'s Annual Report on Form 10-K filed on March 31, 1999).
10.10*	MarketWatch Media, Inc. Form of Non-Plan Option (Incorporated by reference to exhibit of the same number, filed with MarketWatch Media, Inc.'s Registration Statement on Form S-1 (File No. 333-65569), initially filed on October 13, 1998).
10.11*	MarketWatch Media, Inc. 1998 Directors Stock Option Plan (Incorporated by reference to exhibit of the same number, filed with MarketWatch Media, Inc.'s Registration Statement on Form S-1 (File No. 333-65569), initially filed on October 13, 1998).
10.12*	MarketWatch Media, Inc.'s 1998 Equity Incentive Plan (Incorporated by reference to exhibit of the same number, filed with MarketWatch Media, Inc.'s Registration Statement on Form S-1 (File No. 333-65569), initially filed on October 13, 1998).
10.14	Registrant's 2004 Equity Incentive Plan (included as Annex E to the joint proxy statement-prospectus forming a part of Registrant's Registration Statement on Form S-4 (File No. 333-108282) initially filed on August 27, 2003).
10.15	Registrant's 2004 Employee Stock Purchase Plan (included as Annex F to the joint proxy statement-prospectus forming a part of Registrant's Registration Statement on Form S-4 (File No. 333-108282) initially filed on August 27, 2003).
10.16	Master Lease Agreement, dated March 2, 2000, between Pinnacor Inc. and Jacom Computer Services, Inc. (Incorporated by reference to Exhibit 10.20, filed with Pinnacor Inc.'s Registration Statement on Form S-1 (File No. 333-30548) initially filed on February 16, 2000).
10.17	Joint Venture Agreement dated January 6, 2000, between MarketWatch Media, Inc. and Financial Times Group Limited (Incorporated by reference to exhibit of the same number, filed with MarketWatch Media, Inc.'s Registrant's Annual Report on Form 10-K filed on March 30, 2000).
10.18	Lease Agreement, dated February 17, 2000, between Pinnacor Inc. and Working Capital Technologies of America (Incorporated by reference to Exhibit 10.21, filed with Pinnacor Inc.'s Registration Statement on Form S-1 (File No. 333-30548) initially filed on February 16, 2000).
10.19	Stock Purchase Agreement, dated March 28, 2000, among MarketWatch Media, Inc., CBS and DBC (Incorporated by reference to Exhibit 10.1, filed with MarketWatch Media, Inc.'s Quarterly Report on Form 10-Q filed on May 15, 2000).
10.20	Joint Venture Agreement dated June 19, 2000, among MarketWatch Media, Inc., Financial Times Group Limited, Pearson Internet Holdings BV and Pearson Overseas Holdings Limited (Incorporated by reference to Exhibit 10.2, filed with MarketWatch Media, Inc.'s

	Quarterly Report on Form 10-Q filed on November 14, 2000).
10.21*	Employment Agreement dated as of October 2, 2000, between MarketWatch Media, Inc. and William Bishop (Incorporated by reference to exhibit of the same number, filed with MarketWatch Media, Inc.'s Quarterly Report on Form 10-Q filed on November 14, 2000).
10.22*	Employee Stock Purchase Plan (Incorporated by reference to exhibit of the same number, filed with MarketWatch Media, Inc.'s Quarterly Report on Form 10-Q filed on November 14, 2000).
10.23	Reserved.
10.24	Memorandum of understanding by and between MarketWatch Media, Inc., Pearson International Finance Ltd. and FTMarketWatch (Europe) Ltd., dated September 28, 2001 (Incorporated by reference to exhibit 10.25, filed with MarketWatch Media, Inc.'s Quarterly Report on Form 10-Q filed on November 14, 2001).
10.25	Joint venture sale and purchase agreement dated November 16, 2001 between MarketWatch Media, Inc. and Pearson Internet Holdings BV (Incorporated by reference to exhibit 10.25, filed with MarketWatch Media, Inc.'s Annual Report on Form 10-K filed on April 1, 2002).
10.26*	Employment Agreement dated December 1, 2001 between the Registrant and Kathy Yates Incorporated by reference to exhibit of the same number, filed with the Registrant's Quarterly Report on Form 10Q (File No. 000-25113) filed with the Securities and Exchange Commission on November 14, 2002.
10.27	Reserved.
10.28*	Employment Agreement dated January 1, 2002 between MarketWatch Media, Inc. and Dave Callaway (Incorporated by reference to exhibit of the same number, filed with MarketWatch Media, Inc.'s Quarterly Report on Form 10Q filed on November 14, 2002).
10.29*	Employment Agreement dated February 11, 2002 between MarketWatch Media, Inc. and Jamie Thingelstad (Incorporated by reference to exhibit of the same number, filed with MarketWatch Media, Inc.'s Quarterly Report on Form 10Q filed on November 14, 2002).
10.30*	Amended and Restated Employment Agreement dated as of March 10, 2003, between MarketWatch Media, Inc. and Joan Platt (Incorporated by reference to exhibit of the same number, filed with MarketWatch Media, Inc.'s Quarterly Report on Form 10Q filed on November 14, 2002).
10.31*	Amended and Restated Employment Agreement dated as of July 1, 2002, between MarketWatch Media, Inc. and Lawrence Kramer (Incorporated by reference to exhibit of the same number, filed with MarketWatch Media, Inc.'s Quarterly Report on Form 10Q filed on November 14, 2002).
10.32*	Employment Agreement, effective as of March 17, 2003, between MarketWatch Media, Inc. and Douglas S. Appleton (Incorporated by reference to Exhibit 10.32, filed with MarketWatch Media, Inc.'s Quarterly Report on Form 10-Q filed on May 15, 2003).
10.33	Reserved.
10.34	Lease Agreement, dated June 13, 2000, between Pinnacor Inc. and Northbridge House Limited (Incorporated by reference to Exhibit 10.22, filed with Pinnacor Inc.'s Registration Statement on Form S-1 (File No. 333-30548) initially filed on February 16, 2000).
10.35	Pinnacor Inc. 1999 Stock Option Plan (Incorporated by reference to Exhibit 10.13, filed with Pinnacor Inc.'s Registration Statement on Form S-1 (File No. 333-30548) initially filed on February 16, 2000).
10.36	Pinnacor Inc. Form of 2000 Equity Incentive Plan (Incorporated by reference to Exhibit 10.14, filed with Pinnacor Inc.'s Registration Statement on Form S-1 (File No. 333-30548)

	initially filed on February 16, 2000).
10.37	Pinnacor Inc. Amendment 2002-1 to 2000 Equity Incentive Plan (Included as Appendix I to Pinnacor Inc.'s proxy statement filed on April 30, 2002)
10.38	Warrant Agreement, dated June 7, 1999, between Pinnacor Inc. and Deutsche Bank Securities Inc. (Incorporated by reference to Exhibit 10.3, filed with Pinnacor Inc.'s Registration Statement on Form S-1 (File No. 333-30548) initially filed on February 16, 2000).
10.39	Warrant Agreement, dated June 15, 1999, between Pinnacor Inc. and Hut Sachs Studio (Incorporated by reference to Exhibit 10.9, filed with Pinnacor Inc.'s Registration Statement on Form S-1 (File No. 333-30548) initially filed on February 16, 2000).
10.40	Warrant Agreement, dated August 16, 2000, between Pinnacor Inc. and Mad Dogs and Englishmen (Incorporated by reference to Exhibit 10.23, filed with Pinnacor Inc.'s Registration Statement on Form S-1 (File No. 333-30548) initially filed on February 16, 2000).
10.41	Assignment, Consent and Amendment of Amended and Restated License Agreement dated as of January 16, 2004 by and among the Registrant, CBS and NMP, Inc.+
10.42*	Employment Agreement dated as of January 16, 2004 between Jeff Davis and Registrant.+
21.01	Subsidiary of Registrant.+
23.01	Consent of PricewaterhouseCoopers LLP. +
31.1	Certification of Larry S. Kramer under Section 302 of the Sarbanes-Oxley Act of 2002. +
31.2	Certification of Joan P. Platt under Section 302 of the Sarbanes-Oxley Act of 2002. +
32.1	Certifications under Section 906 of the Sarbanes-Oxley Act of 2002. +

* Indicates a management contract or compensatory plan or arrangement.
\+ Indicates filed herewith.

PDF Also provided in PDF format as a courtesy.